



Case Study

Environmental, Social & Governance (ESG) Tracking & Metrics -

A Better Way Forward

The ESG Landscape continues to expand rapidly as more companies adopt sustainability practices into their business.

Consideration of ESG factors has gone from a nice-to-have to a need-to-have over the past decade. Trends continue to show that it is no longer a question 'if' it's worthwhile managing ESG data but 'how' to do it? Traditional processes, such as reporting on sustainability through policy documents and qualitative findings without proper strategic targets are no longer enough. As financial institutions, buyers and investors pursue their decision-making based on ESG risk assessments, companies need to focus strongly on quantitative analytics to evaluate their performance and prove their sustainability credentials.

Traditionally, CSR and sustainability reports included a lot of information but not many data points. Unfortunately, lack of quantifiable, verified data is seen as one of major challenges in ESG reporting for businesses and investors. The majority of the reports does not reflect material ESG risks factors and does not demonstrate the link between ESG factors and financial performance. It is now recognized that **ESG data should be integrated into economic assessment to improve investment analysis, decision-making and to make ESG factors more relevant for companies and investors.**¹

In order to achieve this, companies and investors need to look at reporting against specific Key Performance Indicators (KPIs) and supporting their findings with verifiable data. Moreover, they need to be able to showcase how sustainability metrics influence business performance.



Whilst there is a perception that quantifying the sustainability impact is complex, increasingly there are robust tools and data analytics products that help address this issue. These tools highlight the ability of companies to improve costly internal practices through the comprehensive measurement of environmental and social impact performance.

Contrary to popular belief, analytics tools are increasingly cost effective and user-friendly, providing the necessary transparency to help significantly improve triple bottom line savings. They also identify trends that highlight the long-term efficiencies available to a company. This applies not just to multi-national organizations but also to domestic and regional companies and to Small and Medium Enterprises (SME's).

However, for sustainability targets to be met, the need for involvement at all levels has never been greater. Of course, analytics are helping companies to address important ESG elements that create efficiencies within their operations. **However, benefits can go way beyond just cost savings that can be generated through environmental resource efficiency such as energy, water and**

¹ Exploring ESG: A Practitioner's Perspective, BlackRock, 2016

waste. There needs to be increased focus on social metrics e.g. employee engagement, enhanced training opportunities, gender equality and diversity which helps companies to attract and retain talent and reduce costs of recruitment. When businesses take the high road, workers receive a fair wage, family-friendly benefits and a workplace culture built on mutual respect. In turn, businesses experience increased worker productivity, less waste, lower turnover, and a competitive edge in recruiting top talent – all contributing to higher, more reliable profitability.²

In order to look at the complete ESG impact and manage their entire risk, companies also need to expand ESG monitoring to the supply chain level. We have witnessed many cases where by neglecting suppliers' environmental and social policies, global companies have suffered reputational damage and as a result – valuation and profitability decrease. As an example, the collapse of the Rana Plaza factory in Bangladesh was a huge wake-up call for giant fashion brands that had lost control of their supply chains. Investigations following the collapse showed employees poor working conditions and widespread bribery among factory owners and safety inspectors. Since the disaster 41 people have been charged with murder.

Millennials are considered as a driving force for incorporating ESG policies. In the US, there are now 92 million Millennials and in just a few short years, by 2025, they will represent 75% of the workforce. It is increasingly important that corporate management finds ways to engage Millennials in the company. **Creating 401(k) plans which connect to their core values and desire to be associated with a good cause can be a huge advantage to the company, as 85% of Millennials surveyed in the 2016 US Trust study said they consider their investment decisions as “a way to express their social, political, and environmental values.”** This attracts the best talent, spurs employee engagement, extends retention, and sparks innovation.³ We recently have witnessed proof of this, as Millennials were the largest group that has

elected to participate in the Bloomberg's ESG-focused \$2.5 billion U.S. 401(k) plan.⁴

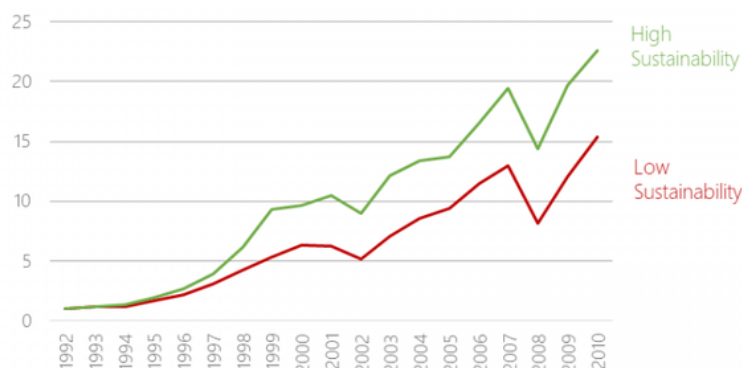
“84% of Millennials were interested in Socially Responsible Investing (SRI) and 74% of the respondents would like to see more SRI in their retirement plan offering.”⁵

Furthermore, adding ESG funds to an organization's employee contribution plan enables a corporation to further align its sustainability policies, including adoption of U.N. Sustainable Development Goals (SDGs), and the U.N. Principles of Responsible Investing (UNPRI) with its investment options.

In conclusion, companies can achieve significant benefits with a move from traditional sustainability reporting made just for compliance purposes, to ESG data and analytics driven reporting based on quantifiable data. This move helps businesses to achieve the full scope of benefits from driving sustainability: optimizing operations, strengthening competitiveness, improving reputations and investor profiles, mitigating risk and increasing valuation and stock price.

Graph 1: Stocks of sustainable companies outperform their less sustainable counterparts.

Evolution of \$1 invested in the stock market in value-weighted portfolios.



Source: *The Remarkable Rise of ESG*, Georg Kell, 2018
<https://www.forbes.com/sites/georgkell/2018/07/11/the-remarkable-rise-of-esg/>

² *The High Road Workplace: Route to A Sustainable Economy*, ASBC 2017

³ *U.S. Trust Study*, 2016:
https://www.ustrust.com/publish/content/application/pdf/GWMOL/2016_USTrust_Insights-WealthWorth-PressRelease.pdf

⁴ <http://www.pionline.com/article/20180207/ONLINE/180209884/millennials-embrace-esg-option-in-bloombergs-401k-plan>

⁵ https://www.ussif.org/files/Publications/SIF_2017PlanSponsors_F.pdf

In summary, companies and investors are currently facing several challenges in tracking ESG factors:

- ✓ Reliance on manual and time-consuming data collection and reporting processes that do not provide full transparency and visibility to the data. As a result, they have difficulties identifying areas for improvement and optimizing operations.
- ✓ Lack of data standardization across multiple departments, sites, portfolio companies or suppliers.
- ✓ Information disclosed by partner firms is too general to be useful
- ✓ Difficulty to tackling all key ESG KPIs and implementing it across the entire business.
- ✓ Lack of comparability. ESG is only relevant when compared to a past performance, a competitor, best practice or new market development,

- ✓ Lack of reliability of data/lack of audit and assurance
- ✓ Gathering and analyzing ESG information without technology is manually intensive and costly

How Turnkey Group can help to tackle above challenges?

[Turnkey Group](#) supports companies and an investors' portfolio by measuring and reporting their sustainability KPIs in a consistent and transparent manner. Turnkey provides an [ESG platform](#) that allows companies to monitor their internal ESG performance and that of their trading partners and suppliers. This leads to cost-saving opportunities and supports investors in tracking and comparing the performance of their portfolio companies. Turnkey Group has significant expertise working with global companies from multiple industries and private equity firms and their diversified network of portfolio companies.

Turnkey Group ESG Platform Features:

- ESG data collected, monitored and reported in an efficient, transparent way that provides clear financial benefits
- Easy and cost-effective methodology of ESG data collection to reduce manual workflow and minimize errors
- Dynamic analytics and reporting features, allowing comparison with historical performance, benchmarking across multiple sites and across a network of portfolio companies for investors
- Transparency of ESG data across entire business and supply chain, communicated in a comparative and standardized manner
- Collecting and monitoring data across all key ESG KPIs including – Environmental, Social and Governance
- ESG Monitoring and Reporting tools and our additional services help companies to drive financial benefits and strengthen their profile based on ESG factors
- Compliant with global ESG standards and adaptable to investors/stakeholders, stock exchange requirement

To learn more visit www.turnkeygroup.net. Contact us at enquire@turnkeygroup.net.

The American Sustainable Business Council (ASBC) is a growing coalition of business organizations and business committed to advancing market and policy shifts that support a vibrant, equitable and sustainable economy. Participants in ASBC realize that sustainable business practices and policies that support this goal, is not only good for the employees, communities and planet, but is also needed to promote business growth and international competitiveness. With its organizational members, ASBC represents more than 250,000 businesses. Working together, this powerful team works to promote the business case for sustainable practices and works to support the legislative framework needed to build a sustainable economy. To learn more, visit: www.asbcouncil.org

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