

Embracing ESG for a sustainable future

Environmental, social and governance (ESG) is a framework to assess the three central factors in assessing the sustainable, responsible and ethical structure of an organization.

ESG reporting

From reducing an organization's carbon footprint, to committing to diversity and inclusion in the workforce and increasing transparency, investment into and reporting on ESG criteria has gained prominence as a measure of an organization's ability to manage risk and boost value.

ESG considerations

Instituting and reporting on ESG criteria reflect an organization's proactive strategies on material issues that drive sustainability and competitive advantage in cost leadership, product differentiation and intellectual capital.



Environmental – encompasses how an organization is exposed to and manages risks and opportunities related to climate, natural resource scarcity, pollution, waste management, biodiversity management and other environmental factors.



Social – considers an organization's values and business relationships which include labor and supply-chain standards, employee attraction and retention, employee health and safety, product quality and safety, diversity and inclusion, customer data privacy, social acceptability of projects and organizational culture.



Governance – incorporates information on the structure and diversity of the board of directors, executive compensation, critical event responsiveness, corporate resiliency, cybersecurity, reliable financial disclosure, and formal policies and positions on topics such as lobbying, political contributions, including bribery and corruption.

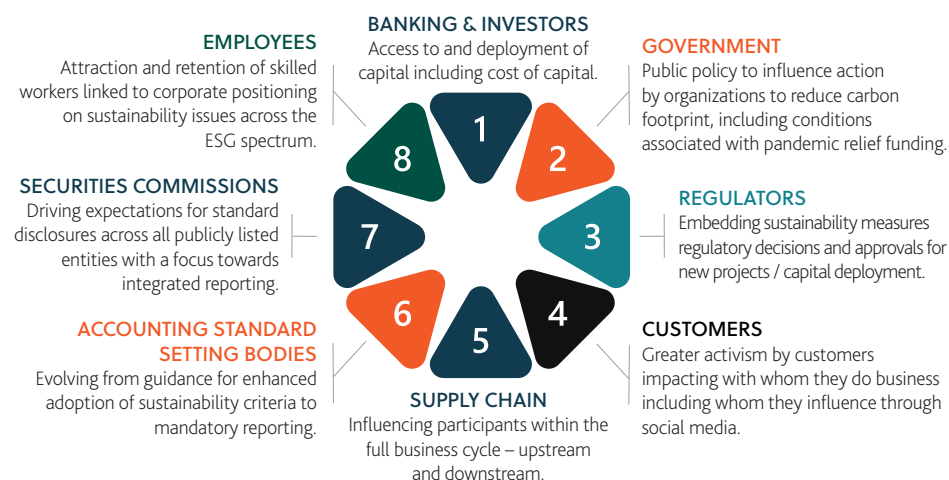
ESG drivers

There are a growing number of drivers pushing companies to strengthen ESG performance. ESG today adopts a more robust approach than the historic use as a marketing tool, which enabled corporate inaction through the making of largely symbolic gestures.

- Securities commissions are studying minimum thresholds for mandatory integrated reporting.
- Accounting standard-setting bodies are developing international corporate reporting requirements on sustainability issues.
- Governments are weighing in on desired disclosures; the United Kingdom is the first to mandate climate-related financial disclosures across the entire economy by 2025.
- More investors are using ESG information to inform their decisions.
- Regulators are beginning to embed sustainability measures into decisions, rate structures and new capital-intensive infrastructure projects.

As corporate ESG integration upsurges, the risks for less ESG-mature businesses grow.

ESG is being driven by multiple forces...



Value of ESG Reporting

Financial reporting captures only a portion of a company's value creation potential and organizational risks. ESG reporting is critical to communicate the urgency your organization places on sustainability, as well as quantification and validation of your sustainability efforts. Well formed ESG reports deliver:

- Integrated reporting by providing a fuller picture of your value creation potential and enterprise risk landscape.
- Commitment to driving sustainability and competitive advantage among dimensions of cost leadership, product / service differentiation, and intellectual capital development.
- Disclosure of intangible yet financially material factors such as strategy, innovation, capacity, reputation management, commercial risk mitigation and resource efficiency.
- Enhanced performance by strategically embedding certain risks, uncertainties, challenges and trends that may affect financial performance and long-term sustainability.

How MNP can help

MNP has authored a sustainability maturity model to help our clients begin addressing the changing needs for sustainability leading from identification of material issues through to ultimate reporting. No matter where you are on your ESG journey, our team can assess where you are and help to define where you want to be regarding adoption and implementation.

As people understand more about their place in an interconnected world, the demand for your organization to act in a more responsible, equitable and sustainable way is becoming ever louder. The key is to undertake this journey in a meaningful way that still makes for profitable and innovative business decisions.

MNP Service Offerings

Baseline

- Initial assessment of operational footprint, products, services, customers, markets and geographic locations
- Inventory of existing disclosures
- Maturity assessment
- Create business case for ESG adoption

Stakeholders

- Identify and inventory internal and external stakeholders
- Conduct stakeholder consultation
- Compile listing of E, S & G issues

Impact

- Conduct impact assessments for ESG issues
- Prioritize impacts to identify key issues for actioning
- Benchmark and market research for industry comparison
- Build organizational capabilities

Framework

- Select relevant ESG framework
- Create management system and data integrity for information gathering
- Establish materiality thresholds
- Assist with setting ESG targets
- Train board and management

Reporting

- Reporting format, content and disclosure medium
- Integrated reporting
- Compliance with regulatory and legislative requirements
- Qualitative and quantitative information

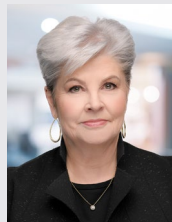
Assurance

- Independent, third-party validation of ESG disclosures
- Testing and validation of management systems, data, and disclosure controls and procedures

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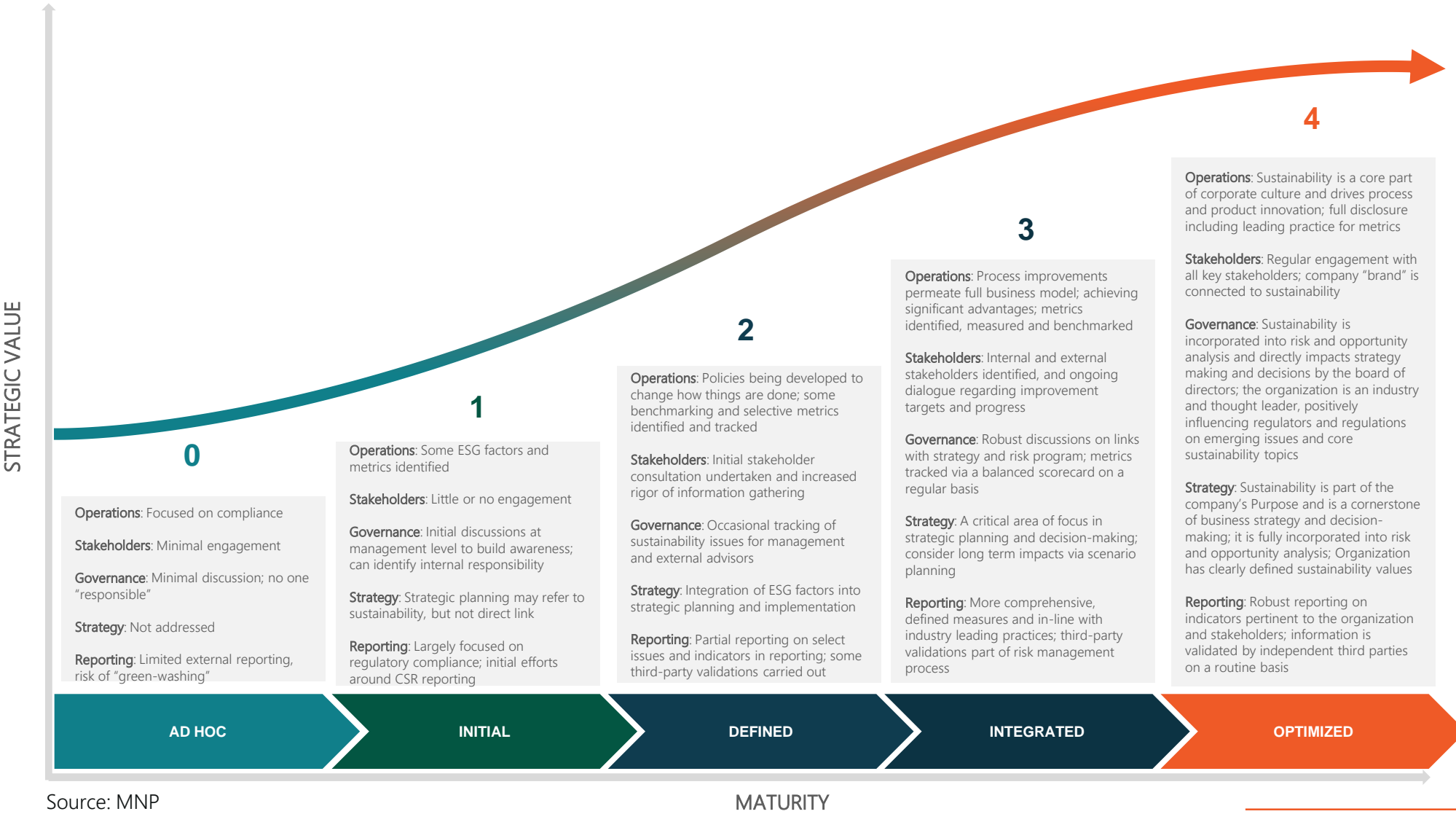
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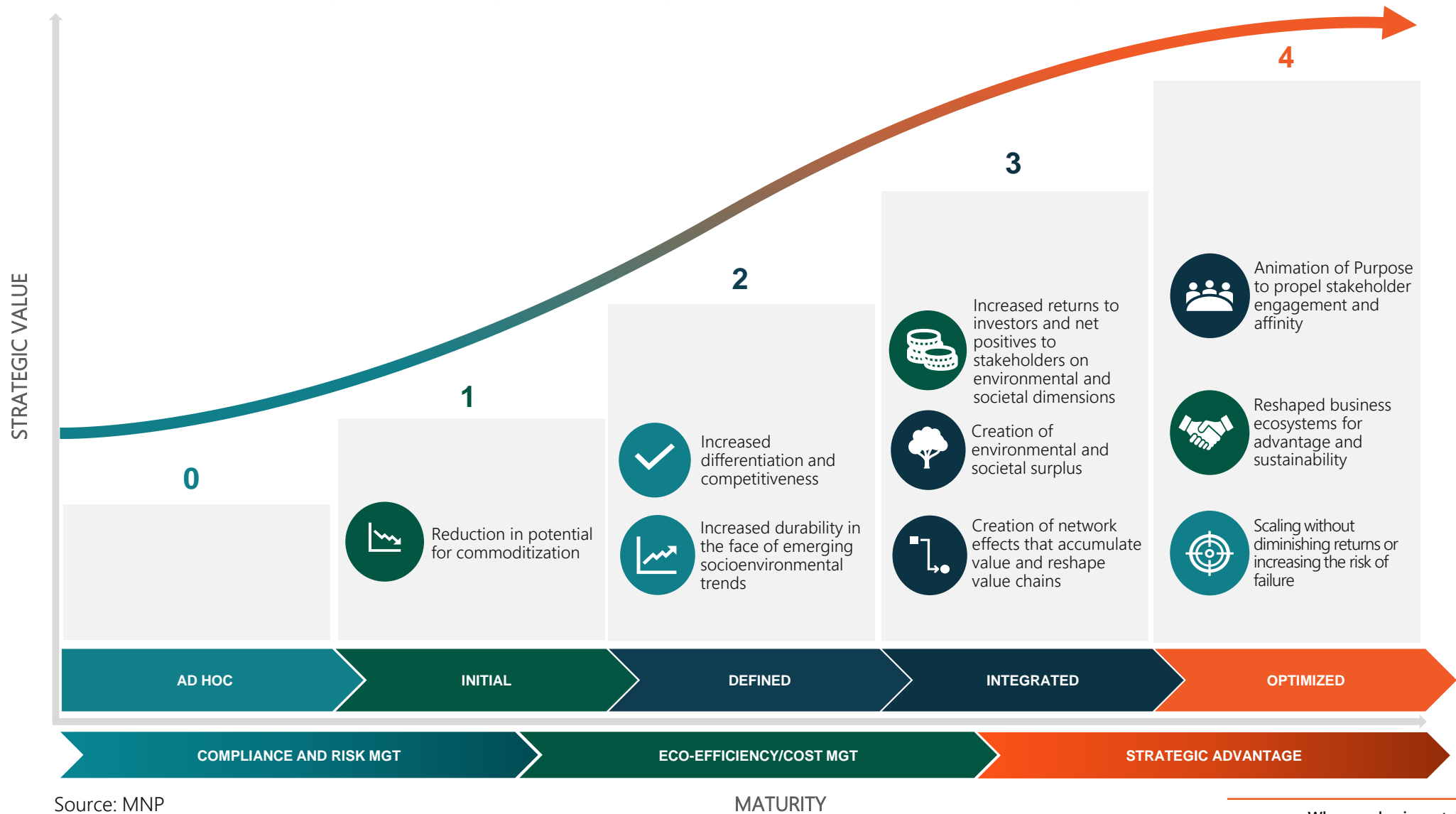
Wherever business takes you

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MNP's Sustainability Maturity Model



Advantages by Stage of Maturity



Source: MNP