What is Driving Your ESG/Sustainability Strategy?
Agenda

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

**SGS business principles for success**

- **Integrity**
  Making sure we build trust

- **Health, Safety & Environment**
  Making sure we establish safe and healthy workplaces and protect the environment

- **Quality and Professionalism**
  Making sure we act and communicate responsibly

- **Respect**
  Making sure we treat all people fairly

- **Sustainability**
  Making sure we add long-term value to society

- **Leadership & Innovation**
  Making sure we work together and think ahead

**CEO actively involved**

**Specific sustainability committee at Board level**

**Long-term incentive of**
**top management linked to sustainability**
25+ years of sustainability experience

- **1990—1995**
  - Launched world's first environmental mgmt. certification scheme, the "Green Dove Award"

- **1995—2000**
  - First accredited provider of SA8000 training and certification
  - Launched ISA2000, one of first H&S mgmt. certification schemes

- **2000—2005**
  - Launched “Sustainability Report Assurance"
  - Participated in developing the AA1000 Reporting Standard

- **2005—2010**
  - “Designated Operational Entity” under the UN Clean Development Mechanism, verifying global CO₂ reduction projects

- **2010—2015**
  - Accredited provider of ISO14067 Product Carbon certification
  - Expanded services with Equator Principles, Higgs BRM, etc.

- **2015—2020**
  - One of first to issue Alliance for Water Stewardship certificates
  - Accredited under the ICAO CORSIA aviation carbon scheme

- **2020—2025**
  - "Designated Operational Entity" under the UN Clean Development Mechanism, verifying global CO₂ reduction projects
  - Expanded services with Equator Principles, Higgs BRM, etc.
Recognized sustainability leadership

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

- 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 ½ of companies surveyed stated business growth drove their sustainability initiatives
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
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

ESG Frameworks & Standards

ESG Rating Agencies

(TC) Climate Change
The ESG/sustainability sandbox

Visual Analogy
<table>
<thead>
<tr>
<th>GRI</th>
<th>UN SDGs</th>
<th>&lt;IR&gt;</th>
<th>SASB</th>
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<tbody>
<tr>
<td>Framework &amp; Standard</td>
<td>Framework &amp; Standard</td>
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<td>77 Industry Standards</td>
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<tr>
<td>Public &amp; Investors</td>
<td>Public &amp; Investors</td>
<td>Investors</td>
<td>Investors</td>
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<tr>
<td>3 Categories</td>
<td>17 Topics</td>
<td>Combined Annual Report</td>
<td>5 Topics</td>
</tr>
<tr>
<td>34 Topics</td>
<td>169 Metrics</td>
<td></td>
<td>13 Metrics</td>
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<tr>
<td>155 Metrics</td>
<td></td>
<td></td>
<td>(per Standard)</td>
</tr>
</tbody>
</table>
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

ESG Frameworks & Standards

ESG Rating Agencies

(E) Climate Change
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

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

**Strategy**
1. Understanding issues, trends, and strategy
2. Defining materiality, risks, and opportunities
3. Setting KPIs, goals, and planning

**Internal opportunity to review issues before sharing externally**
- Governance structure
- Important definitions
- Relevant topics
- Business drivers
- Education and training
- Assess stakeholders
- Engagement feedback
- Benchmarking
- Assessment tools
- Ranking material topics
- Risks and opportunities
- Vision and back-casting
- Critical KPIs and goals
- Assign senior champions
- Allocating resources

**Implementation**
4. Implementation of initiatives and projects
5. Disclosure of management and performance

**External presentation to key stakeholders**
- Operational leadership
- Leading KPIs and targets
- Collecting and store data
- Analytical tools
- Targets and timeframes
- Accessing resources
- 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

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
ESG/Sustainability
2. Materiality & Strategy

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
ESG/Sustainability
3. Management & Execution

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
ESG/Sustainability
4. Disclosure & Communication

December 1, 2022

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
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
Thank you!
Do you have any questions?

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