

A blue-tinted photograph of a large solar farm with rows of solar panels in the foreground and a city skyline with several skyscrapers in the background.

**ESGs AND SUSTAINABLE
VALUE CREATION:
Aligning Reporting Against
Environmental, Social and
Governance Indicators**



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Introduction

At the 2020 World Economic Forum Annual Meeting in Davos, 120 of the world's largest companies supported efforts to develop a core set of common metrics and disclosures on non-financial factors for their investors and other stakeholders.

The resulting report, [Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation](#), presents the conclusions of a six-month open consultation process to define common metrics for sustainable value creation. The core and expanded set of "Stakeholder Capitalism Metrics" and disclosures can be used by companies to align their mainstream reporting on performance against environmental, social and governance (ESG) indicators and track their contributions towards the sustainable development goals (SDGs) on a consistent basis. The metrics are deliberately based on existing standards, with the near-term objectives of accelerating convergence among the leading private standard-setters and bringing greater comparability and consistency to the reporting of ESG disclosures.

This project, developed within the International Business Council, a community of over 120 global CEOs, seeks to improve the ways that companies measure and demonstrate their contributions towards creating more prosperous, fulfilled societies and a more sustainable relationship with our planet. This report is a follow-up to the draft for consultation, [Towards Common Metrics and Consistent Reporting of Sustainable Value Creation](#), which was launched in January 2020 at the Annual Meeting of the World Economic Forum and is just the latest effort that examines sustainability and sustainable development.

The 2030 Agenda for Sustainable Development and Beyond

In 2015, under the auspices of the United Nations, 193 countries signed up to the 2030 Agenda for Sustainable Development. This document was an aspirational commitment to formulate a road map to provide for the economic viability, environmental protection and social equity for the planet and its people. It contained 17 goals, and these created guidelines that, if implemented, would lead to more equitable, inclusive and peaceful societies and provide environmental protection for life on land and below water.

The goals and their interconnecting and overlapping aims can be divided into three areas of concern—environmental, social and governance. These 17 SDGs are broken down into three categories: Environmental, Social and Governance. (Note: some goals are repeated because they are relevant to more than one category.)

ENVIRONMENTAL



SOCIAL



GOVERNANCE



While many of these goals are covered by national laws and regulations in countries around the world, ESG concerns have moved to the forefront of business planning and investor concerns, as witnessed by the reports from the World Economic Forum. In response to the changes in public policy, sustainable business strategies now are being evaluated in relation to their impact on people, planet, purpose and profit and how they can be achieved through innovation and technology.

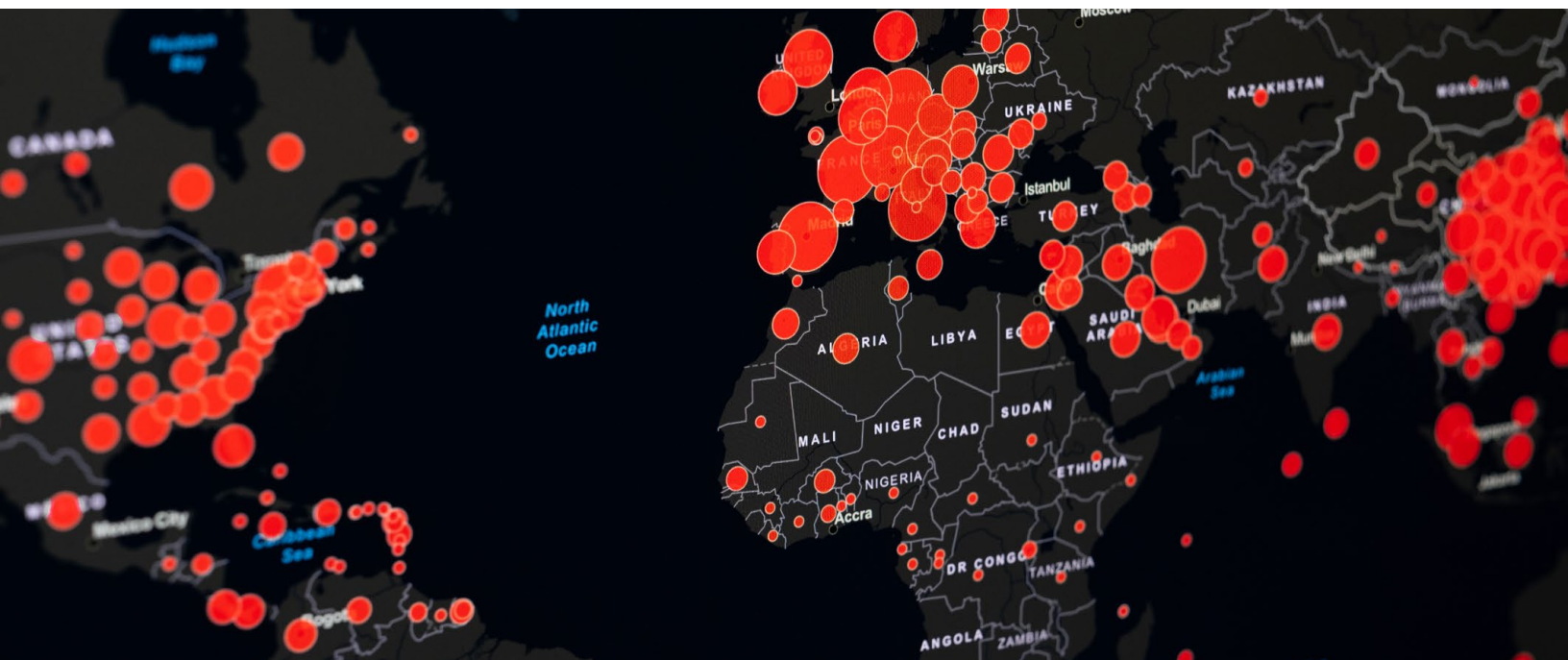
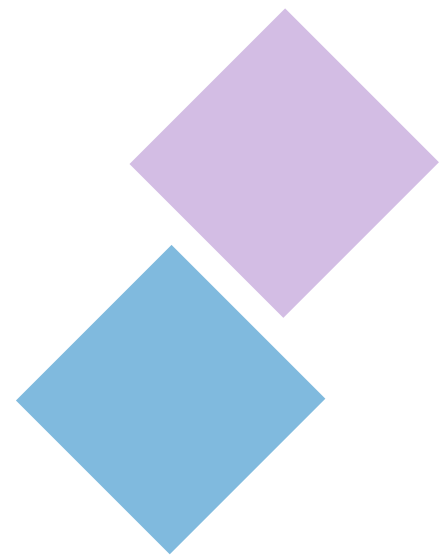
What the Pandemic of 2020 Revealed


Covid 19 and its global impact has focused attention both on the strains imposed on our health systems and their ability of those systems to respond to the challenges presented by the virus and the interconnecting of people and travel that have acted as vectors in the spread of the disease. The pandemic served to emphasize the vulnerability of people and societies.

Our world, and the diversity of ecosystems it supports, is threatened by deforestation, pollution, greenhouse gas emissions, draining of wetlands, climate change, globalization and other factors of modern life. As noted by World Health Organization Director-General Dr. Tedros Adhanom Ghebreyesus [in an address](#) to the 73rd World Health Assembly on May 18, 2020: “The pandemic is a reminder of the intimate and delicate relationship between people and planet. Any efforts to make our world safer are doomed to fail unless they address the critical interface between people and pathogens, and the existential threat of climate change, that is making our Earth less habitable.”

In addition to the devastation caused by the COVID 19 pandemic, we have seen the highest number of storms and hurricanes ever logged in one year and the worst wildfires on record, which also serve to re-emphasize the message of the need to protect the environment. Deforestation, microplastic contamination of the oceans and environmental damage related to spills and contamination all are examples of how lack of cohesive and coherent regulations and conduct have exacerbated and accelerated the destruction of both land above sea and land below water.

“ Sustainable business strategies now are being evaluated in relation to their impact on people, planet, purpose and profit and how they can be achieved through innovation and technology.”





The combined impact of these events has highlighted the need for governmental and inter-governmental action to move toward achieving the goals set out in the Paris Agreement 2015, which seeks to address climate change and its negative impacts. The plan is to achieve a global temperature rise of less than 2 degrees centigrade above pre-industrial levels. Britain and other countries have declared the target of being carbon neutral by 2050. U.S. President-Elect Joe Biden has promised as part of [the Biden Plan for a Clean Energy Revolution and Environmental Justice](#) that the United States will achieve a 100 percent clean energy economy and reach net-zero emissions no later than 2050.

Gas and oil production and car manufacturing have pivoted and are radically re-thinking their future plans and development strategies in response to these requirements and stakeholders' concerns.



Aligning what's best for the environment with what's best for the business has become key, as investment in a healthy planet not only is an investment in the health of workers and others, but an investment in the health of the world's economies and in individual businesses.

The Biden Plan for a Clean Energy Revolution and Environmental Justice

Fundamental to Joe Biden's plan is the acceptance of the belief that climate change poses an existential threat to the environment, people's health, communities, national security and the economic well-being of the nation. Based on the imperative to address these issues is the need to embrace the greater ambition to meet the scale of the challenge and to understand that the environment and the economy are "completely connected."

This has led to a five-point plan that is overarching with generalities but as yet is not fleshed out with the detail of the required federal legislation that is needed to deliver it. Whilst some of the requirements to incorporate the goals may be met by executive orders, such as the re-joining of the Paris Agreement, realistically there may be delays and difficulties in the making and passing of the necessary laws, regulation and enforcement provisions. Biden's proposals include:

- The establishment of an enforcement mechanism to achieve milestone targets no later than 2025
- The plan to make historic investment in clean energy and climate research and innovation
- Create incentives for the rapid deployment and development of clean energy innovations nationwide with special emphasis on those areas most impacted by climate change

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- To increase the strength and resilience of national infrastructure against impacts of climate change through the building of new stronger roads, bridges and electric and water infrastructures
 - To withstand the pressures of those organizations that are the principal polluters of the environment and which disproportionately affect low income communities, and
 - To meet historic obligation to peoples and communities that have contributed to the generation of wealth and growth for the nation through industrialization.

These aims are clearly based on the SDGs of the 2030 Agenda for Sustainable Development. However, to achieve these laudable aims, a stick and carrot approach of rewards and incentives will have to accompany policy changes. Also, the financing of the schemes will require private investment and corporate backing.

With a massive, nationwide effort, the United States could reach net-zero emissions of greenhouse gases by 2050 using existing technology and at costs aligned with historical spending on energy, according to a study led by Princeton University researchers.

The new [“Net-Zero America”](#) research outlines five distinct technological pathways for the United States to “decarbonize” its economy. The research out of Princeton is the first study to quantify and map—with this degree of specificity—the infrastructure that needs to be built and the investment required to run the country without emitting more greenhouse gases into the atmosphere than are removed from it each year. It’s also the first to pinpoint how jobs and health will be affected in each state at a highly granular level, sometimes down to the county.

The study’s five scenarios describe at a highly detailed, state-by-state level the scale and pace of technology and capital mobilization needed across the country, and highlight the implications for land use, incumbent energy industries, employment and health. Initial results were released Dec. 15, 2020 in recognition of the urgency to cut greenhouse gas emissions and the need for immediate federal, state and local policy making efforts. Journal publications will follow in early 2021.

The Intersection of Preparation and Opportunity

“In all matters, before beginning, a diligent preparation should be made.”

— Marcus Tullius Cicero on duties

The essence of strategic planning is to create goals based on realistically achievable targets. This requires a consensus on what is achievable and how this can be attained. This will require industry and commerce, through the corporations involved in a wide variety of sectors, to deliver appropriate sustainability priorities and the systems that will need to be established and enforced to deliver these targets.

While it falls to governments and international agencies—such as WHO, UN and ILO—to make international agreements, it requires a cohesive and coherent set of standards to deliver a unified and verifiable model for organizations to set a level playing field of standardized delivery that is verifiable and universally applicable. This is where preparation has met opportunity; the existence of international standards covering the environment, quality and occupational health and safety directly meet the parameters of the SDGs in many areas. The ISO standards have been created after many years of international consultation and agreement and can form the basis for the establishment of sustainable and developing business models and practices. In particular:

ISO 9001:2015 is the standard for quality management systems, which specifies the requirements that an organization must meet to show its ability to provide consistent products and services to meet customer requirements and conform to applicable statutes and regulatory requirements. Additionally, conformance to ISO 9001: 2015 allows organizations to enhance their performance by including processes for improvements to the system.

ISO 14001:2015 specifies the requirements for an organization’s environmental management system in order to improve its environmental performance. It is intended for use by an organization that is seeking to manage its environmental responsibilities in a systematic way that can contribute to environmental sustainability to deliver:

- Improved environmental performance
- The ability to meet compliance obligations, and
- The means to achieve environmental objectives.

ISO 45001:2018 specifies requirements for an occupational health and safety management system and guidance for use in order to enable organizations to provide a safe and healthy workplace to prevent injury and ill health both in the workplace and to those who may be affected by its operations. Central to achieving this is the role of leadership, the process of continual improvement and consultation with interested parties such as stakeholders and workers.

ISO 31000:2018 for risk management was developed to help organizations to account for the unexpected in managing risk. It addresses operational continuity and provides a level of reassurance in terms of economic resilience, professional reputation and environmental and safety outcomes. In a world of uncertainty, ISO 31000 is tailor-made for any organization seeking clear guidance and risk management, providing principles, a framework and a process for managing risk. It can be used by any organization regardless of its size, activity or sector.

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ISO 22301:2019 specifies requirements to implement, maintain and improve a management system to protect against, reduce the likelihood of, prepare for, respond to and recover from disruptions when they arise. The extent of the application of the requirements specified within this standard will depend on the organization's operating environment and complexity.

All of these standards can be applied by any organization of any size or sector. They can form an important pre-qualification in supply chains and sub-contractors to ensure conformity throughout an organization's activities. Verifiable and certifiable, they provide documentation to support an organization in establishing its sustainable risk management status. These standards are subject to regular updating to align with new industry or global developments, and they align with the SDGs of the 2030 sustainable agenda.

Whilst governments are responsible for national infrastructure, organizations can influence the environment and resources local to their operations and the impact their activities have on their local communities and workforce.

TABLE 1: RELEVANCE OF KEY ISOS TO ESGs
(See earlier three categories: Environmental, Social and Governance)

SDGs	ESG	ISO 9001 Quality	ISO 14001 Environment	ISO 45001 Health Safety	ISO 31000 Risk Management	ISO 22301 Business Continuity
1-6	E	X	X (except #4,5)	X	X	X
6-12	S	X	X (except #10)	X	X	X
12-17	G	X	X	X	X	X

The Corporate Ethos

Previously, the model and mantra for corporate growth has been reward and profit. Risk has been justified by reward, fueled by speculative investments. However, there now appears a new force in the investment markets. Sustainability, responsible growth and green investments are no longer fringe benefits to be sacrificed at a market's downturn. Many investors—including some hedge funds and large players like pension funds and private investors—now view their portfolios in the light of sustainable investments.

Corporations now are being asked to justify their actions and review the impact their activities have on people and environments. New matrices are emerging that feature SDGs and how corporations can meet their ESG responsibilities while retaining profits for investors.



The future corporate model must put the 4p's of sustainability—people, planet, purpose and profit—at its heart and the rewards and benefits must be achieved through the application of innovation and technology combined with public policy. For organizations, this new framework for decision-making and planning should take into consideration the impact of its activities. These considerations should again be based on an assessment of ESG issues.

The ISO standards mentioned earlier provide detailed guidance as to the methods, means and monitor parameters by which many of these planned activities can be measured. It is up to stakeholders, shareholders and other interested parties to put pressure on organizations to produce responsibly cohesive plans that stand up to scrutiny.

Until now, corporate risk management has sought to exploit variations in regulatory practices between regions, states and countries. What is unacceptable practice in one area was allowed in another region. This has led to the exploitation of low-cost areas of production, oppressed communities and denied growth opportunities. The 2030 SDGs address these practices directly so that they can no longer be justified or excused. Strategic corporate planning should encapsulate its aim within a framework of effective controls and reflect environmental, social and governance issues, thereby contributing to a more universally prosperous, socially inclusive and environmentally sustainable world.

However, from a practical point of view, business operates to make profit and to achieve this sustainably and responsibly. Committing to high standards of corporate governance and practice brings reputational rewards and enhances relationships with workers, consumers and key stakeholders. To demonstrate these commitments organizations can adhere to the two ISOs specifically created to provide guidance in managing risk and providing for business continuity when unexpected disruptive events occur: ISO 31000:2018 (Risk Management) and ISO 22301: 2019 (Business Continuity).

Global Reporting Initiatives

While the ISO standards are a guidance to operational activities and a means of recording and benchmarking an organization's performance, there are new Global Reporting Initiatives that create the framework and specification for reporting on issues relating to sustainable development and good governance.

Many organizations require guidance, encouragement and formulae to incorporate GRIs into their own business development plans to ensure they are developing strategies in harmony with ESG guidance. People's hearts may be stirred by global initiatives, but their minds need certainties. Many organizations will seek to find these from the rapidly developing forums under the [GRI umbrella organization](#). These will serve as a vector for the recording of performance comparative benchmarking and best practice standards throughout the global business community to develop SDGs.

Government leadership can provide a favorable climate for embracing change. Public opinion, corporate reputation and shareholder concerns are the driving engine for change at the organization level. The ISO standards provide the measurable certainty and the means of evaluating performance in conformity with the highest international standards that are the visible means by which verifiable corporate governance can be compared.

“Committing to high standards of corporate governance and practice brings reputational rewards and enhances relationships with workers, consumers and key stakeholders.”



These standards, in concert with the GRI and supported by the Organisation for Economic Co-operation and Development, International Labour Organization and the World Health Organization, complete the 360-degree effort required to create the full circle of public awareness and concern while also considering government legislation, change in business policy and the measurable beneficial impacts via results and reporting.

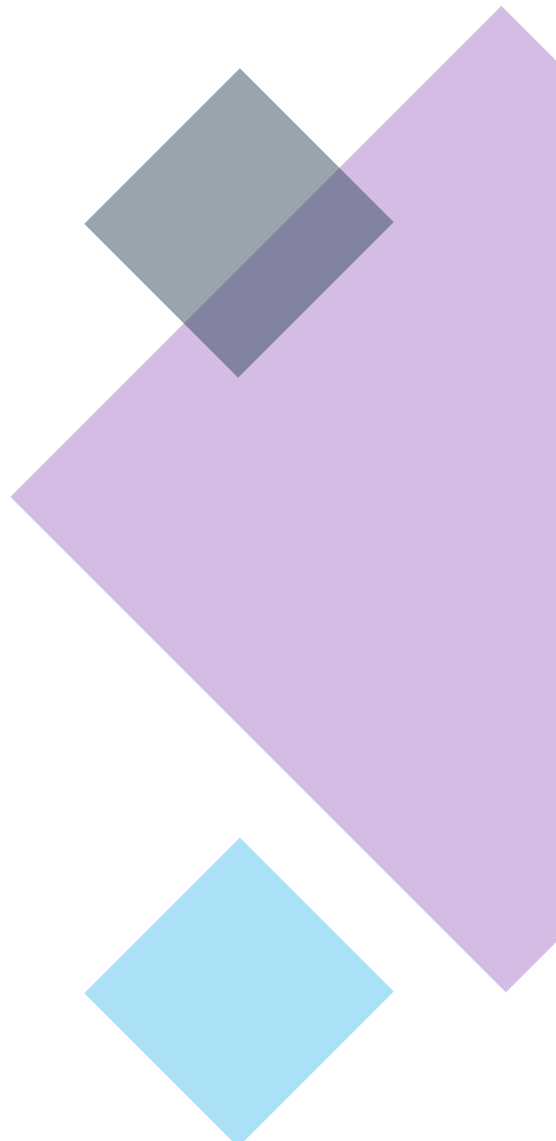
In 2020, we experienced a cataclysmic event in the form of COVID 19. This global emergency did not bring with it mass destruction of physical infrastructure, but it has tested to breaking point the ability of local, regional and national governments to cope with such a massive civil emergency. Dramatic changes in our living and working practices have been brought about by this invisible enemy, and the social, physical and economic impact of this disease will be long lasting.

The resulting economic recovery will produce winners and losers, and inefficient and ill-prepared organizations will fail. In addition, global climate change has already had observable effects on the environment. Glaciers have shrunk, ice on rivers and lakes is breaking up earlier, plant and animal ranges have shifted and trees are flowering sooner. Effects that scientists had predicted in the past would result from global climate change are now occurring: loss of sea ice, accelerated sea level rise and longer, more intense heat waves. This in turn is impacting our planet's ecosystem and biodiversity.

According to Dr. Maria Neira, WHO Director, Department of Public Health, Environmental and Social Determinants of Health, "Many of the global health challenges that we face today, including infectious diseases, malnutrition and noncommunicable diseases are all linked to the decline of biodiversity and ecosystems."

Scientists have high confidence that **global temperatures will continue to rise for decades to come**, largely due to greenhouse gases produced by human activities. The Intergovernmental Panel on Climate Change (IPCC), which includes more than 1,300 scientists from the United States and other countries, forecasts a temperature rise of 2.5 to 10 degrees Fahrenheit over the next century. According to the IPCC, the extent of climate change effects on individual regions will vary over time and with the ability of different societal and environmental systems to mitigate or adapt to change.

A new world order may emerge where the SDGs, as envisaged in the 2030 Agenda for Sustainable Development, become central to governments, inter-governmental and business strategic planning. As citizens, we have had to learn to modify our behavior as



a result of COVID-19. Business organizations too can plan, prepare and protect themselves by using ISO standards to provide immunity against the impacts and repercussion of such events.

Biodiversity—the variety of life found on Earth—is necessary to keep humans and the planet alive and healthy. The water we drink, the air we breathe, the goods we produce and discard and the foods we produce and eat impact the biodiversity of life found on the planet and the very health of the planet itself.

As companies recognize the need for responsible environmental management and conservation of resources; demonstrate their obligation to environmental management and principles of sustainable development through their commitment to regulatory compliance; achieve certification to voluntary standards such as ISO 14001:2015; and measure their performance against environmental, social and governance indicators, they are helping to drive innovative technology to provide the answers to the social and economic damage that the disruption and environmental impact of climate change on biodiversity has wrought.

Sustainable Development Goals as set out in the UN 2030 Agenda for Sustainable Development matched against the sectors of the economy most impacted by particular goals.

(Ref. MIT Sloan Management Review 2018)

Sectors	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Healthcare			X														
Domestic Consumption													X				
Resource Transformation													X				
Non-renewable											X						
Renewable												X					
Technology																X	
Infrastructure															X		
Transportation														X			
Services	X																
Financials										X							

Impact of Activities in Relation to ESG Concerns

(Ref. World Federation of Exchanges 2018)

- ENVIRONMENTAL**
- Greenhouse gas emissions
 - Emissions intensity
 - Energy usage
 - Energy intensity
 - Energy mix
 - Water usage
 - Environmental operations
 - Environmental oversight
 - Climate risk mitigation

- SOCIAL**
- CEO pay ratio
 - Gender pay ratio
 - Employee turnover
 - Gender diversity
 - Temporary worker ratio
 - Non-discrimination
 - Injury rate
 - Global health & safety
 - Child & forced labour
 - Human rights

- GOVERNANCE**
- Board diversity
 - Board independence
 - Incentivised pay
 - Collective bargaining
 - Supplier code of conduct
 - Ethics & anti-corruption
 - Data privacy
 - Sustainability reporting
 - Disclosure practices
 - External assurance

About the Author

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About the Editor

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About InteleX

InteleX Technologies, ULC is a global leader in environmental, health, safety and quality (EHSQ) management software. Since 1992 its scalable, web-based platform and applications have helped clients across all industries improve business performance, mitigate organization-wide risk, and ensure sustained compliance with internationally accepted standards (e.g., ISO 9001, ISO 14001, ISO 45001 and OHSAS 18001) and regulatory requirements. Virgin Atlantic, Brinks, Air Liquide, Lafarge, Volvo and over 1,300 customers in 150 countries trust InteleX to power their EHSQ initiatives. InteleX is one of North America's fastest-growing technology companies, recognized as a Great Place to Work for over 7 years, recipient of Waterstone's Most Admired Corporate Cultures award, and Deloitte's Best Managed Companies award. For more information, please visit www.inteleX.com.

