

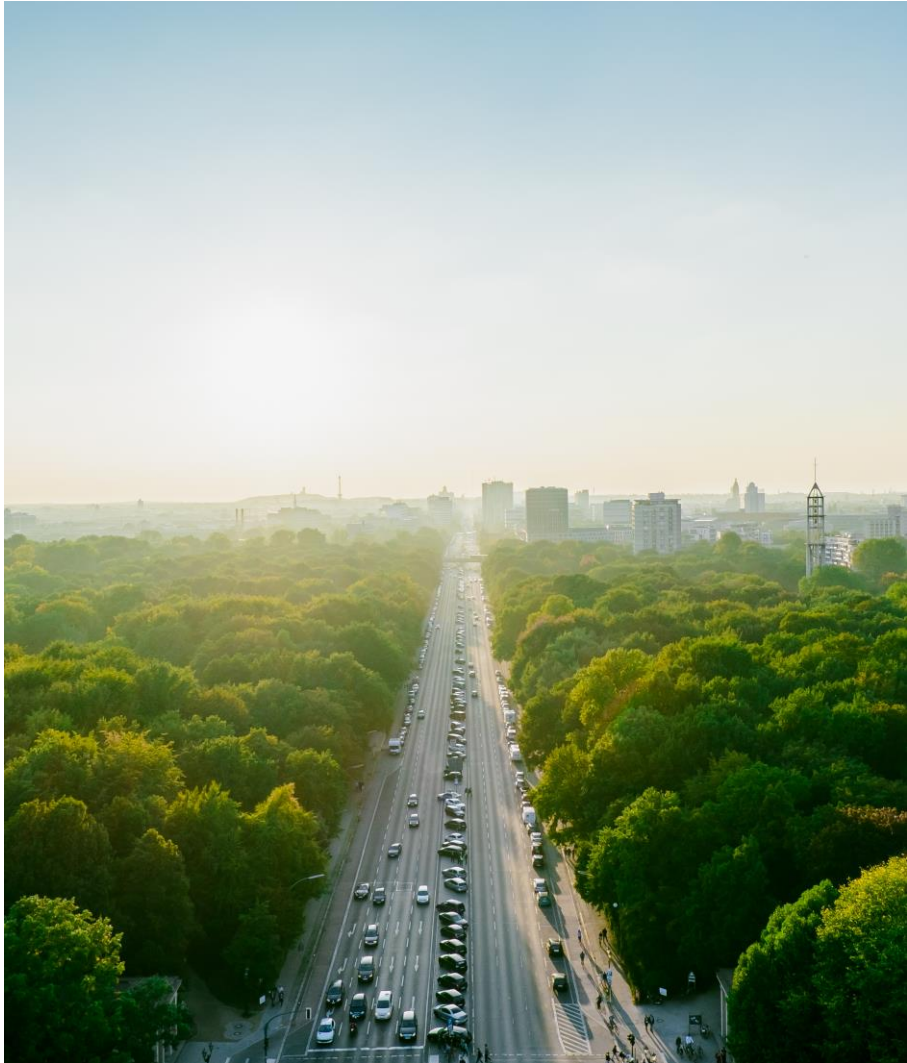


Knowledge Solutions

What is Driving Your ESG/Sustainability Strategy?

Adam Hammes | October 18, 2022





Agenda

- About SGS
- 5 North America drivers
- 6 key business challenges
- Frameworks, standards, and rating agencies
- Building a tailored strategy
- Q&A

Speaker



Adam Hammes

ESG Director

Adam.Hammes@sgs.com

Adam has 20 years of experience as a corporate ESG/sustainability consultant, author, and instructor. Founder of multiple organizations. MBA with international education and leadership experience integrating ESG/sustainability in strategy.

- FSA Credential—Level I (SASB)
- GRI Certified Professional
- AA1000 Stakeholder Engagement Practitioner
- Integrated Reporting Credential

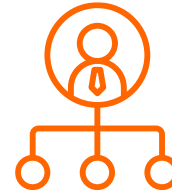
SGS is a purpose-driven company



Sustainability is embedded in our company



Sustainability is one of our business principles



CEO actively involved



Specific sustainability committee at Board level

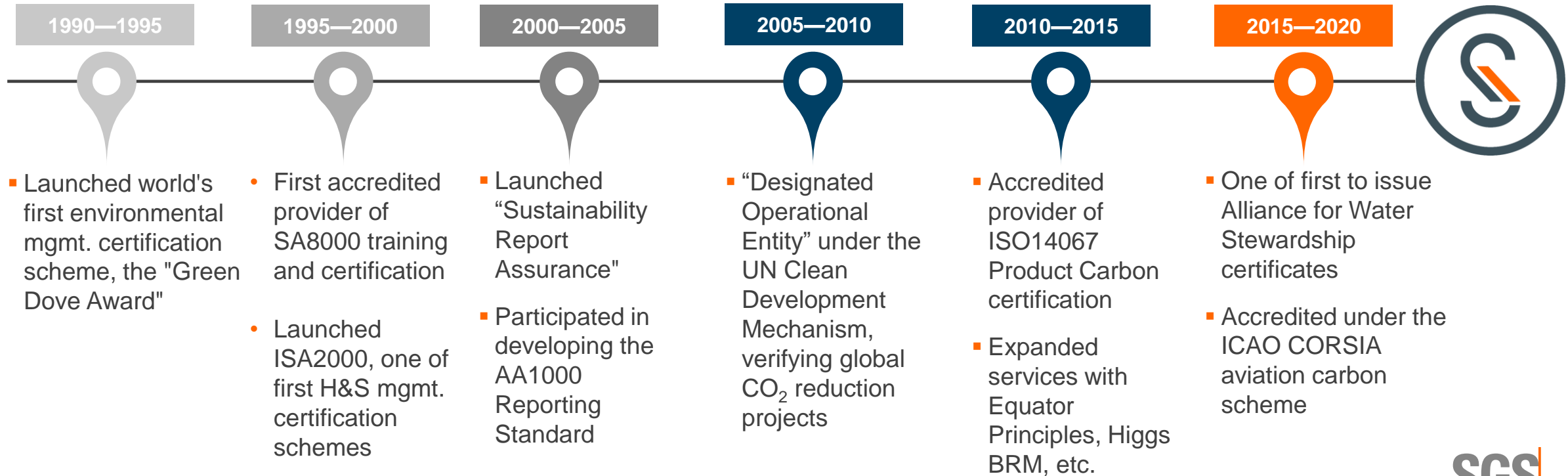


Long-term incentive of top management linked to sustainability

SGS business principles for success



25+ years of sustainability experience



Recognized sustainability leadership

- Internationally acknowledged year over year
- Raising the bar for sustainability in our industry and beyond



Platinum
rating

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

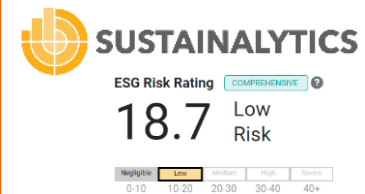
A leader for
8 straight years



PRIME
Industry Rating



AAA
Risk Rating



'Low Risk'
Rating



Leader: A-
Rating

Polling Question #1

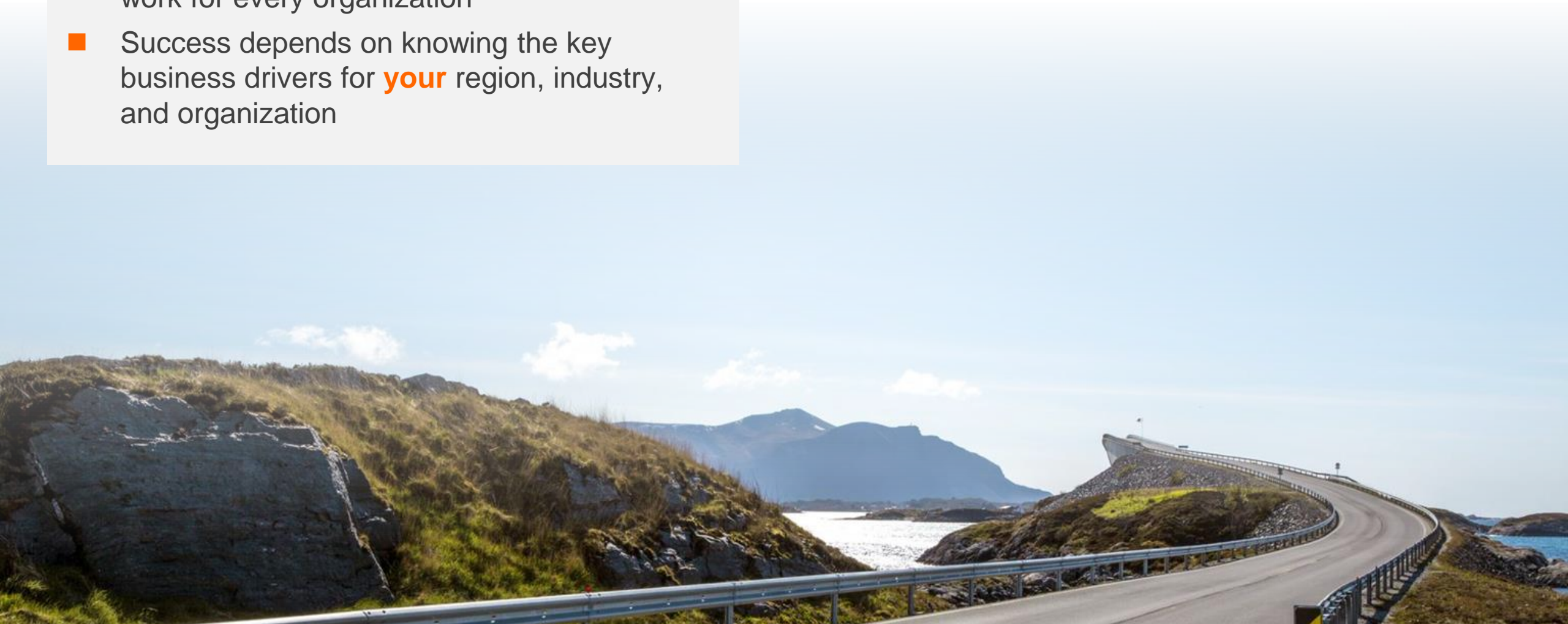
Does your organization publish an annual ESG/sustainability report?

- Yes
- No
- I don't know



Why business drivers matter

- There are no “off-the-shelf” solutions that will work for every organization
- Success depends on knowing the key business drivers for **your** region, industry, and organization



North American driver #1

ESG Scores—Investors & Lenders

- **DJSI** (Dow Jones Sustainability Index)
- **MSCI** (Morgan Stanley Capital International)
- **ISS** (Institutional Shareholder Services)
- **CDP** (Carbon Disclosure Project)
- **Sustainalytics**
- **Ecovadis**



North American driver #2

Supply Chain Customers

- Increasingly weighted ESG scores are prioritizing impacts within the supply chain vs. just operations
 - *Example: ISO 14064:2018 mandates inclusion of indirect emissions vs. GHG Protocol Scope 3 emissions still optional*
- Large global brands now requesting all (mandating some) suppliers disclose ESG performance, including GHG emissions, as the brand's only path to achieving their sustainability goals

Majority of supplier mandates focus on CDP and Ecovadis.



North American driver #3

Regulatory Pressure

- Canada
 - *CSA Staff Notice 51-358 and annual budget proposal both recommend TCFD requirements*
- USA
 - *Proposed US SEC Rule Change: 17 CFR 210, 229, 232, 239, and 249 for GHG disclosures*
- International Supply Chains
 - *Far more pressure coming from regulations out of the EU, South America, and eastern Asia*



North American driver #4

Consumers

- Once a niche market, LOHAS (Lifestyles of Health & Sustainability) consumers represent a \$546 billion market
 - USA 23% ▲ 10% annually
 - Japan 29%
 - New Zealand 33%
- According to McKinsey survey, 70% of consumers willing to pay more for a green product that performs just as well as the non-green product
- About 1/2 of companies surveyed stated business growth drove their sustainability initiatives

The logo for the LOHAS index, featuring the word "LOHAS" in a bold, green, sans-serif font above the word "index" in a smaller, green, sans-serif font. A small green leaf icon is positioned to the right of the word "index".

LOHAS
index™

The logo for McKinsey & Company, consisting of the text "McKinsey & Company" in a white, serif font centered on a dark blue background.

McKinsey
& Company

North American driver #5

Talent

- 2020 Unily survey of 2,000 UK-based office workers
 - *83% thought employer was not doing enough to tackle sustainability and climate change*
 - *65% would prefer working for a company with robust environmental policies*
- IBM's 2022 Institute for Business Value (IBV) surveyed over 16,000 employees in 10 countries
 - *67% more willing to apply for and accept positions with a company they felt "sustainable"*



Polling Question #2

What is your organization's #1 business driver for ESG / sustainability performance?

- ESG scores
- Supply chain customers
- Regulations
- Consumers
- Talent
- Other



Major challenges

- Understanding existing and potential investors' ESG/sustainability criteria
- Understanding who your business' significant stakeholders are, their impact and influence on your company, and which issues they feel you should be addressing
- Understanding which topics/issues are “material” to your industry and region
- Understanding which reporting frameworks and standards, if any, you should follow
- Finding a standardized approach to collecting, storing, managing, and disclosing ESG/sustainability data—perhaps for the first time
- Innovating and collaborating to find industry solutions to persistent global problems



Polling Question #3

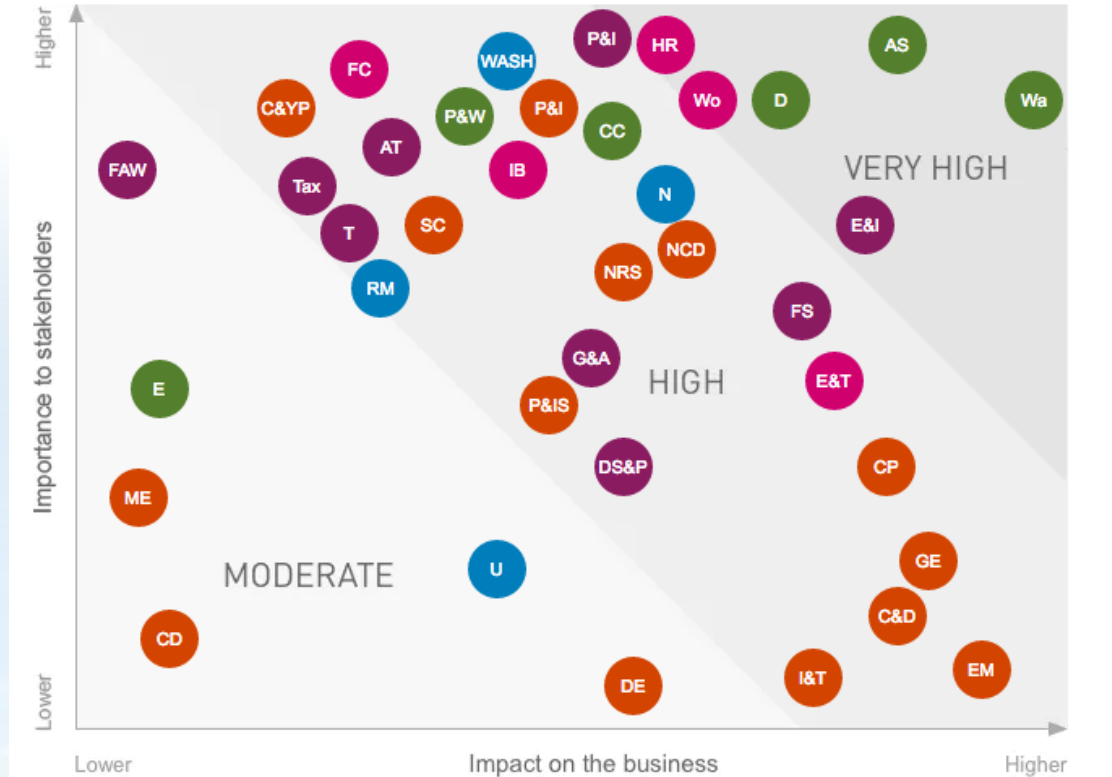
Has your organization conducted a formal materiality assessment?

- Yes
- No
- I Don't Know



Why “materiality” matters

- There are so many frameworks, standards, ESG rating agencies, and stakeholders that you could **never** make everyone happy
- “Material” topics are those **most relevant** to your industry and business, either impacting the business or the business impacting the planet and society
- Identifying “material” topics typically requires **benchmarking** and **stakeholder** identification, assessment, and engagement



Polling Question #4

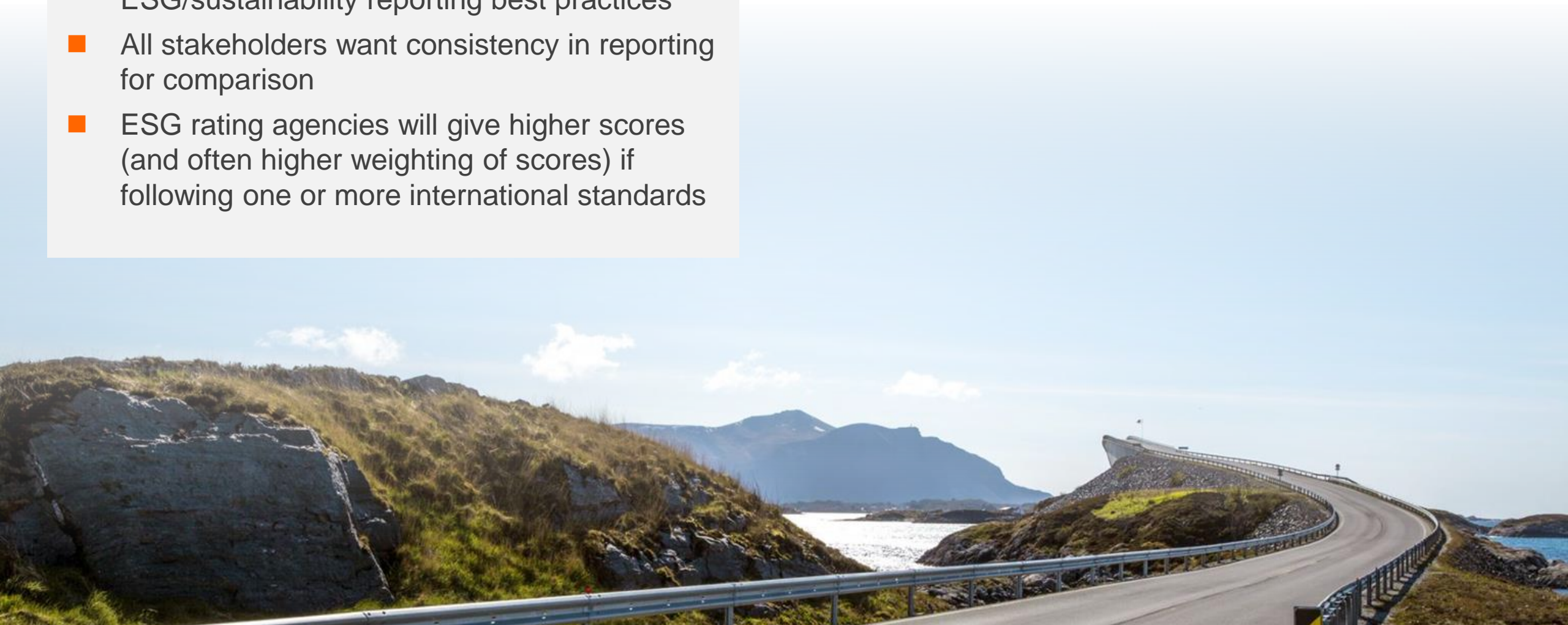
What is the #1 framework or standard your organization is trying to align with?

- GRI
- UN SDGs
- SASB
- <IR>
- TCFD
- Other...



Frameworks, standards, and rating agencies

- Growing international alignment on expected ESG/sustainability reporting best practices
- All stakeholders want consistency in reporting for comparison
- ESG rating agencies will give higher scores (and often higher weighting of scores) if following one or more international standards



4 ESG frameworks & standards







The ESG/sustainability sandbox

Visual Analogy





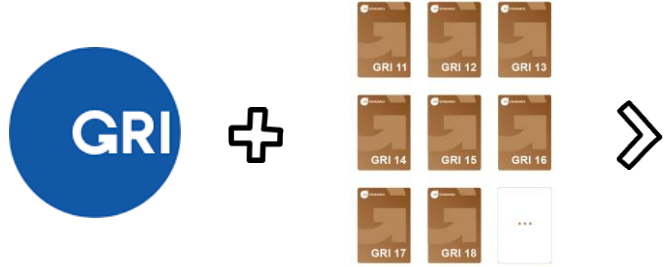
GRI Global Reporting Initiative	UN SDGs Sustainable Development Goals	<IR> Integrated Reporting Framework	SASB Sust. Acct. Standards Board
<p>1997</p> <p>Framework & Standard Public & Investors</p> <p>3 Categories 34 Topics 155 Metrics</p> 	<p>2000</p> <p>Framework & Standard Public & Investors</p> <p>17 Topics 169 Metrics</p> 	<p>2009</p> <p>Framework Investors Combined Annual Report</p> <p>7 Topics 0 Metrics</p> 	<p>2011</p> <p>77 Industry Standards Investors</p> <p>\bar{x} 5 Topics \bar{x} 13 Metrics (per Standard)</p> 

2022 alignment

Audience: Investors Only



Audience: Investors & Public



Polling Question #5

Which ESG rating agency do you believe is the most reputable with your organizations' investors or stakeholders?

- MSCI
- ISS
- CDP
- Sustainalytics
- Ecovadis
- Other...

4 ESG rating agencies



5 ESG rating agencies

DJSI (Down Jones Sustainability Index) – 300 orgs (1999)

MSCI (Morgan Stanley Capital International)—8,500 orgs (1990)

ISS (Institutional Shareholder Services)—11,500 orgs (1997)

CDP (Carbon Disclosure Project)—13,000 orgs (2000)

Sustainalytics—20,000 orgs (1992)

Ecovadis—90,000 orgs (2007) **semi-private scores*

Analogy: Helicopter Parents
Playground Police



Building a tailored strategy

Key Business Drivers (NAM)	Frameworks & Standards	ESG Rating Agencies	ESG/Sustainability 5-Step Cycle
1. ESG scores	GRI	MSCI	1. Understanding issues, trends, and strategy
2. Supply chain	UN SDGs	ISS	2. Defining materiality, risks, and opportunities
3. Regulation	SASB	CDP	3. Setting KPIs, goals, and planning
4. Consumers	<IR>	Sustainalytics	4. Implementation of initiatives and projects
5. Talent	TCFD	Ecovadis	5. Disclosure of management and performance



Strategy

Implementation

1

Understanding issues, trends, and strategy

Internal opportunity to review issues before sharing externally

*Governance structure
Important definitions
Relevant topics
Business drivers
Education and training*

2

Defining materiality, risks, and opportunities

*Assess stakeholders
Engagement feedback
Benchmarking
Assessment tools
Ranking material topics
Risks and opportunities*

3

Setting KPIs, goals, and planning

*Vision and back-casting
Critical KPIs and goals
Assign senior champions
Allocating resources*

4

Implementation of initiatives and projects

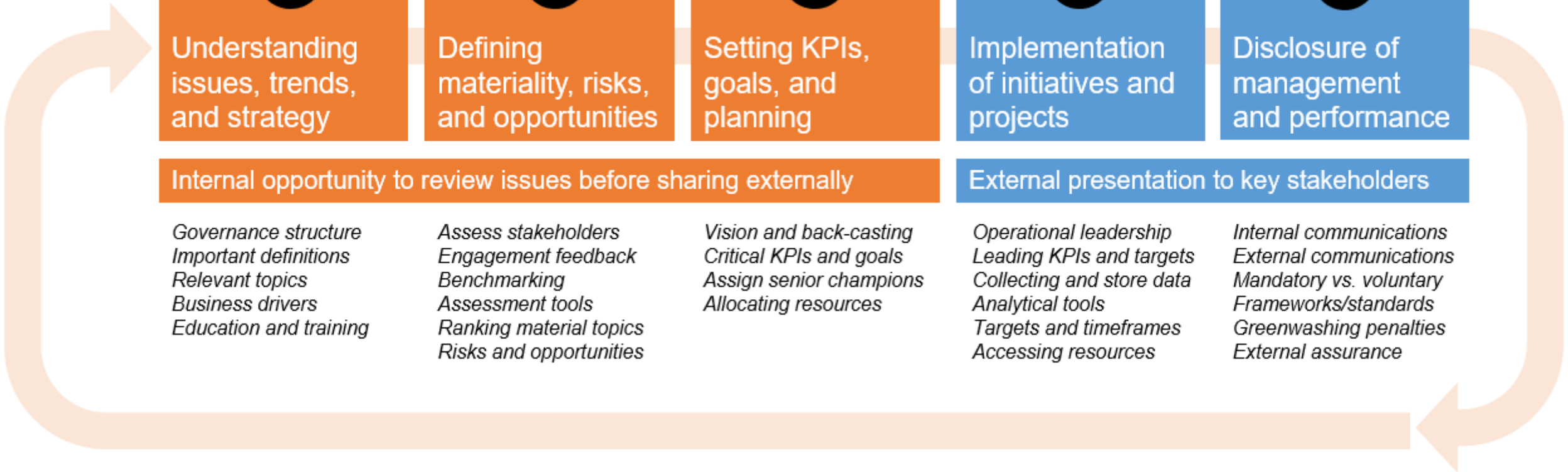
External presentation to key stakeholders

*Operational leadership
Leading KPIs and targets
Collecting and store data
Analytical tools
Targets and timeframes
Accessing resources*

5

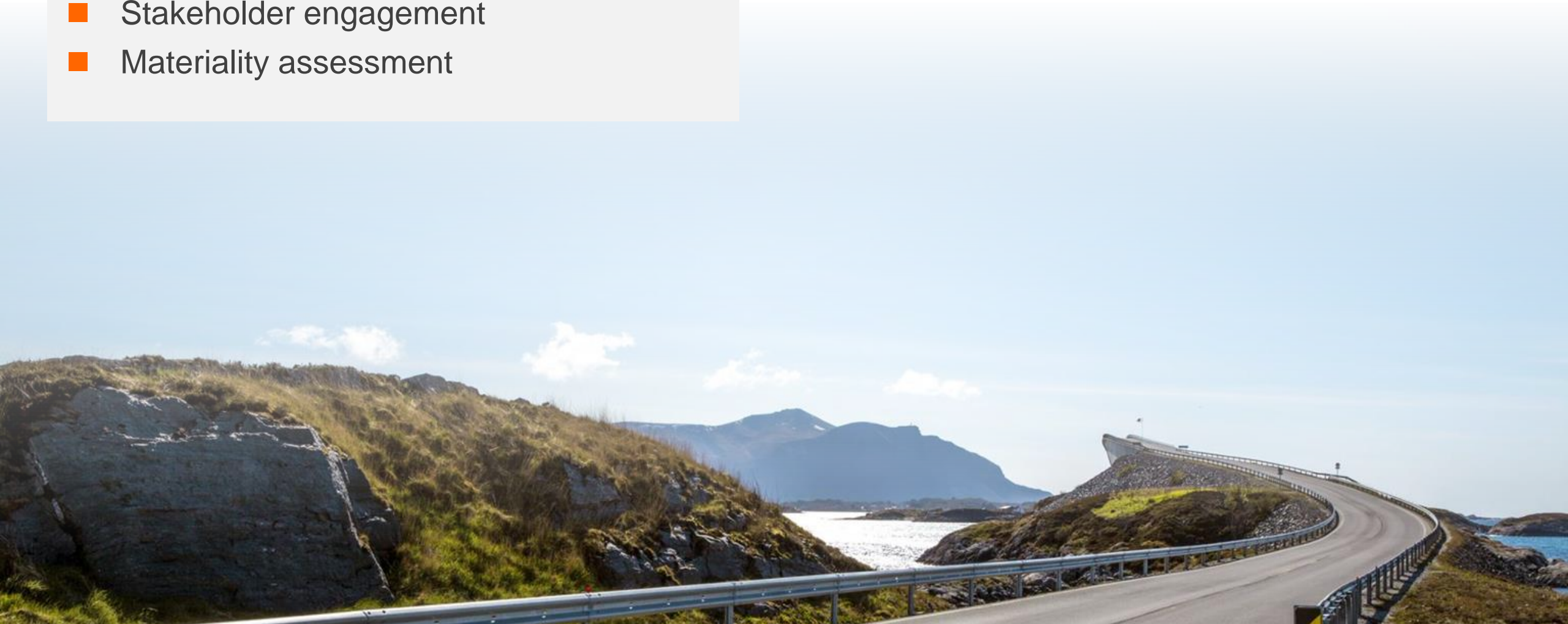
Disclosure of management and performance

*Internal communications
External communications
Mandatory vs. voluntary
Frameworks/standards
Greenwashing penalties
External assurance*



Fundamental building blocks

- Relevant training
- Stakeholder engagement
- Materiality assessment



ESG/Sustainability Solutions

SGS

SERVICE TYPES



ADVISORY

Customized services consultative in nature and scoped accordingly



ASSESSMENT

Pre-defined services non-consultative in nature and scoped according to standards

ESG / SUSTAINABILITY



SUSTAINABILITY SOLUTIONS

- **Scoring** (Advisory)
 - MSCI, ISS, Sustainalytics, Ecovadis, etc.
- **Assessment**
 - Health Check
 - Performance Assessment
 - Materiality Assessment
- **Reporting** (Advisory)
 - GRI, SASB, UN SDGs, etc.
- **Report Assurance**
 - KPIs, GRI, SASB, UN SDGs
- **Certification** (SGS)



CLIMATE ACTION



GREENHOUSE GAS (GHG) SOLUTIONS

- **Emission Inventories** (Advisory)
- **Reporting** (Advisory)
 - CDP, TCFD
- **Science-Based Targets** (Advisory)
- **Verification**
 - GHG Protocol
 - ISO 14064/7
 - Carbon Neutral Claims
 - PAS 2060

SGS

ESG/Sustainability

2. Materiality & Strategy

50% OFF

SGS

November 29, 2022

COURSE LOCATIONS



PUBLIC

Predetermined dates, set locations, interacting with other organizations'



IN-HOUSE

Conducted on-site, tailored message and style best suited to your culture and requirements

COURSE DESCRIPTION

1 Day



Gives you the knowledge to define and understand your organization's most relevant ESG issues, drivers and associated criteria, risks, and opportunities to align with your core business strategy.

Topics

- Stakeholder identification
- Stakeholder assessment
- Stakeholder engagement
- Materiality assessment
- Performance assessment
- Visioning and back-casting
- Goal and policy setting
- Resource allocation

Audience

Anyone wanting to understand the standards, tools, and process of setting effective corporate ESG/sustainability strategy that builds business value.

- ESG/sustainability directors
- ESG/sustainability governance
- Leadership shaping ESG strategy
- Senior champions of ESG topics

SGS ACADEMY

ESG/Sustainability

3. Management & Execution

50% OFF

SGS

November 30, 2022

COURSE LOCATIONS



PUBLIC

Predetermined dates, set locations, interacting with other organizations'



IN-HOUSE

Conducted on-site, tailored message and style best suited to your culture and requirements

COURSE DESCRIPTION

1 Day



Gives you the knowledge, tools, and management practices to implement successful initiatives around your most relevant ESG issues—including how to fund and achieve adequate performance improvements.

Topics

- 5 stages of performance
- Assigning leadership
- Data collection
- Data storage
- Data analytics
- Key performance indicators
- Policies and targets
- Accessing resources
- Evaluation and review

Audience

Anyone wanting to understand how to effectively implement successful corporate ESG/sustainability initiatives, programs, and projects that build business value and achieve targets.

- Leaders of ESG initiatives
- ESG/sustainability topic specialists
- ESG/sustainability directors
- ESG/sustainability governance
- Leadership shaping ESG strategy
- Senior champions of ESG topics

SGS ACADEMY

ESG/Sustainability

4. Disclosure & Communication

SGS



December 1, 2022

COURSE LOCATIONS



PUBLIC

Predetermined dates, set locations, interacting with other organizations'



IN-HOUSE

Conducted on-site, tailored message and style best suited to your culture and requirements

COURSE DESCRIPTION

1 Day



Gives you the knowledge, standards, and tools to successfully communicate your organization's ESG/sustainability story both internally and externally to key stakeholders in ways that meet their expectations, add business value, and avoid claims of greenwashing.

Topics

- Greenwashing definitions
- Legal risks and brand risks
- 5 stages of communication
- Internal vs. external
- Voluntary vs. mandatory
- Tools for building trust
- Memberships and commitments
- Certification and verification
- Frameworks and standards

Audience

Anyone wanting to understand the standards, tools, and methods for effectively sharing corporate ESG/sustainability performance in ways that build business value.

- Communications, marketing, and sales professionals
- Legal compliance and investor relations professionals
- ESG/sustainability directors
- ESG/sustainability governance
- Leadership shaping ESG strategy
- Senior champions of ESG topics

SGS ACADEMY

GHG Training

SGS

11-7-22

11-8-22

11-9-22

11-10-22

COURSE LOCATIONS



PUBLIC

Predetermined dates, set locations, interacting with other organizations



IN-HOUSE

Conducted on-site, tailored message and style best suited to your culture and requirements



E-LEARNING

Quick and effective training to large numbers with follow-up dates to track progress

COURSE MODULES



1. INTRO TO CARBON ACCOUNTING AND NEUTRALITY

1 Day

For those new to GHG accounting who needs to further their knowledge and understanding of climate change issues.

- Drivers for climate action
- Policy & legislation
- GHG inventories, carbon footprints, and neutrality
- Standards & methodologies
- Key principles for carbon accounting and reporting
- Methodologies for calculating GHG emissions



2. GHG CARBON ACCOUNTING & INVENTORY MGMT

1 Day

For delegates needing the skills and knowledge to develop a GHG inventory according to ISO 14064-1.

- Reporting principles
- Inventory boundaries
- Quantification methodologies
- Preparing an inventory
- Inventory quality management
- Reporting of GHGs
- Preparing for verification



3. GHG PRODUCT CARBON FOOTPRINT

1 Day

For delegates needing the skills and knowledge to develop a GHG inventory according to PAS 2050/2060, ISO 14040-44, ISO 14067:2018, and ISO 14026:2017.

- The process for undertaking a PCF
- PCF standards, including WRI Life Cycle Standard
- Defining boundaries
- PCF quantification
- PCF reporting
- Preparing for verification



4. GHG LEAD AUDITOR (ISO 14064-3, ISO 14065 & ISO 14066)

2 Days

For delegates needing the skills and knowledge to perform as a GHG verifier. The training comprises lecture and workshop exercises.

- Verification preparation
- Developing an approach
- Review and risk analysis
- Verification/sampling plans
- Methods for verification
- Materiality and findings
- Verification statements

SGS ACADEMY



Thank you!

Do you have any questions?

Email

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Web

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