

Brick by Brick

Building a Sustainable Organisation

Dr Shirley Gallagher
SysPro:Systems for Progress Limited
Second Life Battery Services Limited

Corporate Governance Institute
Lunch and Learn Series
Wednesday 6th March 2024



Introduction

Why I am here

Definitions

The six fundamental ESG concepts

More Definitions

Does your organisation have effective ESG?

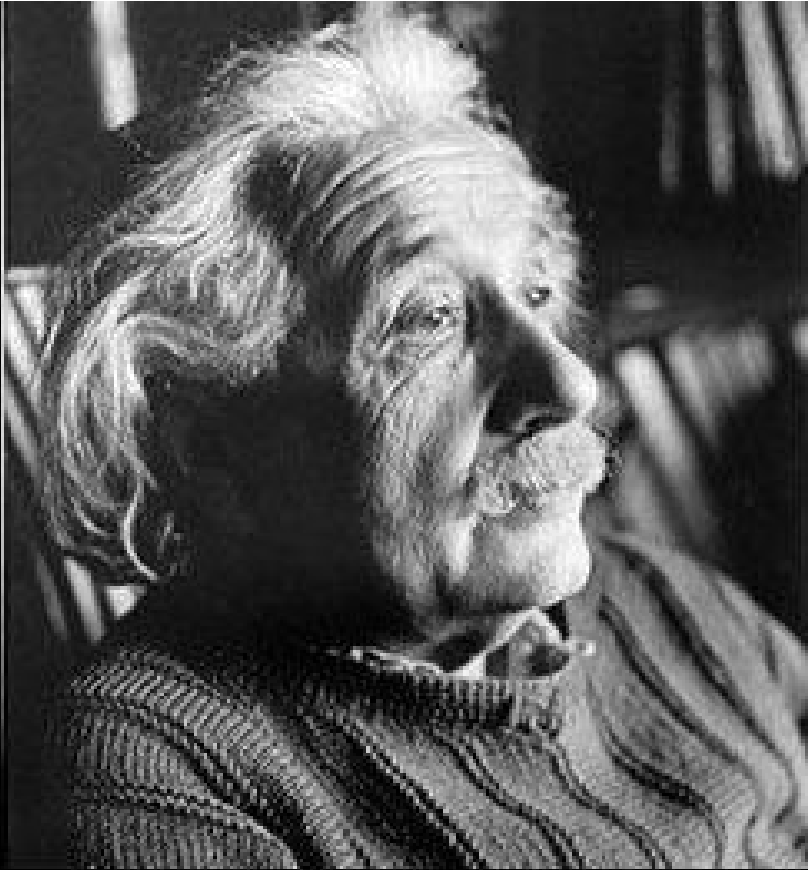
Support

Conclusion

Q&A



Why am I here?



« Those who have
the privilege to
know have the
duty to act. »

~ Albert Einstein (1879-1955)





[Video](#)



Good News



New Analysis: EU does not need expanded oil and gas supply to meet declining energy demand

FEBRUARY 21, 2024 | BY OIL CHANGE INTERNATIONAL | FEATURED, NEWS, PRESS RELEASES

FOR IMMEDIATE RELEASE

February 21, 2024



<https://priceofoil.org>



Definitions

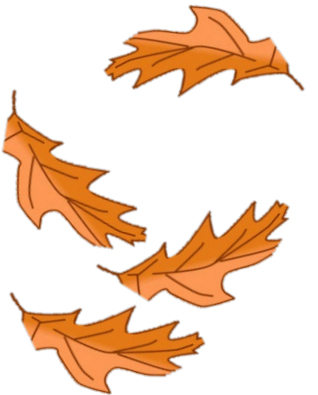
Policy – how it works

Sustainability

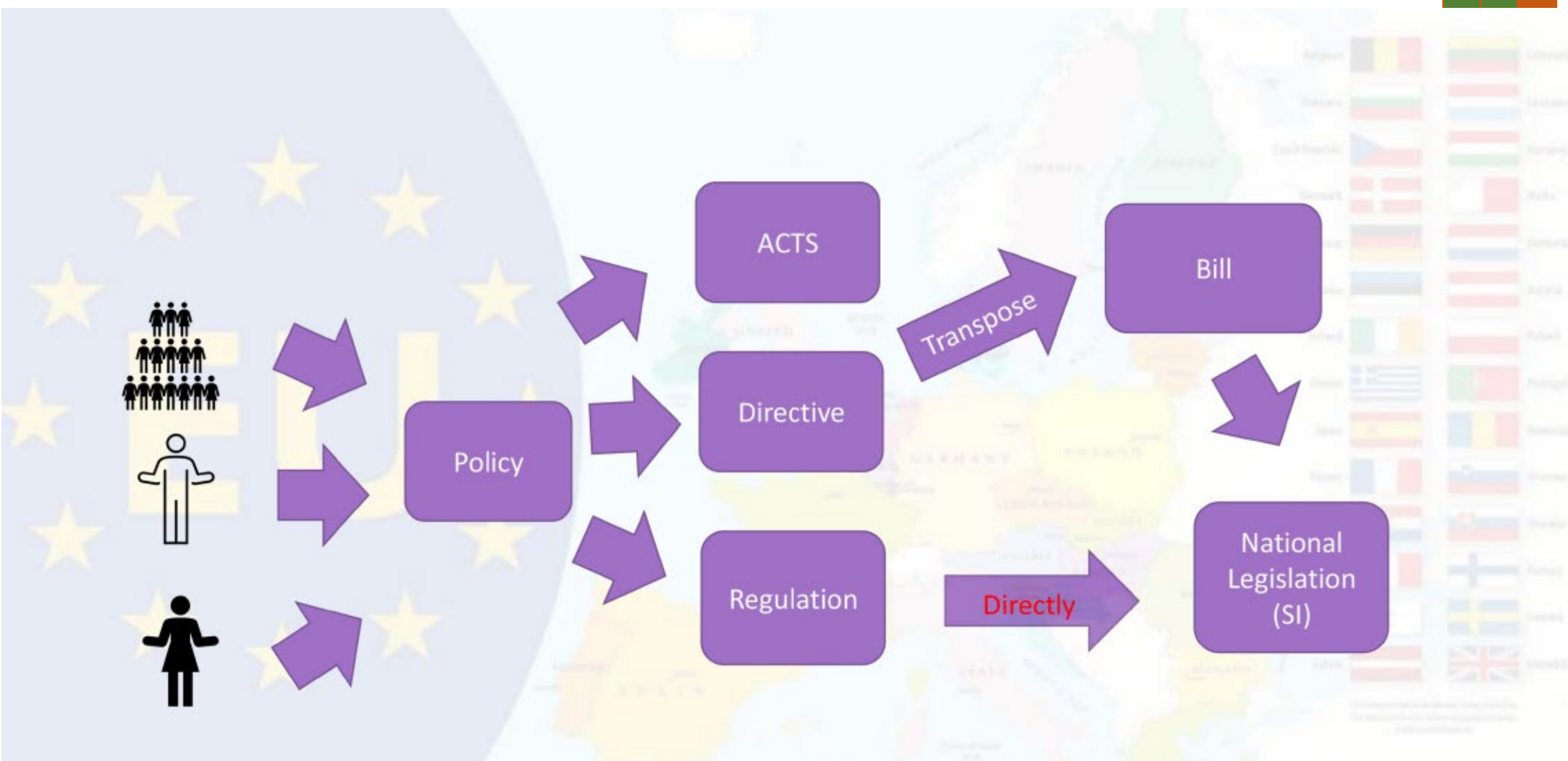
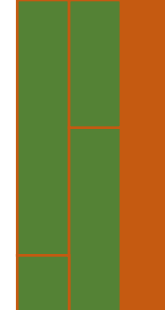
Environmental, Social Governance (ESG)

UN Sustainable Development Goals (SDG)

Policy ought to make a difference



EU Legislative Framework



What is Sustainability?



Sustainability-its 3 dimensional



In 1987, the [United Nations Brundtland Commission](#) defined sustainability as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.”



Impactful Sustainable Policies

Taxonomy

Extended
Producer
Responsibility
(EPR)

Single Use
Plastic (SUP)

Circular
Economy

Social Justice

Environmental
Social
Governance
(ESG)



Environmental, Social and Governance (ESG)



[Credit: nhbr.com/](https://nhbr.com/)

- ESG is a set of standards for evaluating a company's behaviour
- ESG is based on
 - their impact on society,
 - the way they are operated
 - the way they approach environmental sustainability



ESG once upon a time...

- In 2004, the former UN Sec Gen, Kofi Annan, wrote to 50 global CEOs requesting them to participate in the UN Global Compact supported by IFC.
- In 2005, Report '*Who Cares Wins*' published, ESG used 1st time.
- In 2006, NYSE adopted UN-backed '*Principles for Responsible Investment*' (PRI)
- ESG investing accelerated in past decade to \$41 trillion by 2022; \$50 tr. by 2025 (ref: Bloomberg).
- Many large companies are now doing ESG audits to satisfy institutional investors.
- As a result, a whole new industry has developed around ESG consulting and auditing.
- In 2021, EU implemented Green Deal which is now Climate Law, to support investors who will support sustainable business.



The ABC of ESG *Scott Baldwin* / DirectorPrep 'The Savvy Director'



ENVIRONMENTAL

- Climate change
- Water management
- Waste management
- Natural resources
- Carbon emissions
- Natural disasters
- Extreme weather
- Food Safety



SOCIAL

- Human rights
- Public health
- Poverty
- Income inequality
- Community welfare
- Product safety
- Supply chain practices
- Labor practices / Modern slavery
- Worker Health & Safety
- Employee relations
- Workplace DE&I
- Talent management



GOVERNANCE

- Business ethics
- Compliance
- Board composition
- Director independence
- Executive compensation
- Transparency/Corruption
- Accountability
- Political contributions
- Governance policies
- Cybersecurity / AI
- Shareholder action

United Nations Sustainable Development Goals (SDG)



[video](#)

<https://dashboards.sdindex.org/map/goals/SDG10/trends>

169
targets
232
Indicators



The six fundamental Environmental, Social
Governance (ESG) concepts crucial for
your organisation

ESG Concepts

1. Double Materiality
2. Carbon Footprint
3. Green House Gas (GHG) Emissions
4. Carbon Offsetting
5. Carbon Neutral
6. Net Zero

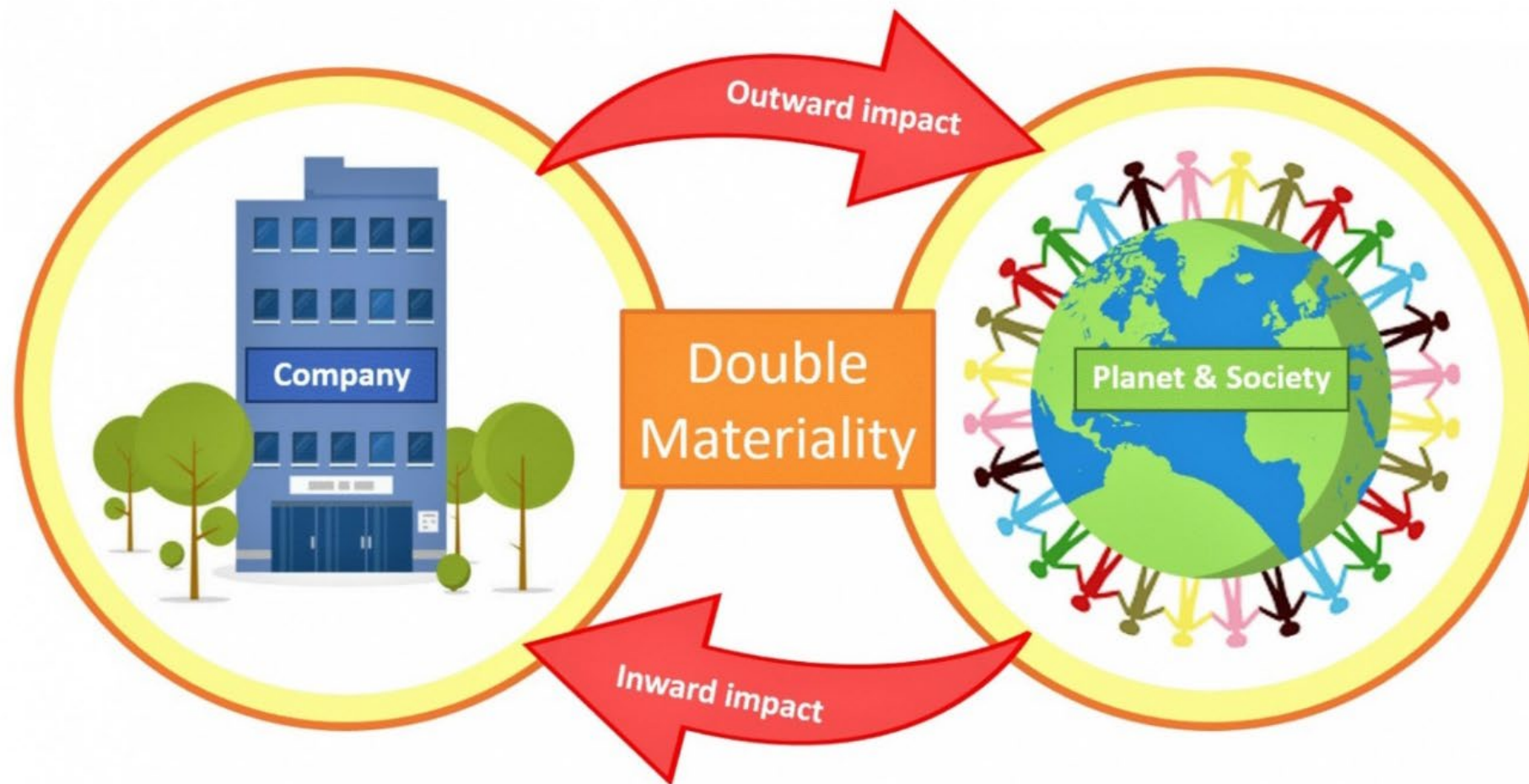


1 – Double Materiality

- **Materiality** is defined as being relevant or significant.
- **ESG Materiality** is the impact that the planet and society have on the company, e.g. global warming impacting the raw materials supply chain; changing customer awareness of sustainability; pending EU legislation; Ukraine War; etc.
- This is called inward materiality impact and is usually expressed in financial terms by the company.
- **Double Materiality** includes the impact the company has on the planet and society e.g. carbon footprint; use of scarce resources; where to source raw materials; globalisation; etc.
- This is called outward materiality impact.
- **Double Materiality = Inward impact of ESG issues on a company + Outward impact of a company on ESG issues.**



Double Materiality



2 Carbon Footprint

Greenhouse Gases Protocol ghgprotocol.org

- *The sum total of greenhouse gas emissions attributed to your activities, your purchasing choices and your supply chain make up your total carbon footprint.*
- *Reported in tonnesCO₂equivalent*

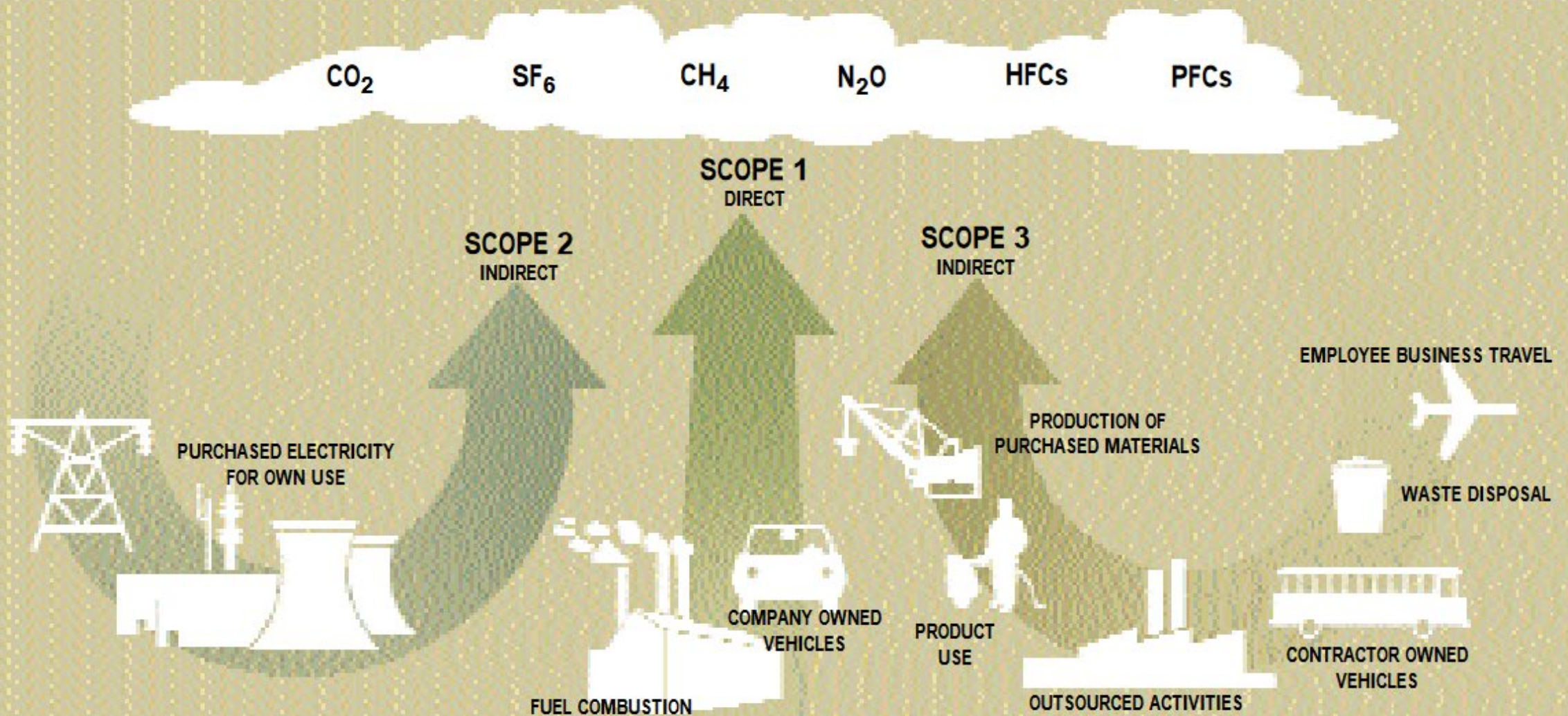


3 GHG Emissions

- For effective and innovative GHG management, setting operational boundaries that are comprehensive with respect to direct and indirect emissions will help a company better manage the full spectrum of GHG risks and opportunities that exist along its value chain.
- Direct GHG emissions are emissions from sources that are owned or controlled by the company.
- Indirect GHG emissions are emissions that are a consequence of the activities of the company but occur at sources owned or controlled by another company.



3 GHG Emissions-Scopes 1,2,3



Scope 1: Direct GHG emissions

- Direct GHG emissions occur from sources that are owned or controlled by the company, emissions from
 - combustion in owned or controlled boilers
 - Vehicles
 - chemical production in owned or controlled process equipment.



Scope 2: Electricity indirect GHG emissions

- From the generation of purchased electricity consumed by the company.
- Purchased electricity is defined as electricity that is purchased or otherwise brought into the organisational boundary of the company.
- Scope 2 emissions physically occur at the facility where electricity is generated.



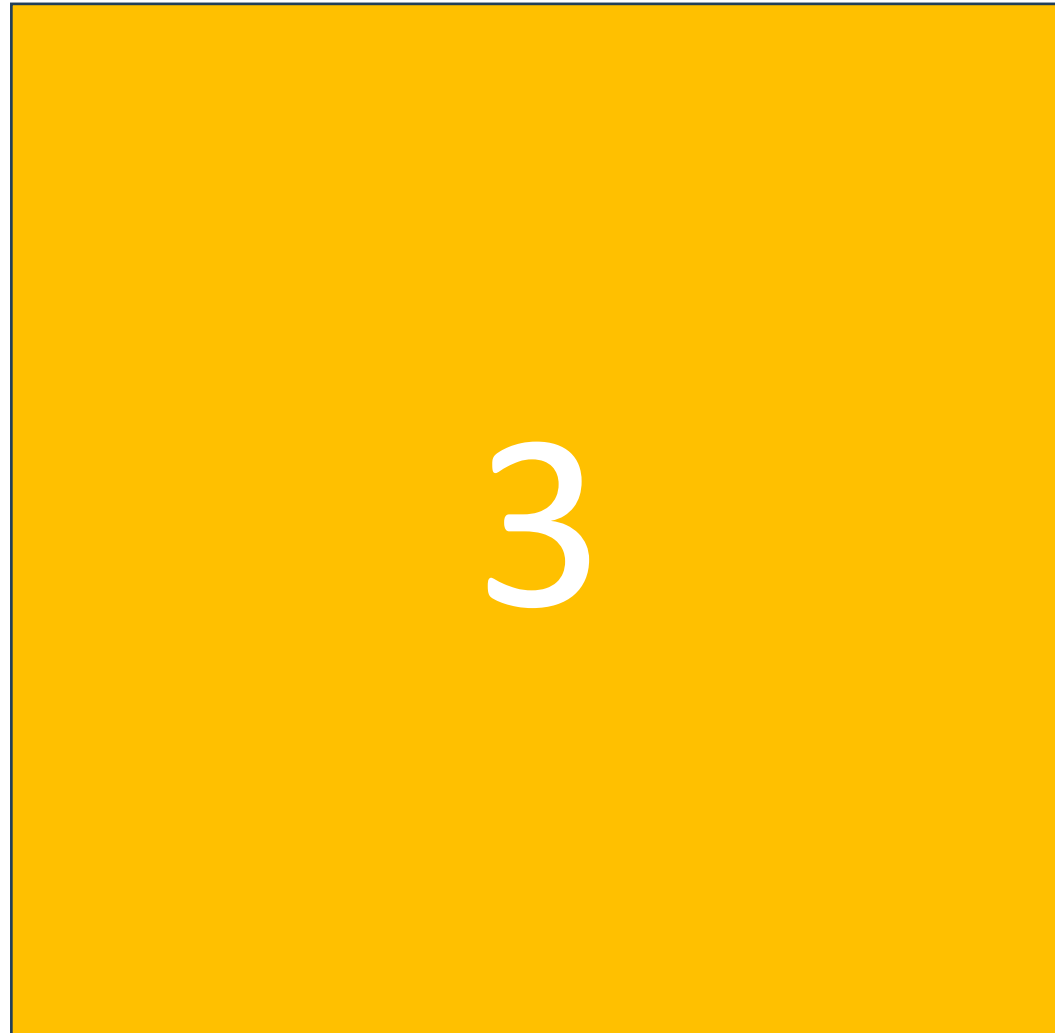
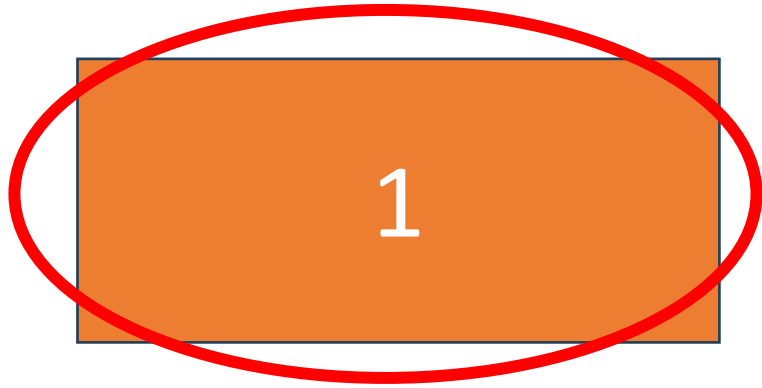
Scope 3 Other indirect GHG emissions



- Scope 3 emissions are a consequence of the activities of the company, but occur from sources not owned or controlled by the company.
- Can be up to 75% of a company GHG
- Some examples of scope 3
 - extraction and production of purchased materials; transportation of purchased fuels
 - use of sold products and services.
 - Purchased goods
 - Business travel
 - Franchises
 - End of life of goods



Supply Chain Matters

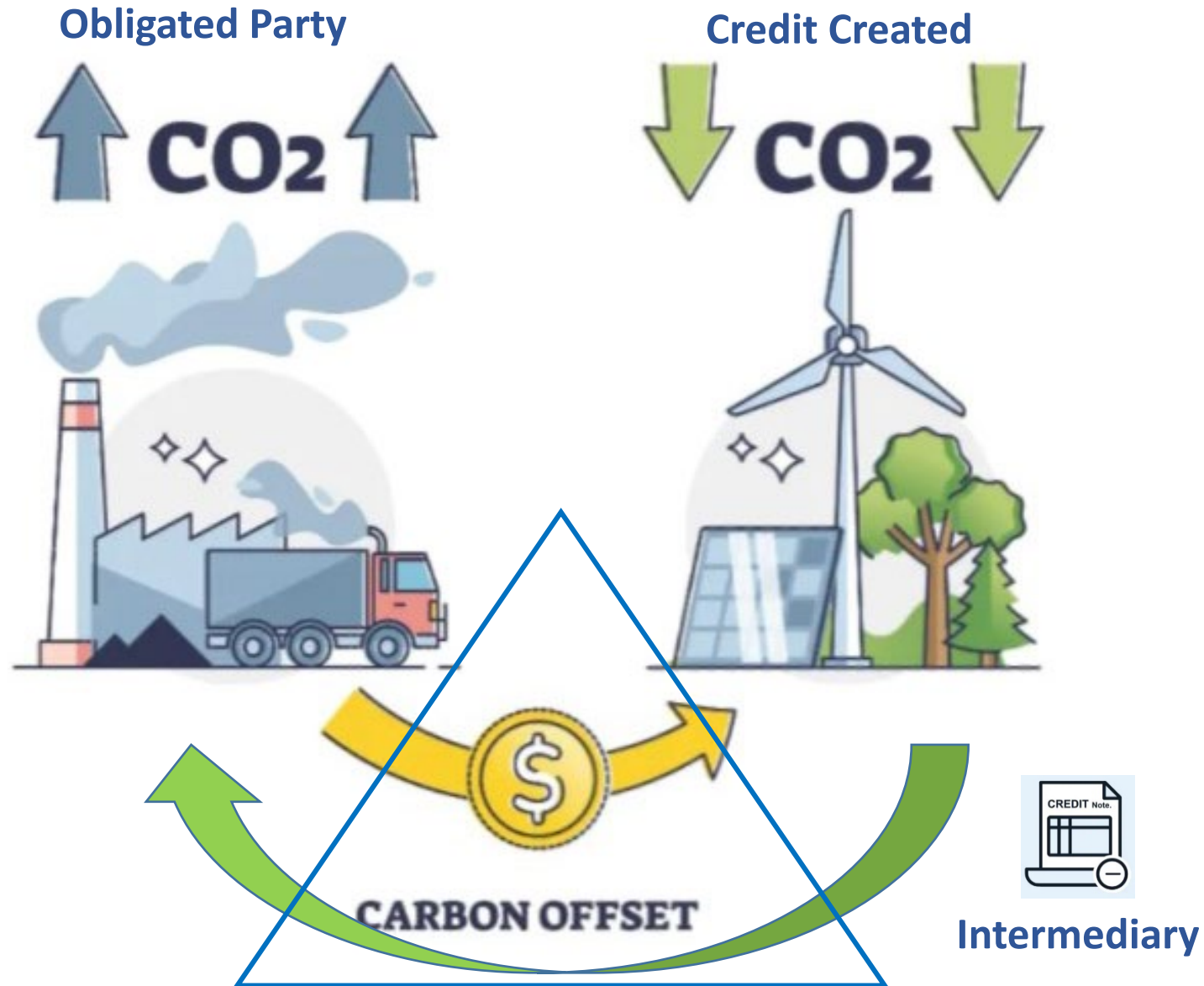


4 – Carbon Offsetting

- **Compensating for one's GHG emissions by participating in schemes to make equivalent reductions of GHG, often in third world countries threatened by global warming.**
- For example: planting a forest or funding an NGO project qualify for **validated credits** from a designated government authority (e.g. the SEAI in Ireland).
- In Ireland, electricity generators are **obligated parties** under the SEAI's Energy Efficiency Obligation Scheme (EEOS) to purchase those credits to offset their GHG emissions, e.g. Electric Ireland.



Carbon Offsetting



5 Carbon Neutral

- PAS 2060 standard states:
- “Carbon neutral footprint is a condition in which during a specified period there has been no net increase in the global emission of green house gases to the atmosphere as a result of the greenhouse gas emissions associated with the subject during the same period.
- **No net increases in your own GHG emissions over a specified future period and all remaining emissions fully offset i.e. no net increase in GHG. (Scopes 1 and 2 mandatory – with Scope 3 encouraged)**



6 Net Zero

- The [Science Based Targets initiative \(SBTi\)](#)
 - 1) “Achieve a scale of value-chain emission reductions consistent with the depth of abatement achieved in pathways that limit warming to 1.5degC with no or limited overshoot;”
 - 2) “Neutralise the impact of any source of residual emissions that remain unfeasible to be eliminated by permanently removing an equivalent amount of atmospheric carbon dioxide.”

Reduce GHG emissions in your value chain to between 0-90% with the remainder offset. (Scopes 1, 2, 3 mandatory)



Definitions Taxonomy

How Sustainable Activities are defined

- At the core of taxonomy regulation is the definition of a sustainable economic activity.
- There are 2 criteria
- Contribute to at least 1 of 6 environmental objectives listed
- Do no significant harm to any other objectives, while respecting basic human rights and labour standards



EU 6 Taxonomy Definitions



Climate change mitigation



Climate change adaptation



Sustainable use and protection of water and marine resources



Transition to a circular economy



Pollution prevention and control



Protection and restoration of biodiversity and ecosystems



Definitions

Legislation and Frameworks

Key ESG Legislation

1. EU 2021 Climate Law, Green Deal based regulation
2. EU SFAP – Sustainable Finance Action Plan
3. EU SFDR – Sustainable Finance Disclosure Regulation
4. EU CSDDD – Corporate Sustainability Due Diligence Directive
5. EU CSRD – Corporate Sustainability Reporting Directive
6. UK SDR – Sustainability Disclosure Requirements – *UK path to Net Zero by 2050*
7. UK TCFD – Taskforce for Climate-Related Financial Disclosure



Key ESG Guidance Frameworks

1. UN SDGs – Sustainable Development Goals - *Voluntary*
2. Science Based Targets initiative (SBTi)
3. SASB – Sustainability Accounting Standards Board –
Industry specific standards
4. ISSB – International Sustainability Standards Board
5. GRI – Global Reporting Initiative – *GRI is a NFP –
Voluntary*



EU Corporate Sustainability Reporting Directive (CSRD)

- Part of the European Green Deal, it replaces the NFRD – Non Financial Reporting Directive.
- Mandates companies to report on a number of ESG issues in their annual accounts/financial statements.
- Introduces double materiality assessment on the full life-cycle of products.
- Reporting must be digitally tagged and be in machine readable format.



Timeline of EU Corporate Sustainability Reporting Directive (CSRD)

- **January 2024** – Large organisations with 500+ employees that are already subject to NFRD disclosure.
- **January 2025** – Large companies that meet 2 of 3 criteria: 250+ employees; €40+M revenue; €20+M balance sheet.
- **January 2026** – SMEs listed on EU regulated markets with exception of micro companies.



Does your organisation have the building
blocks for effective ESG?

5 minute Audit



- ☐ Is sustainability part of your core values, mission and vision for the company?
- ☐ Who on the board has responsibility for sustainability?
- ☐ Have you established your GHG baseline?
- ☐ Are you measuring your GHG emissions?
- ☐ Are you in line with EU Climate Law 2030 target's of a 55% reduction?
- ☐ Are you investible as a sustainable corporation?
- ☐ Do you need to comply with CSRD?
- ☐ Does your customers need to comply with CSRD?



Support

Support

- Green Directory run by Enterprise Ireland, IDA and Udaras na Gaeltachta,
- Local Enterprise offices (LEO) have support initiatives
- Lots of courses, professional body, [IEMA](#) if you are serious about sustainability



Conclusion

Conclusion

- Lots of definitions needed to understand the context
- More companies are taking ESG seriously.
- EU Sustainability Directives are coming down the tracks
- The big focus in ESG will be Double Materiality, supply chain.
- Supply chain will be determined under Scopes 1, 2 and 3
- Expect to ESG in Public Sector and MNC tenders
- next step, quality, H&S developed 2-3 decades ago and GDPR in the past decade.



Q&A

Contact

sgallagher@syspro.ie

+353 858555792

Connect on linkedin