Understanding The Ins and Outs of Sustainability Reporting

Meet the Presenters

Renae Hesselink, LEED AP BD+C, Vice President of Sustainability with Nichols, Division of Imperial Dade

Wendy Schlett, Managing Director, Foresight Management

Yumiko Jakobcic, Ph.D., Director, Office of Sustainability Practices, Grand Valley State University

Why?

Organizations are facing increasing pressure for ESG reporting due to several key reasons:

1. Investor Demand
2. Regulatory Requirements
3. Stakeholder Expectations
4. Risk Management
5. Competitive Advantage
6. Reputation and Brand Enhancement
7. Access to Capital
8. Overall, ESG reporting is becoming essential for companies to meet stakeholder expectations, mitigate risks, seize opportunities, and demonstrate their commitment to sustainable and responsible business practices

Sustainability Reporting Standards and Frameworks

- **Global Reporting Initiative (GRI**): GRI is a widely used framework for sustainability reporting, providing guidelines for organizations to disclose their ESG performance, impacts, and goals.
- **Sustainability Accounting Standards Board (SASB**): SASB focuses on industry-specific ESG reporting standards, helping companies identify and disclose financially material sustainability information.
- **Task Force on Climate-related Financial Disclosures (TCFD):** TCFD provides recommendations for disclosing climate-related risks and opportunities in financial filings, aiming to promote more consistent and transparent reporting on climate-related issues.
- **Carbon Disclosure Project (CDP):** CDP is a platform that encourages companies to disclose their environmental impacts and strategies, particularly in relation to climate change, water, and forests.
- **United Nations Sustainable Development Goals (SDGs):** The SDGs provide a global framework for addressing key social and environmental challenges. Companies often align their ESG initiatives and reporting with specific SDGs to demonstrate their contributions.

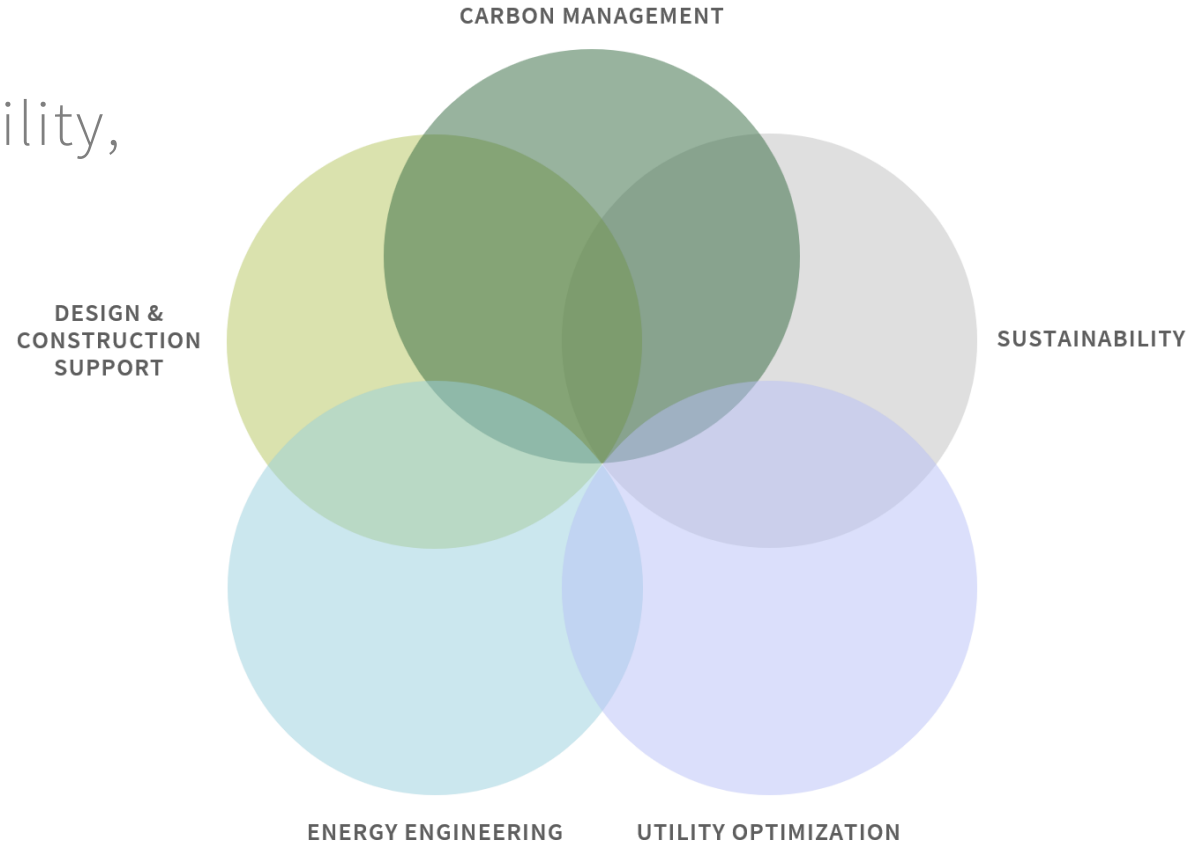
Sustainability Reporting Standards and Frameworks

- **ISO 14001**: This internationally recognized standard outlines requirements for an environmental management system, helping organizations establish and maintain effective environmental practices.
- **Social Accountability International (SAI**) Standards: SAI Standards focus on social aspects of ESG, particularly labor rights, ethical sourcing, and worker well-being. They provide guidance for organizations seeking to improve their social performance.
- **International Integrated Reporting Framework (IIRC):** The IIRC framework promotes integrated reporting, which combines financial and non-financial information to provide a holistic view of an organization's value creation over time.
- **Dow Jones Sustainability Indices (DJSI**): DJSI is a family of indices that evaluate and rank companies based on their ESG performance. Inclusion in these indices is often seen as a benchmark for sustainability leadership.
- **Principles for Responsible Investment (PRI):** PRI is a global initiative that provides a framework for incorporating ESG factors into investment decision-making and ownership practices. Signatories commit to implementing the PRI's principles.

Please note that while these standards and frameworks are widely recognized and utilized, there may be additional regional or industry-specific frameworks that organizations choose to follow based on their specific needs and priorities.

Foresight's Purpose & Holistic Approach

Our purpose is to champion energy management, accelerate sustainability, and increase profitability for our clients.



Why care about sustainability?

SEC MANDATES

On March 21, 2022 the SEC approved *The Enhancement and Standardization of Climate-Related Disclosures for Investors*. This proposed rule would mandate public companies to report GHG emissions (Scope 1, Scope 2, & Scope 3) on their annual reports.

INVESTORS

"The evidence on climate risk is compelling investors to reassess core assumptions about modern finance. In the near future – and sooner than most anticipate – there will be a significant reallocation of capital."

- *Larry Fink, CEO Blackrock*
January, 2022

CONSUMERS

The next generation of consumers care – more than ever before – about the environmental and social impact of their purchases and plan to use their dollars accordingly.

Embodied Carbon Legislation

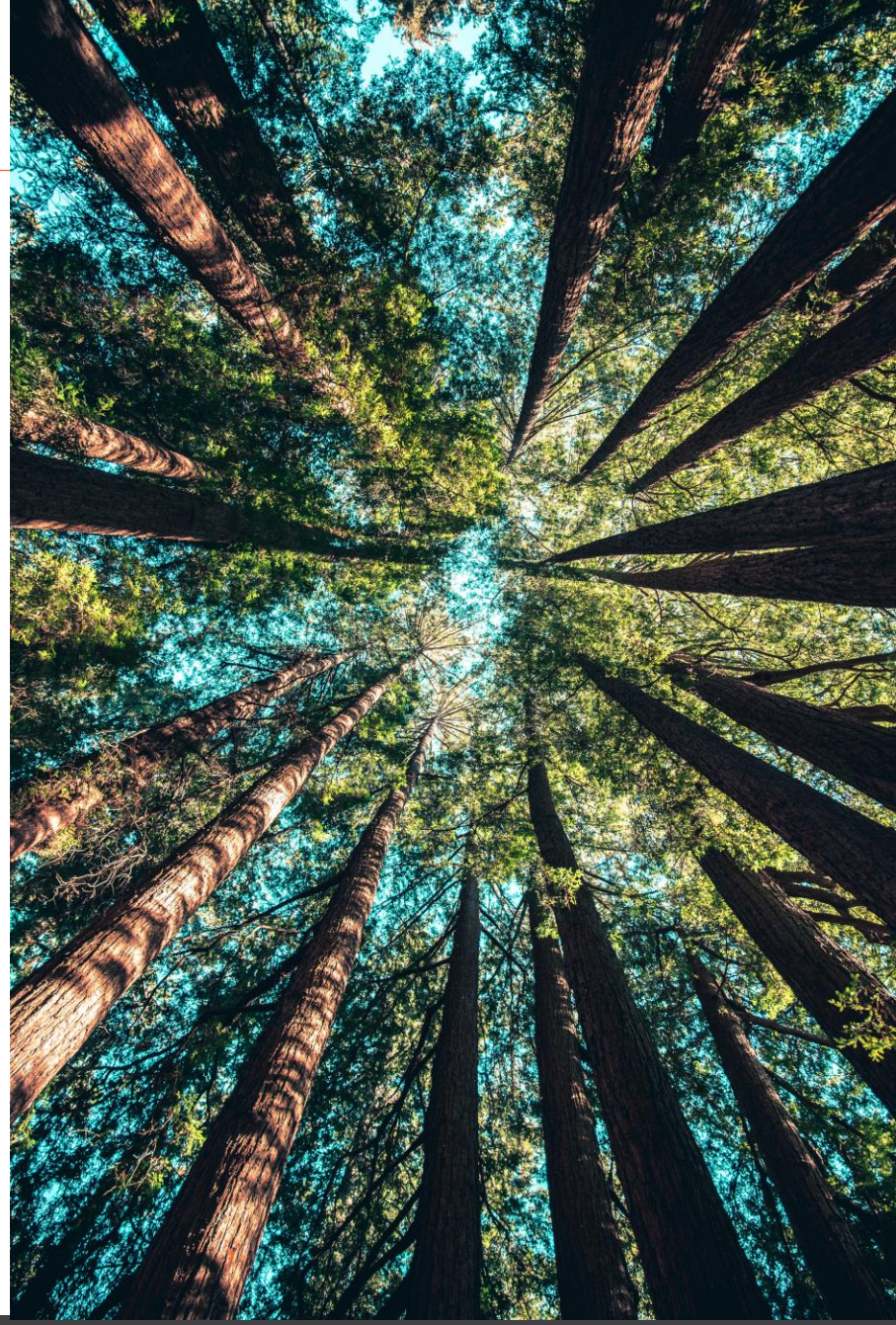
- US Federal Government Procurement policy includes net-zero carbon emissions by 2050, including a Buy Clean policy to promote use of construction materials with lower embodied emissions.
- The Department of Energy (DOE) is supporting the Buy Clean Policy specifically by looking at lifecycle analysis tools.
- The Department of Defense and military are using life-cycle carbon footprints to analyze modernization requirements
- Colorado passed legislation in 2021 to reduce carbon in public procurement
- Washington state passed legislation in 2021 to establish a comprehensive market-based program to reduce carbon pollution and achieve the greenhouse gas limits set in state law
- Legislation proposed in: Oregon, California, Colorado, Minnesota, Connecticut, New York, and New Jersey

ESG Requirements are Expanding

91% of companies take sustainability criteria into account in purchasing decisions

85% of consumers are more likely to buy from a sustainable reputable company

10 Number of the years in the last decade a major new supply chain sustainability regulation was introduced



What can we do?

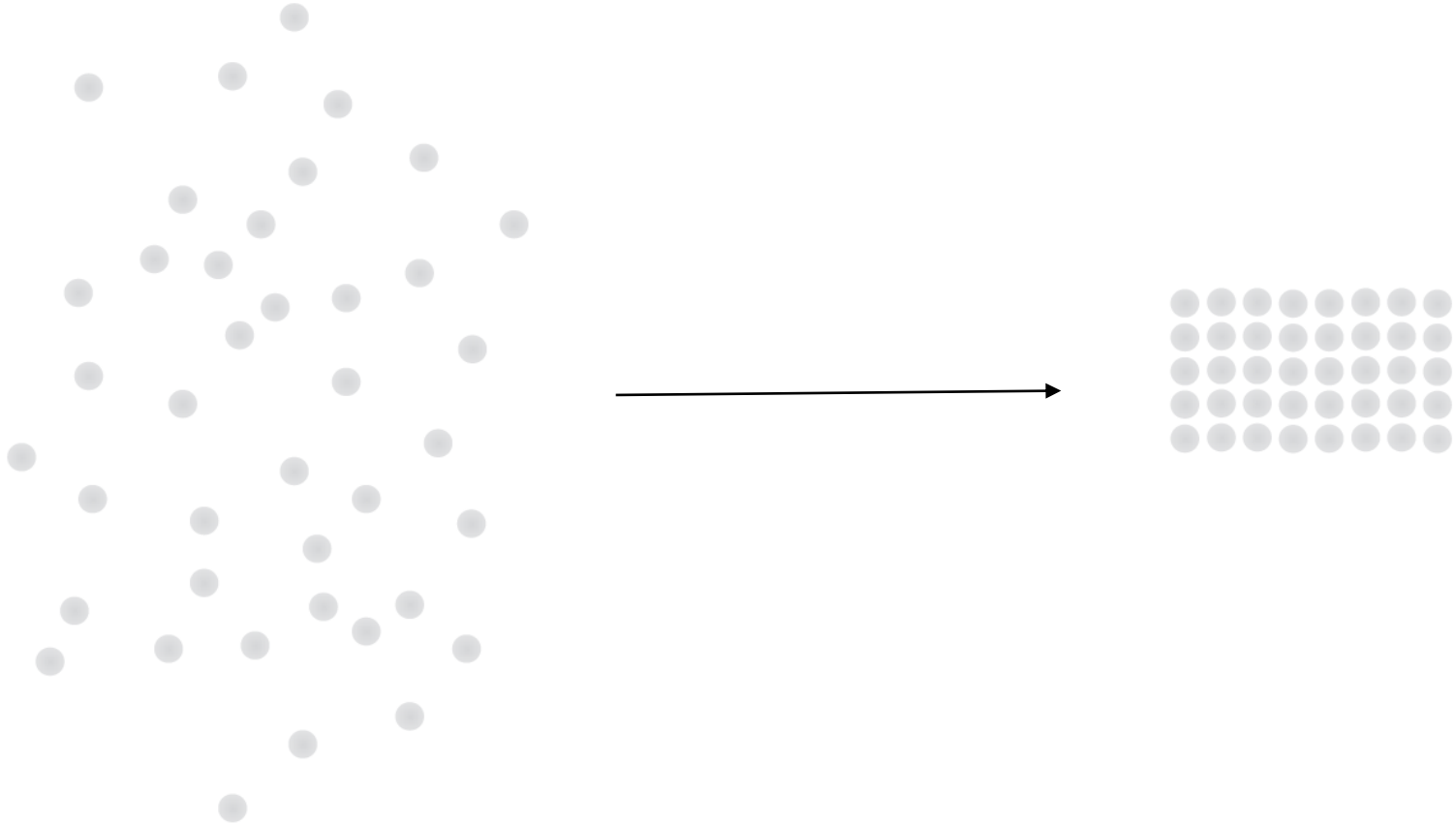
STRATEGIZE

DATA COLLECTION

DATA CONSOLIDATION

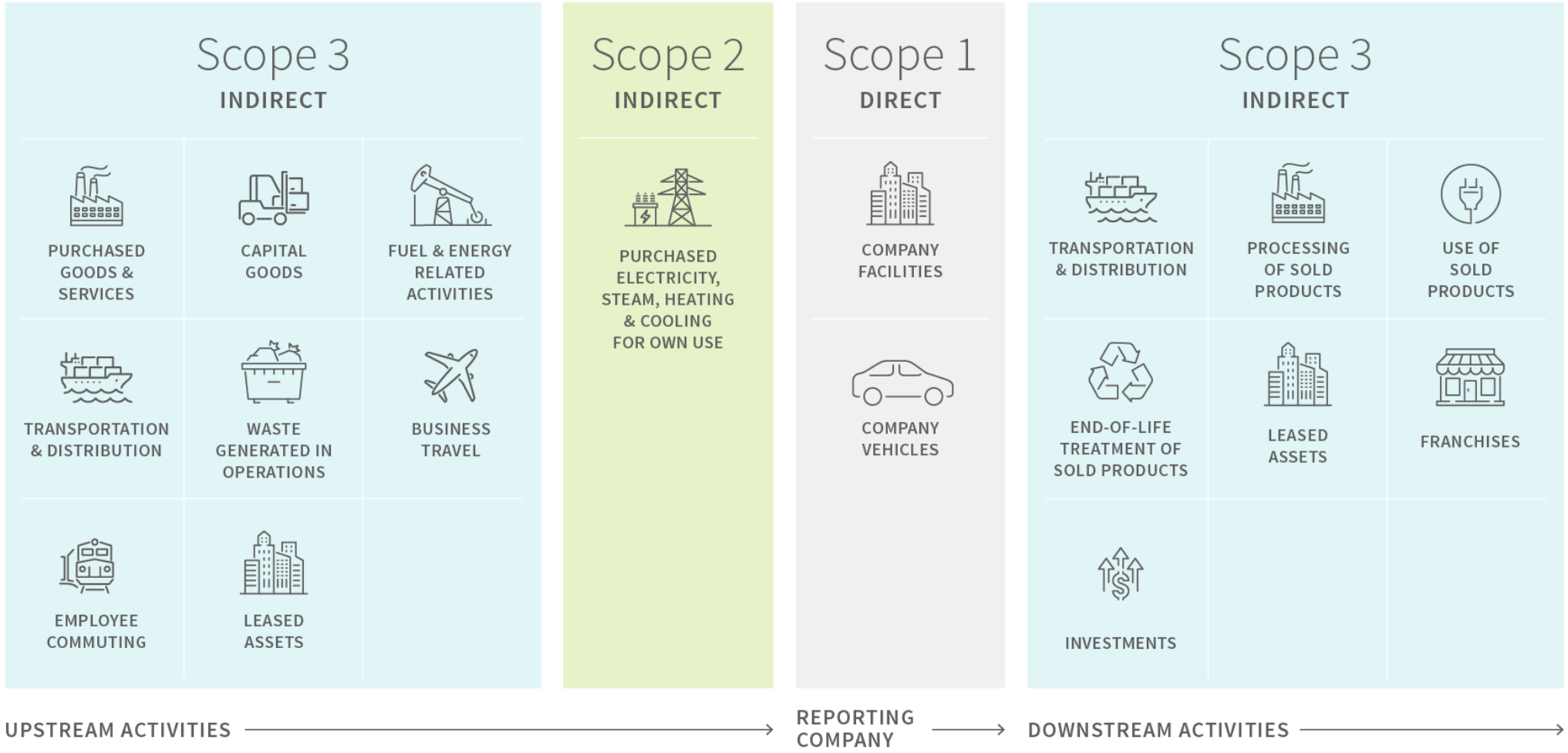
DISPLAY & REPORT

Data Collection & Consolidation

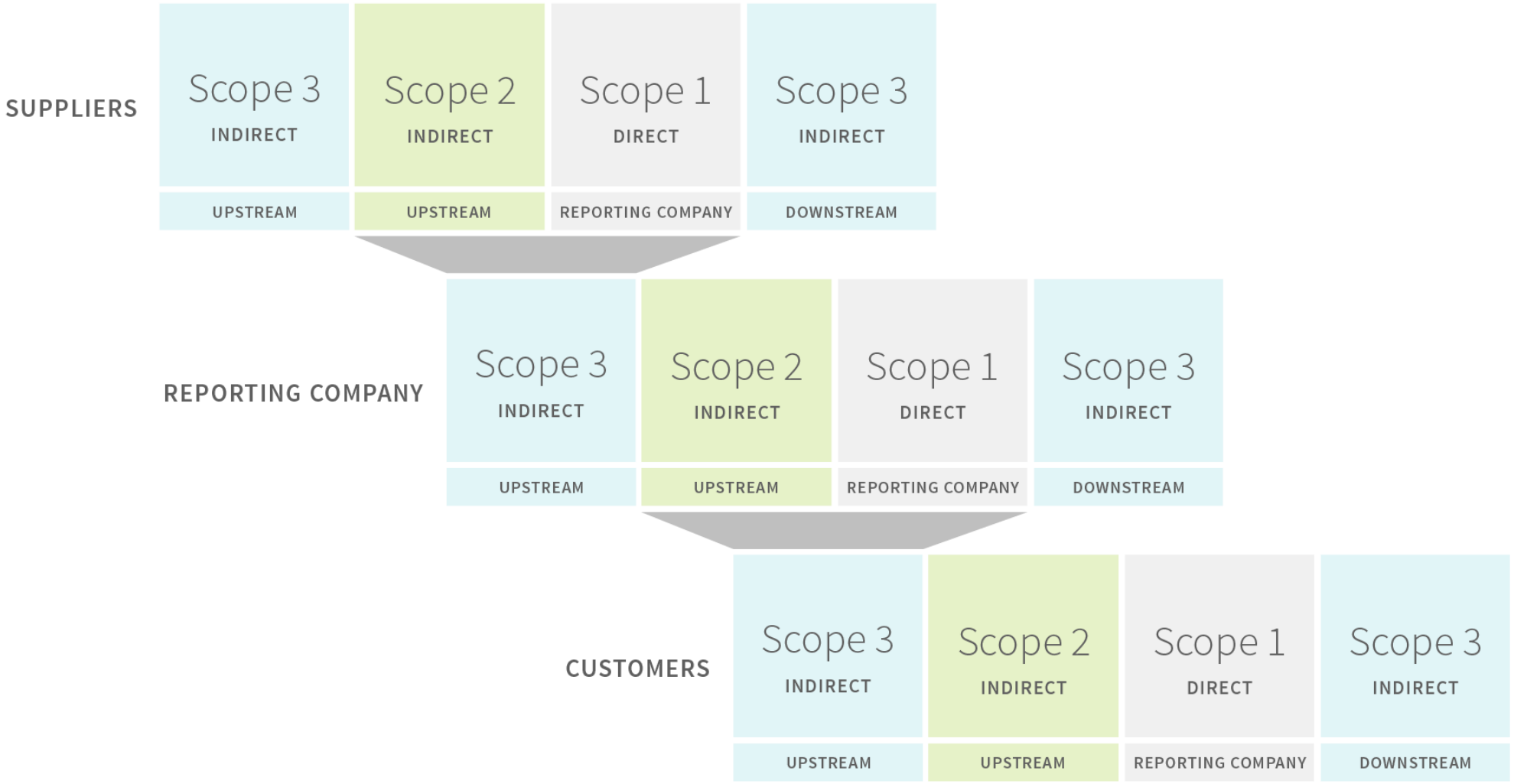


Energy *Waste* *Carbon (GHG) Emissions* *Fuels* *Social* *Health & Safety* *Product* *Supply Chain* *Water*

What are Scope 1, 2 and 3 Emissions?



Emissions in the Supply Chain



Tools for Each Step of Your Journey

DETERMINE MATERIALITY

GRI

SASB (Sustainability Accounting Standards Board)

ASSESS SUPPLY CHAIN SUSTAINABILITY

CDP

ecovadis

SUPPLIER ASSURANCE

INTERNATIONAL GOALS AND GUIDANCE

UN Global Compact

WWF

TCFD — Task Force on Climate-Related Financial Disclosures

Science Based Targets — Driving Ambitious Corporate Climate Action

GRI (Global Reporting Initiative) is the independent, international organization that helps businesses and other organizations take responsibility for their impacts, by providing them with the global common language to communicate those impacts.

SASB Standards guide the disclosure of financially material sustainability information by companies to their investors. Available for 77 industries, the Standards identify the subset of environmental, social, and governance issues most relevant to financial performance in each industry.

PUBLIC DISCLOSURE:

CDP

BENCHMARKING & SCORECARDS:

EcoVadis

Why Should You Respond to CDP?

- Benchmark Performance
- Drive Change
- Align Reporting Frameworks
- Manage Risk
- Take Action

CDP Response by the Numbers

13,000 number of companies who disclosed to the CDP in 2021

680+ number of financial institutions with $130 trillion USD in assets who look at CDP scores to guide investing

11.4x number of times greater supply chain emissions are than operational emissions

ecovadis

Procurement teams at over 600 multi-national organizations use EcoVadis ratings to make purchasing decisions every day.

- Surveys & scorecards
- Benchmarks performance through your supply chain
- Assesses policies, actions, & results

Documents Assessed by EcoVadis

Broader purpose documents

- Sustainability reports
- Annual reports with an integrated sustainability section
- Social compliance audit reports (e.g., SMETA, amfori BSCI)
- CDP Report
- United Nations Global Compact (UNGC) Communication on Progress
- Employee handbooks
- Energy audits
- GHG audit reports

Policies

- Code of ethics/ conduct
- Environmental policy
- GHG reduction target statement
- Waste management policy
- Health and safety policy

Actions

- Management system certificates (e.g., ISO 14001, ISO 45001)
- Eco-labels
- Operating procedures
- Internal training materials and slides
- Equipment/ technology installation records

Reporting

- Publicly disclosed KPI reports
- Monitoring of KPIs in internal databases (e.g., work accidents from internal human resources information system)
- GHG inventory document or spreadsheet

OEMs are requesting more direct data on sustainability and environmental, social, and governance metrics from Supply Chains:

- ✓ Environmental Metrics: Risks, GHG Emissions, Product Chemistry, Regulation
- ✓ Social Metrics: Injury Rates, Health & Safety Training, Labor & Human Rights Policies
- ✓ Governance Metrics: Ethics Policies, Risk & Opportunities Disclosures

Companies are distinguishing suppliers (with similar quality and costs) through the request for ***life cycle assessments****.*

Frameworks for International Goals & Guidance

17 GLOBAL GOALS

Align your efforts with some of these goals.

CORPORATE DECARBONIZATION GUIDANCE

Step-by-step science backed methods for GHG reductions.

ENVIRONMENTAL & SOCIAL SAFEGUARDS FRAMEWORK

Guidance for evaluating and implementing on the ground compliance to mitigate risk.

EVALUATING FINANCIAL RISK DUE TO CLIMATE RISK

TCFD exists to improve and increase reporting of climate-related financial information.

Key Takeaways

1. Sustainability work affects *everyone* in the supply chain.

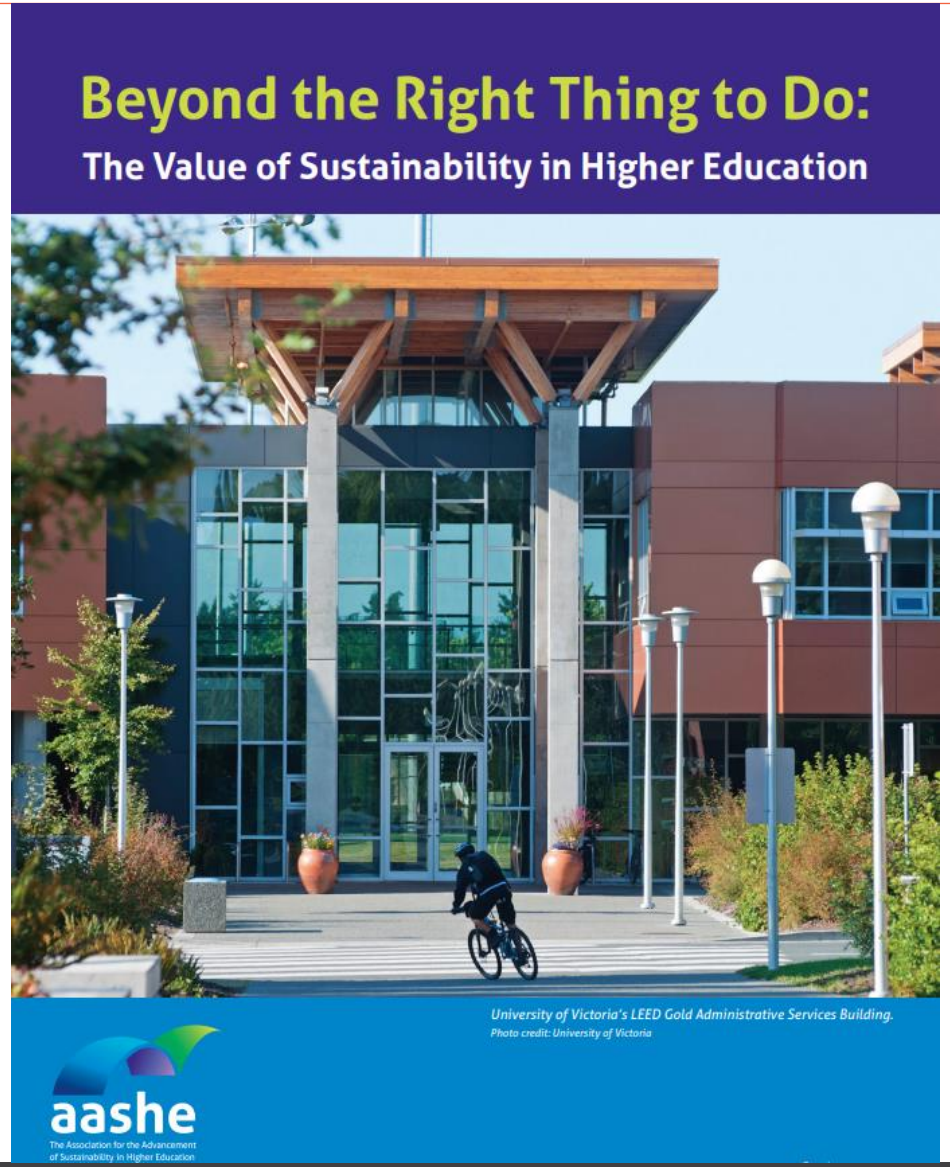
2. Everyone at your organization has a role to play.

3. Align your efforts with your organization's mission and values.

4. Get your data together sooner rather than later!

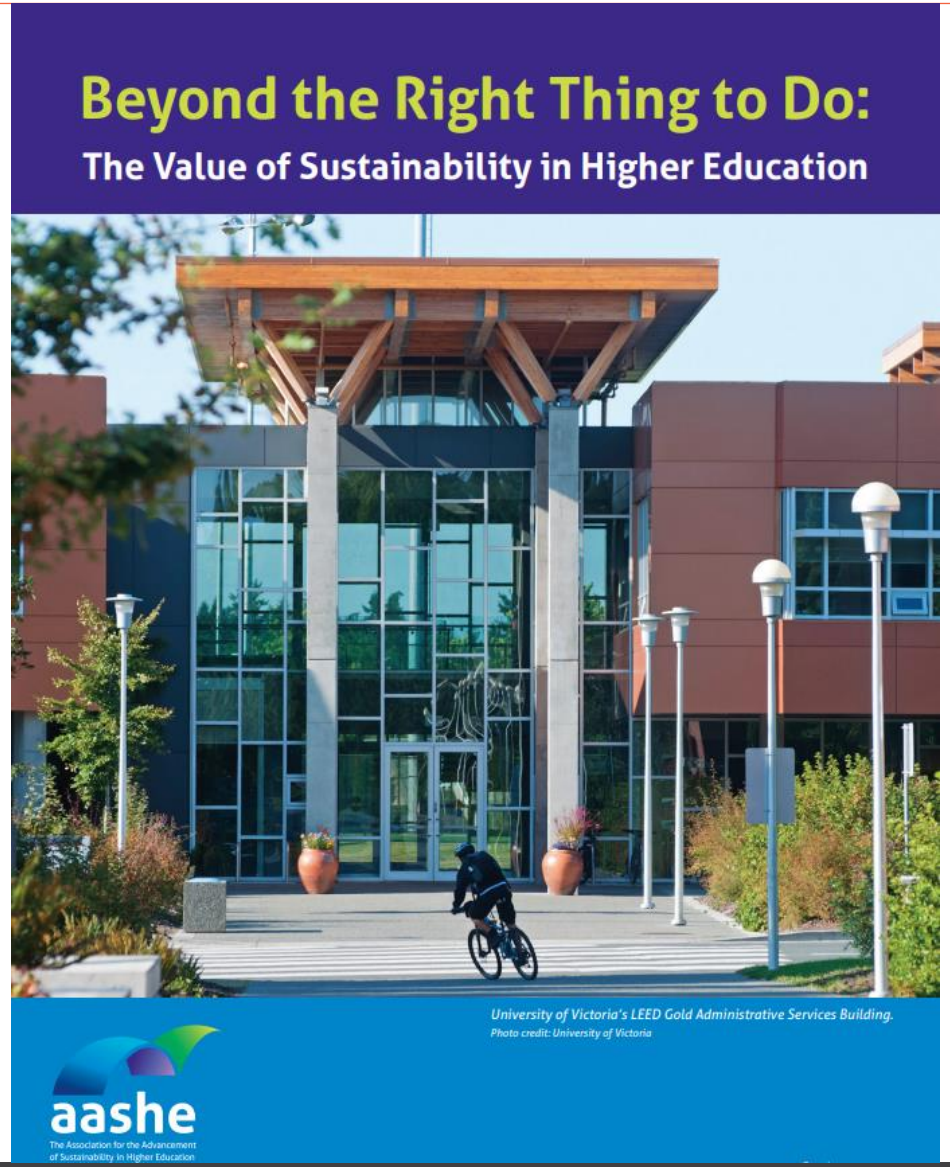
Trends in Higher Education

Sustainability in Higher Education



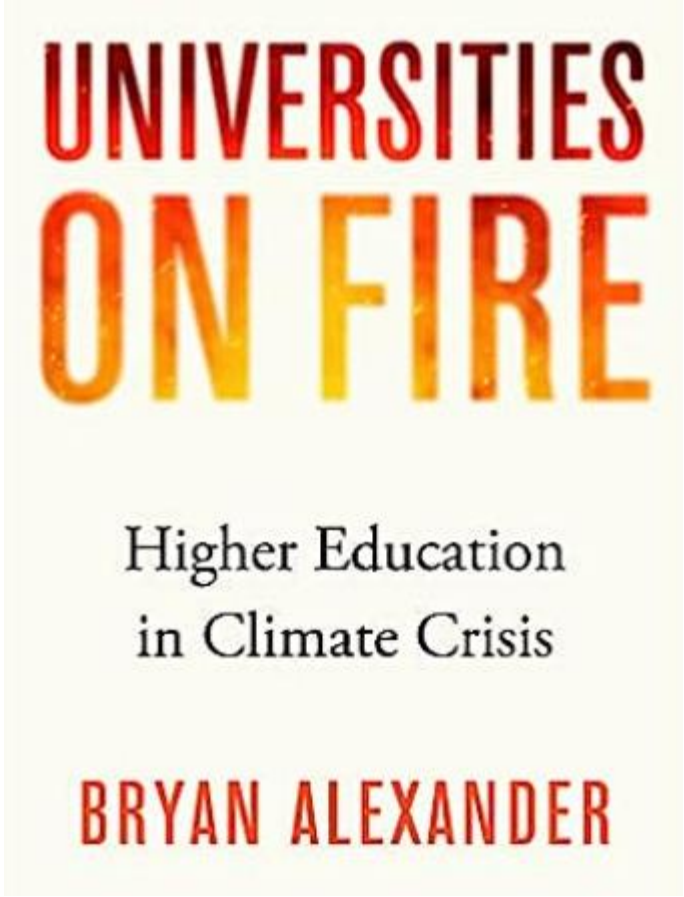
"Students are seeking schools that actively demonstrate sustainability leadership and provide them with the tools for complex decision-making and problem-solving. Sustainability, and the sense of purpose it provides, may also enhance student retention."

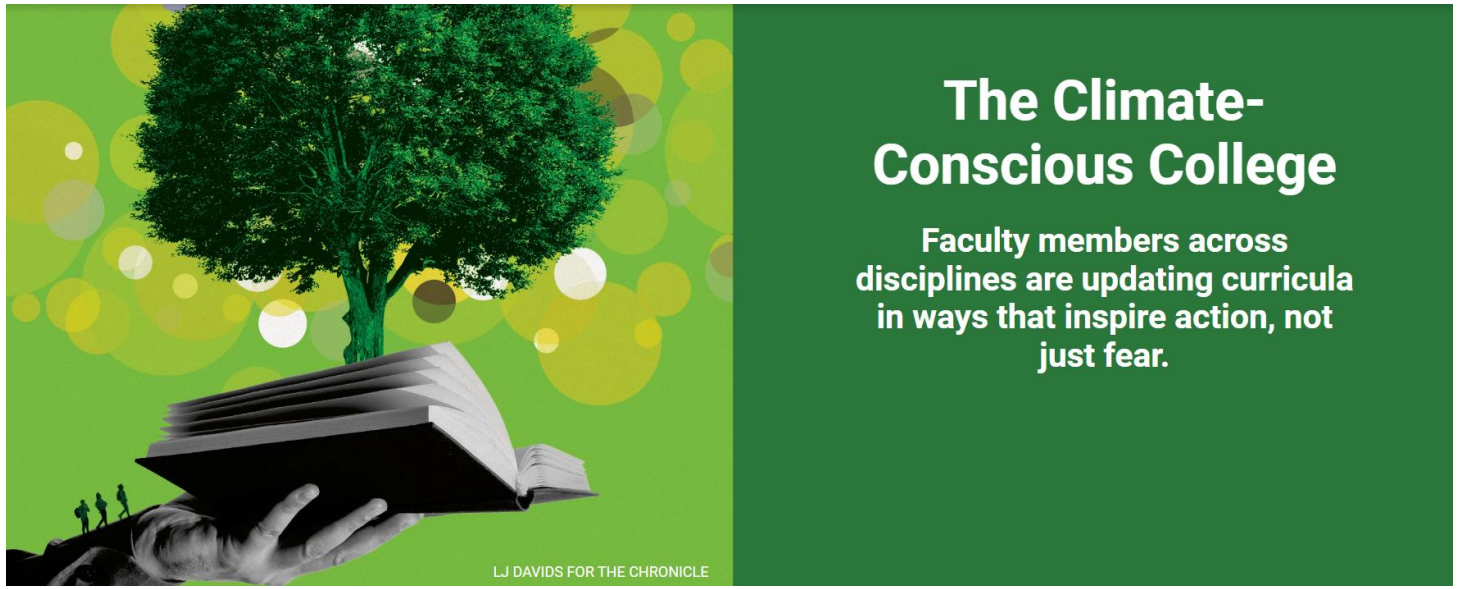
Sustainability in Higher Education



- Prepares students for jobs of the future
- Increases efficiencies, decreases costs
- Attracts and retains students and employees
- Motivates donors
- Strengthens community relationships
- Unifies campus around a collective sense of purpose

Overall Trends





GVSU moves toward carbon neutrality

Tools & Frameworks

GVSU's Climate Efforts

ANCHORED IN SUSTAINABILITY

The Carbon Commitment Committee has recommended a plan that includes three phases. The progress of each phase will be measured against the baseline year of FY 2006:

Phase 1: Conservation and Reduction (2010-2020)
Goal: To reduce GHG emissions by 20%
Achieved √

Phase 2: Renewable and Alternative Energy (2021-2030)
Goal: To reduce GHG emissions by 50%

Phase 3: Innovation and Efficiency (2031-2050)
Goal: To achieve carbon neutrality

Scope 3 Requirements

"Signatories agree to report some Scope 3 emissions, specifically those from air travel paid for by or through the institution and regular commuting to and from campus, to the extent those data are available. For purposes of the Commitment, commuting is defined as travel to and from campus on a day to day basis by students, faculty, and staff. It does not include student travel to and from campus at the beginning and end of term or during break periods.

Emissions from commuting and from air travel paid for by or through the institution are the only Scope 3 emissions sources that signatories are required to report on. However, you are strongly encouraged, to the extent practical, to investigate and report on additional Scope 3 emissions, especially those from sources that are large and can be meaningfully influenced by the institution."

GVSU's Scope 3 Methodology

Scope 3 Methodology

Report of student commuter permits sold

- Determine mileage between their zip code and Allendale and GR

Assumptions

- Only people coming to campus have a permit
- They each come three days a week
- They came to campus 28 weeks out of the year
- Anyone over 40 miles lives in Allendale (off campus)
- Anyone less than 40 miles is coming from the zip code listed

If all these are true:

- Everyone drives to Allendale = 7,322,322 miles
- Everyone drives to GR = 8,123,816 miles
- Average = 7,723,069 miles

AASHE STARS

An opportunity for:

- Transparency
- Gap Analysis
- Comparison
- Motivation
- Celebration

Thank you!

Renae.Hesselink@imperialdade.com
jakobciy@gvsu.edu
Wendy@fsmgmt.co

Q & A