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The ESG Field Manual

PART I

From scratch to strategy

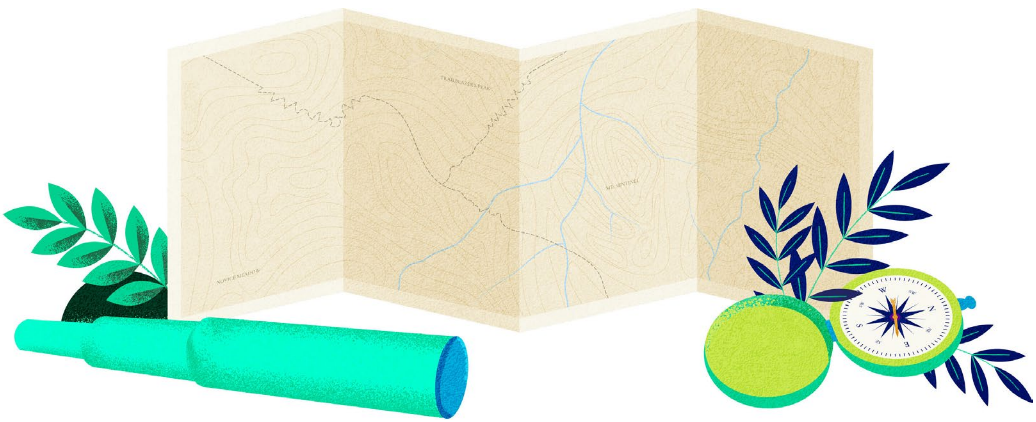
Contents

How to use this manual

The ESG Field Manual is a how-to guide for companies at the beginning of the journey to advance their environmental, social, and governance (ESG) strategy and storytelling. This is Part I, which covers ESG strategy and goal-setting. Subsequent guides will explore operationalizing your ESG strategy, creating a world-class reporting program, and developing and executing an effective communication strategy, among other topics.

Developing an effective ESG strategy requires much trial-and-error. By adopting a strong organizational growth mindset, you'll learn that sustainability is a journey and not a destination. Perfect can't become the enemy of good in companies' collective effort to address the climate crisis, create more diverse, inclusive communities, build more ethical companies and address myriad other ESG challenges and opportunities. All organizations can and must do better for people and the planet — while creating shared value for the business and stakeholders.

This manual is designed to be a practical, versatile resource and toolkit: read it cover-to-cover, skim it, or simply reference it when needed. While this isn't a comprehensive evaluation of everything you must do to be successful, it's a starting point. If at any time you get stuck and need additional support, please contact thinkPARALLAX.



In Part I, we cover foundational knowledge of ESG and the three steps of forming a strategy:

Understanding ESG

Exploring definitions, historical context, and current and near-future trends in corporate sustainability.

Step 1: Building an ESG compass to point the way

Practical actions for learning more about where your organization is today, where your competitors stand, and identifying the ESG issues most material to your business.

Step 2: Planning your route

Establishing ESG priority topics, governance, policies, programs and metrics.

Step 3: Establishing goals to map your destination

Assessing how far you want to go on your ESG journey and establishing goals and targets that get you there.

Understanding ESG

The letters E, S, and G have quickly risen to prominence in business circles. While once residing on the fringes of investor circles, today ESG is one of the most prominent buzzwords of our time. And, this is only accelerating as the financial premium for purpose-driven companies becomes more apparent[1] — which is compelling investors to increasingly demand that businesses manage, disclose, and communicate their material ESG risks and opportunities.

Yet when it comes to creating an ESG strategy, it can be hard to know where to begin. With ever-evolving expectations and frameworks to align to, acronyms galore, and no single established way to do it, it's often not even clear what the first step is. Fear not; this field guide is designed to guide you through the process.

The difference between sustainability and ESG

While sustainability and ESG often are used interchangeably, they are different — if interconnected — concepts. **Sustainability** focuses on how a company meets the needs of the present without compromising the ability of future generations to meet their own needs.[2] **ESG** involves issues such as environmental concerns like the climate crisis, biodiversity, air pollution, ocean health, and forests — and social and governance considerations such as diversity, equity, and inclusion (DEI), worker fairness, transparency, leadership, stakeholder engagement, and accountability.

Sustainability is about how a company is taking into account environmental and social issues when planning for the longevity of the company. ESG (and ESG reporting) is how a company is actively managing those issues (demonstrated through policies, programs, and measurable goals and progress). A sustainability initiative, for example, might outline a company's commitment to climate action, while its ESG strategy covers the targets and steps the company will take to reduce its carbon footprint.

It's important to note that although ESG often is used as a singular, it is in fact a plural — ESG are issues, topics, challenges, opportunities, or considerations.* This hails back to ESG's roots in investing — a series of opportunities and risks that guide strategic decision making. Put another way: ESG sets specific criteria to define environmental, social, and governance systems as sustainable while sustainability in a business context is more of an umbrella term of "doing good."[3]

* For consistency's sake, we will continue to use ESG as a singular term.

ESG and Sustainability: Two sides to the same coin

ESG

How the world impacts a company. This provides a view of a company and its long-term value potential and relevance to its stakeholders. An ESG rating measures environmental and social impacts and the effectiveness of corporate governance in managing them. Organizations create ESG strategies to help them act on and measure what is mutually good for profits, people, and the planet.

Sustainability

How an organization impacts the world. Sustainability is a focus on business strategies that generate long-term value and benefits for all stakeholders. A strong sustainability strategy integrates environmental, social, and governance factors into important business and operational decisions.

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Why everyone is talking about ESG

To understand why ESG has moved from the obscure to the mainstream — and where it could be headed — it's important to learn where it came from. While the history of corporate sustainability and ESG is more complex than we can cover in this Field Guide, here are the highlights:

A brief history of ESG

The roots of the modern environmental movement can be traced to Rachel Carson's 1962 bestseller Silent Spring, which raised public awareness and concern for living organisms, the environment and the connection between pollution and public health. As more people in the United States and across the globe became increasingly aware of the negative environmental impacts of humans, this culminated in the first Earth Day in April 1970 — which inspired the creation of the Environmental Protection Agency and the passing of several new environmental laws aimed at limiting air and water pollution generated by business and government.

In reaction to the growing consensus that business had a role to play in limiting social and environmental harm, in September of 1970 economist Milton Friedman in a New York Times op-ed introduced his "Shareholder Theory" — known as the Friedman Doctrine — which asserts that companies' only social responsibility is to maximize revenues and increase returns for shareholders.[4] Refuting and uncovering the fallacy of this theory later would become one of the central efforts of corporate sustainability.

In 1989, the worst oil spill in the history of the United States occurred when a massive Exxon Valdez oil tanker spilled nearly 11 million gallons of oil off Alaska's coast, devastating local ecosystems and killing hundreds of thousands of birds and fish, and hitting the corporation with more than a half billion dollars in liabilities. In response, a group of socially responsible investors and environmentalists came together to form the nonprofit Ceres with a vision for a better way of doing business and redefined the role and responsibility of companies as stewards of the environment and agents of economic and social change.

During the 1990s, the foundations of corporate sustainability formed as government and business came together to address the increasingly more apparent climate crisis. In 1992, the Kyoto Protocol was signed by 192 countries pledging to limit and reduce greenhouse gas emissions and adopt policies and measures on mitigation and to report periodically. In 1997, the Global Reporting Initiative (GRI) was founded to help businesses address global impacts like the climate crisis.

The ushering in of the new millennium brought with it renewed focus by business and government to address pressing social and environmental challenges. In 2000, the United Nations Global Compact launched, which calls for companies to align strategies and operations with universal principles on human rights, labor, environment, and anti-corruption, and take actions to advance those goals. Four years later, in 2004, the Global Compact published a report providing guidelines for companies to incorporate sustainability into their operations.

In 2006, the term "ESG" was first coined by the United Nations Environment Programme Initiative as part of an effort to create a legal framework for the integration of environmental, social, and governance issues into institutional investment.[5] That same year, former Vice President Al Gore's documentary *An Inconvenient Truth* brought the climate crisis to the forefront of many political and business discussions.

With investors increasingly expressing interest in non-financial information such as social and environmental performance, in 2011 Jean Rogers founded the Sustainability Accounting Standards Board (SASB) to standardize sustainability accounting and measurements across 77 industries.

In 2015, some 196 countries adopted the Paris Agreement at COP21 in Paris, the first legally-binding international treaty on the climate crisis which seeks to limit global warming to well below 2, and preferably to 1.5 degrees Celsius, compared to pre-industrial levels. To achieve this, countries aim to reach global peaking of greenhouse gas emissions as soon as possible to achieve a climate neutral world by mid-century. Also in 2015, the Sustainable Development Goals were formed at the United Nations General Assembly. These 17 goals recognize that ending poverty and other social challenges must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth — all while addressing the climate crisis and working to preserve our oceans and forests.

The year 2020 likely will go down in history as ESG's "breakout year." In January, BlackRock Chairman and CEO Larry Fink directly refuted the Friedman Doctrine when in a letter to 180 of America's most powerful CEOs he wrote that corporations have a responsibility to society. That same year, the COVID-19 pandemic emerged, leading to increased attention on worker health and safety; the murder of George Floyd sparked a renewed social justice movement in the United States; and destructive extreme weather events brought the climate crisis to the forefront.

Since then, business, government, and investor interest in ESG considerations and sustainability has continued to increase. The history of ESG continues to unfold around us.

Evolution of corporate sustainability

1 **Profit Maximization**
Milton Friedman-fueled era of business and capitalism where the chief (and only) purpose of a company is maximize profits for greater shareholder value

2 **Corporate Philanthropy**
Companies donating money to communities, NGOs, and other organizations largely for marketing and brand reputation purposes, as well as tax write-offs.

3 **Corporate Social Responsibility (CSR) & Corporate Citizenship**
A self-regulating business model that helps a company be socially accountable — to itself, its stakeholders, and the public.

4 **Corporate Sustainability / ESG / Sustainable Business**
Through managing E, S, and G issues, companies can mitigate risk, reduce costs, and increase profits and brand equity.

5 **Stakeholder Capitalism & Shared Value**
A company's purpose is to create long-term value, not maximize profits and enhance shareholder value at the cost of other stakeholder groups.

The current state of ESG

In 2022, ESG has continued its upward trajectory as more businesses, investors, policymakers, and individuals come to see it as a core business driver rather than just a feel-good exercise. According to research by Harvard Business School Professor George Sarafeim, purpose-driven companies that focus sustainability efforts on material ESG factors perform better than competitors, with an increased stock return of about 6% annually.[6] Global investment in ESG has increased by 15% since 2018, bringing the current total to more than $35 trillion — representing more than a third of all professionally managed assets.[7]

Intertwined with the financial drivers of ESG interest are the increasingly unavoidable and global nature of **externalities** — side effects or consequences of business activity that have meaningful consequences for people who are not immediately involved with the organization. This includes everything from how a business is impacting the climate crisis to how it is responding to help employees through the COVID-19 pandemic, and how they are working to address racial injustice to reducing material waste in the supply chain.

With the data becoming increasingly clear that ESG creates a competitive advantage for purpose-driven companies that drive financial value, it follows that investors are driving the current wave of interest in corporate sustainability and ESG. Likewise, regulators increasingly are taking notice of corporate sustainability and how companies manage ESG issues. Meanwhile, more customers are interested in the social and environmental impacts of the products and services they purchase. And employees are demonstrating that they want to work for companies with a clear social purpose.

This accelerated interest in ESG led to as many as 92% of S&P 500 companies and 70% of Russell 1000 companies to publish sustainability reports in 2020.[8] Meanwhile, the number of companies using SASB Standards in their ESG reporting increased by 375% between 2019 and 2020, and by 215% between 2020 and 2021. Moving into 2023, companies should expect investors and other stakeholders to continue to elevate their interest in ESG considerations and corporate sustainability. Ensuring that you have a solid ESG strategy will be more important than ever.

Major U.S. policy developments impacting ESG in 2022

Environmental

The Securities and Exchange Commission (SEC) proposed a rule requiring companies to include certain climate-related information in registration statements and financial reports.

The Supreme Court issued a ruling that restricts the Environmental Protection Agency's authority to mandate carbon emissions reductions.

The United States Congress passed the Inflation Reduction Act, a landmark bill which allocates hundreds of billions of dollars to facilitate a clean energy transition. This is expected to further signal to investors the importance of ESG considerations.

Social & Governance

U.S. Supreme Court overturns Roe v. Wade, declaring the constitutional right to abortion no longer exists.

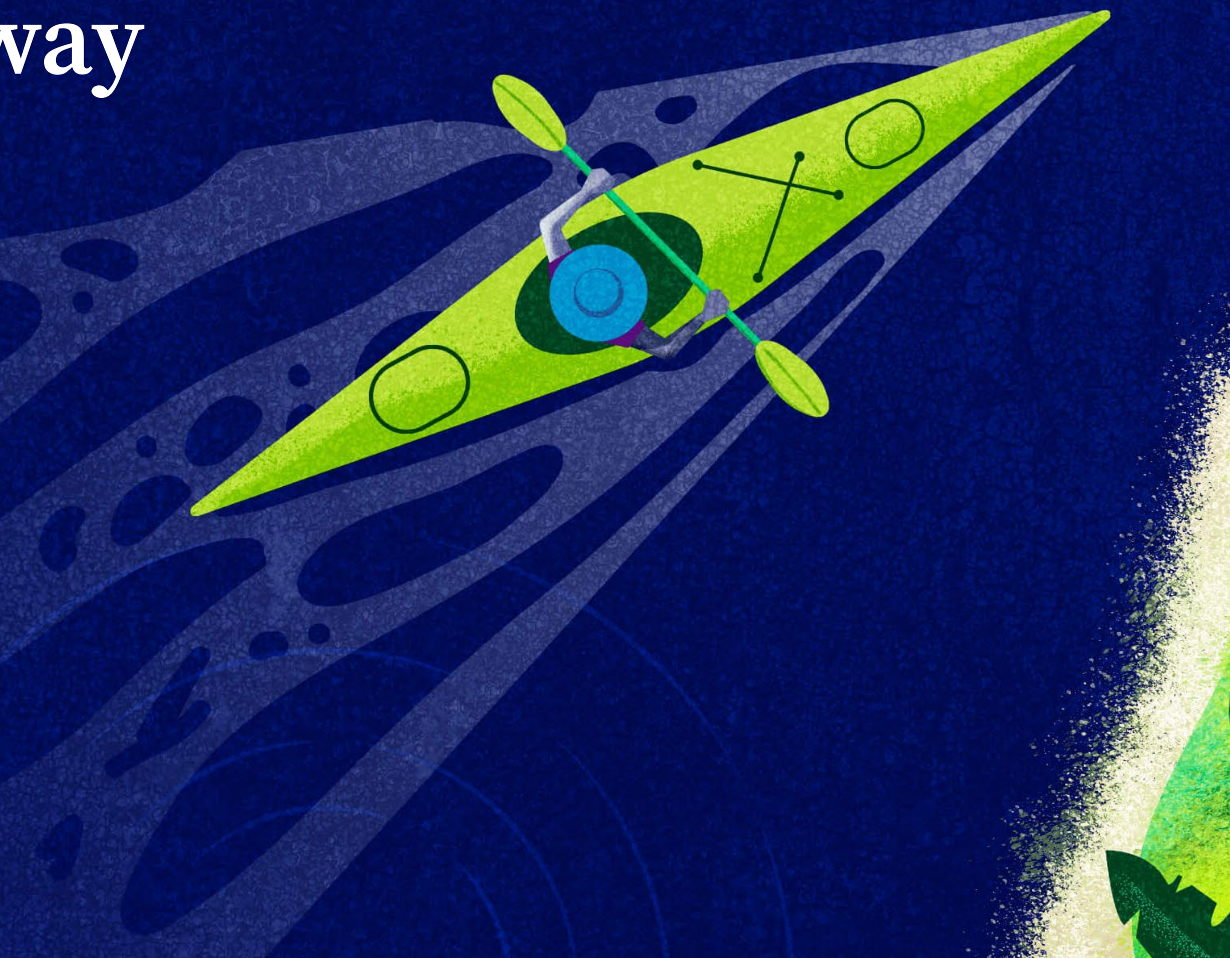
The Inflation Reduction Act imposes a minimum tax of 15% on the adjusted financial statement income of large corporations.

STEP 1:

Building an ESG compass to point the way

Creating an effective ESG strategy means embracing audacity, inspiration, and change — as well as humility, transparency, and authenticity. It also requires making difficult decisions, putting in the work, managing change, and evolving your business.

Failing to do so also offers more risk than reward — investors, customers, employees, and other stakeholders are getting more sophisticated in their ability to detect greenwashing.



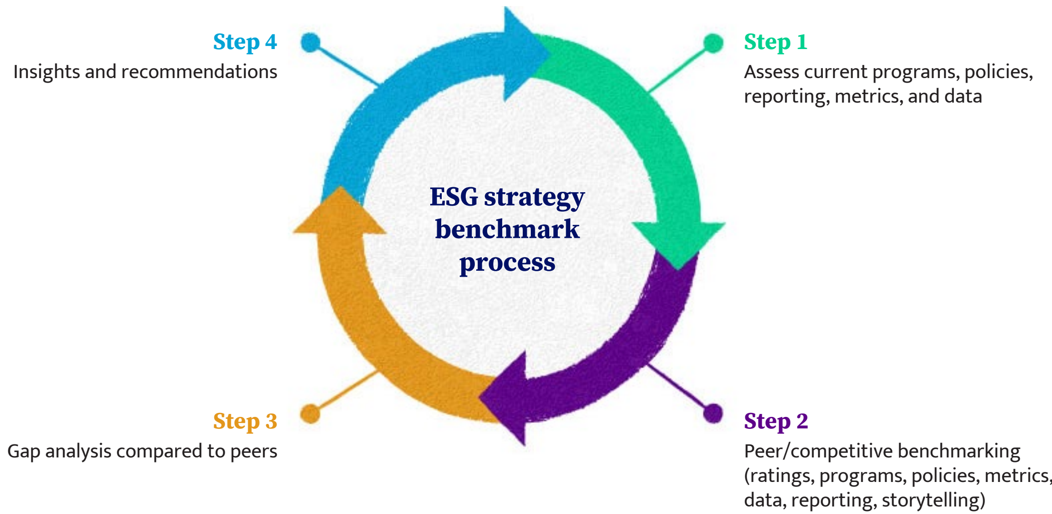
Benchmarking to find your bearings

To succeed in ESG, you must know where you are to get where you are going. For novices and leaders alike, this means conducting an ESG strategy benchmark to look both inward and outward to identify risks and opportunities for your strategy. This entails completing a comprehensive assessment of publicly-available ESG information to determine your company's performance and transparency compared to peers.

The analysis identifies gaps and opportunities in such areas as the climate crisis, human capital industry-specific issues, disclosure frameworks, stakeholder engagement, communications, impact, governance, priorities, and metrics.

By looking at your competitors, you'll paint a clearer picture as to how well your industry is performing on ESG strategy and communication overall.

Keep in mind that if your industry is underperforming on ESG issues, this is not a free pass to set a mediocre strategy. If anything, this affords you an opportunity to assert yourself as an industry leader that raises the bar for all other companies in your category.



Identifying what matters for your ESG roadmap

With an entire universe of ESG considerations — from the climate crisis to supply chain sustainability and DEI — it can be difficult to know even where to focus. Taking on every ESG issue in existence isn't feasible or effective. With limited temporal, financial, and human capital, companies must determine which ESG considerations are most important, or **material**, to their business.

The most common way for companies to determine these issues of focus is by conducting a materiality assessment. While there is no standardized approach to materiality assessments, generally it involves the following:

- Narrowing down a list of ESG issues that are important to your business
- Identifying relevant internal and external stakeholders
- Conducting peer benchmarking
- Reviewing relevant reporting frameworks as well as global trends
- Gathering input from stakeholders (via interviews, focus groups, and/or surveys) about issue importance to the business, perceived performance by issue, current and future expectations of issue performance, and communication efficacy
- Analyzing the data to create insights and recommendations
- Creation of a materiality matrix to visualize the results

For a deep dive in how to conduct an effective materiality assessment, please check out our 2021 Insights Paper: Getting the most out of your ESG materiality assessment.

Given the complexity and time-consuming nature of materiality assessments, many companies elect to bring in a third-party partner to conduct the materiality assessment. However, if you lack the resources to hire help you also can conduct a simple materiality assessment yourself by starting with the SASB issues for your industry and holding discussions with the person responsible for risk management at your organization — and hold internal discussions with relevant stakeholders about how important these risks are to the organization.

What is a material topic?

Material topics are ESG issues that most significantly impact an organization or can most significantly be impacted by the organization.

Sample Materiality Matrix

Materiality assessment best practices

Data collection should include a mix of stakeholder surveys, interviews, and desktop research.

Be sure to look at both stakeholder perception and impact in regards to the ESG issues under consideration.

Understand the impact the issue has on the business and the relative impact the business has on the issue

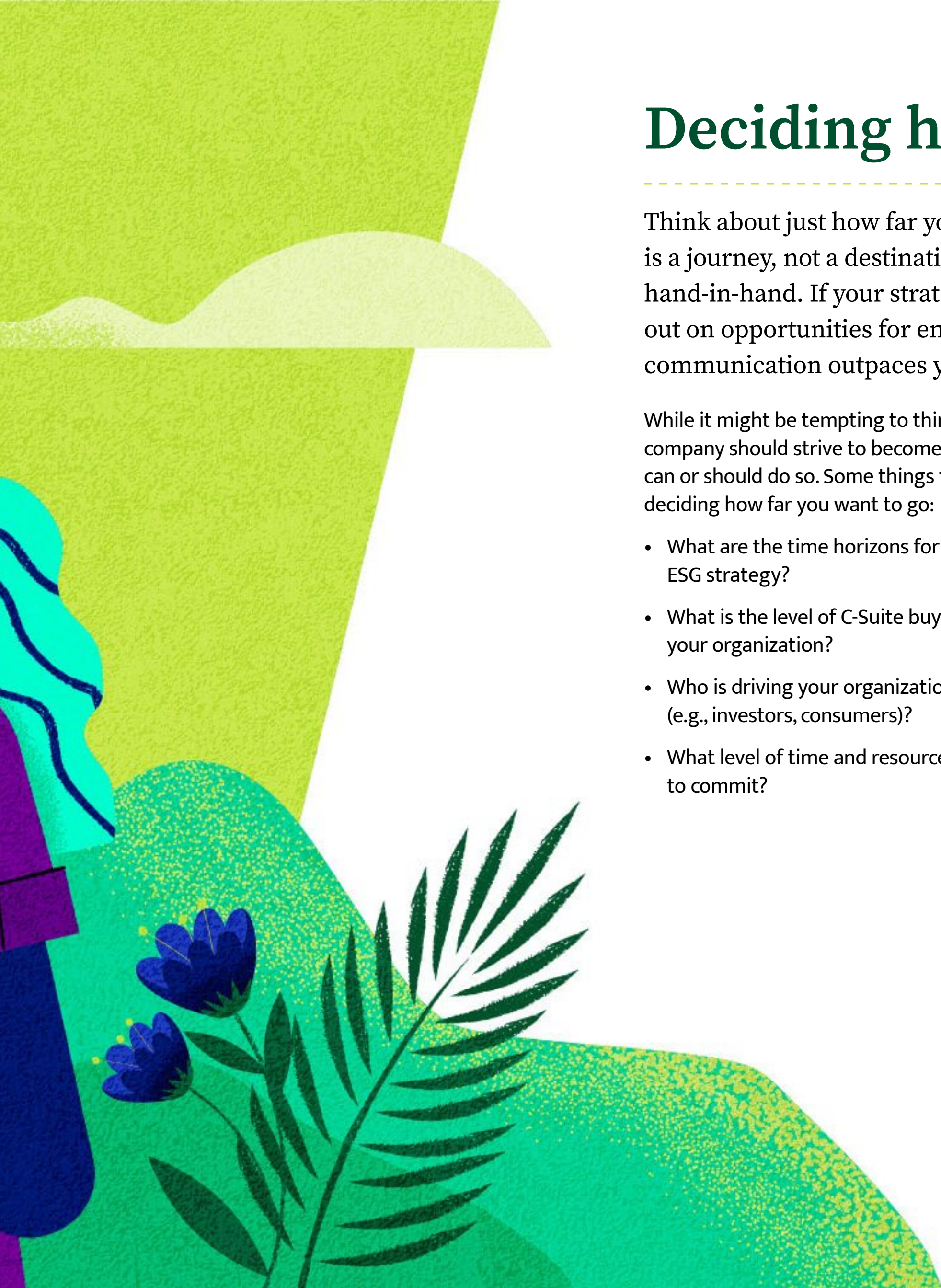
Assess ESG risk using the same factors as any other business risk (e.g. likelihood, severity).

Be sure to weigh the importance of stakeholder groups by their knowledge, comprehension, influence, and urgency with your ESG issues.

STEP 2:

Planning your route

With the results of your ESG strategy benchmark and materiality assessment in hand, it's time to develop an ESG strategy roadmap. While the term "strategy" can seem nebulous, within the context of sustainability and managing ESG challenges this simply is your approach to making choices — what to do (and not do), which ESG challenges to prioritize, and what to say about it. An effective ESG program includes both an ESG strategy and communication strategy.



Deciding how far you want to go

Think about just how far you want to go — and how fast. Corporate sustainability is a journey, not a destination. Your strategy and communication must advance hand-in-hand. If your strategy gets ahead of your communication, you are missing out on opportunities for engagement and building reputation. Likewise, if your communication outpaces your strategy, you are venturing into greenwashing territory.

While it might be tempting to think that your company should strive to become a "leader," not all can or should do so. Some things to consider when deciding how far you want to go:

- What are the time horizons for advancing your ESG strategy?
- What is the level of C-Suite buy-in for ESG at your organization?
- Who is driving your organization's interest in ESG (e.g., investors, consumers)?
- What level of time and resources are you willing to commit?
- What are your peers doing?
- What sustainable business and community impact do you want to make?

Note that the bar for leadership constantly is being raised as more companies get serious about sustainability and addressing their ESG issues. See the graphic on the next page to learn more about the sustainability strategy and communication journey and ask yourself: where does your organization currently fall and where would you like to go?

Navigating sustainability stepping stones

Novice

Strategy:
Reactive, annual approach to sustainability with **ad hoc policies and programs** and few/no metrics.

Comms:
Basic communications and programs, **simple website** and **reporting not aligned** with reporting framework.

Beginner

Strategy:
Planned, annual approach (policies, programs and metrics) to some sustainability topics but **not comprehensive**. At least **1 dedicated ESG employee**.

Comms:
Robust communications and programs with **strong sustainability section** and **annual sustainability report** using reporting framework. No year-round sustainability storytelling.

Pro

Strategy:
Planned, **multi-year** approach to a broad spectrum of sustainability topics that includes **performance targets.** Strategy is led by **senior leader** and activated by **cross-functional** team.

Comms:
Stronger communications and programs with **sustainability integrated** into all sections of website. Annual sustainability report using reporting framework. **Year-round sustainability storytelling.**

Advocate

Strategy:
Clear corporate strategy and framework focused on **creating business and community value**. Strategy includes **specific sustainable products or services** and signature program(s) that have **significant impact in the community.**

Comms:
Advanced communications and programs with **sustainability reporting materials targeted by audience**, indices available for multiple frameworks. **Sustainability integrated** into all corporate and internal communications.

Leader

Strategy:
Sustainability and business strategy are aligned. Strategic success is tied to **direct economic performance** and transitioning us to **a more sustainable, low-carbon economy**.

Comms:
Leading communications and programs with **comprehensive ESG reporting hub**, policies, indices available for **multiple frameworks**. Corporate communications is one cohesive story around long-term value creation. **Public policy and sustainability strategy are aligned.**

Understanding the fundamentals of ESG strategy survival

Your ESG strategy demonstrates business and ESG value, focuses on priority topics, builds effective governance, maintains relevant policies, aligns programs with priorities, and discloses meaningful, comparable metrics.

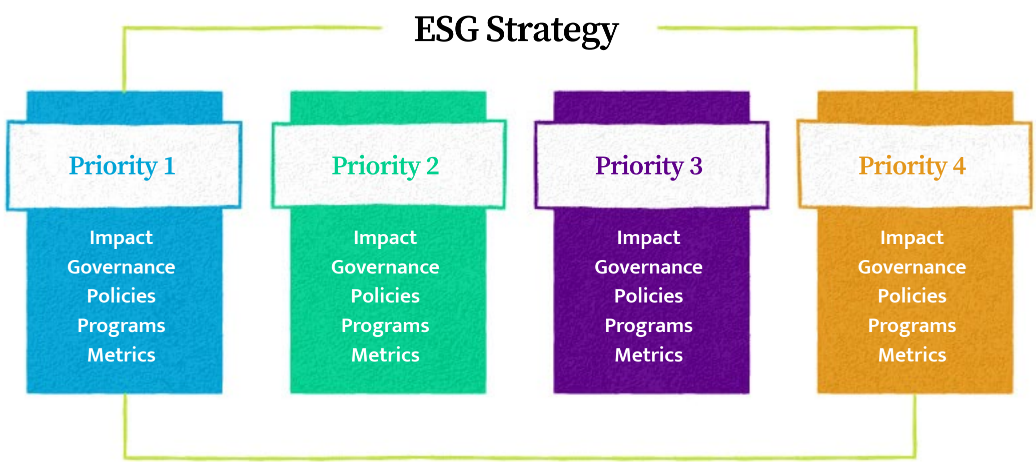
The most effective ESG strategies cover 3-4 priority areas which determine the organization's focus for goals, programs, and other activities. While many elect to align these priorities to the letters of E, S, and G, every company is different and many have priority areas that go beyond this. Each ESG priority should include the following:

- **Impact:** how this priority area impacts your business, and how your business impacts it.
- **Governance:** your approach to managing this ESG risk and/or opportunity.
- **Policies:** the policies you put into place to address this priority area.
- **Programs:** the programs you've created to implement actions addressing the priority area.
- **Metrics:** goals and key performance indicators to show how you are tracking.

When developing your ESG strategy, it is important to bring to the table all internal stakeholders key to carrying it out. This can be achieved by holding discovery workshops that bring the most important players to the table. You should come out of these workshops with solid priority areas and high-level governance, policy, program and metrics insights.

This can also kickstart the creation of a cross-functional committee to manage ESG issues for the company.

To make your ESG strategy more concrete, it's effective to create an ESG strategy framework, which visualizes your strategy in a way which is easily read and interpreted by internal and external stakeholders.



How to talk about your ESG journey

Even the world's greatest ESG strategy means little without action. Effective communication is how you educate and engage stakeholders to act. By translating your ESG strategy into a clear and compelling story, companies can drive engagement and results.

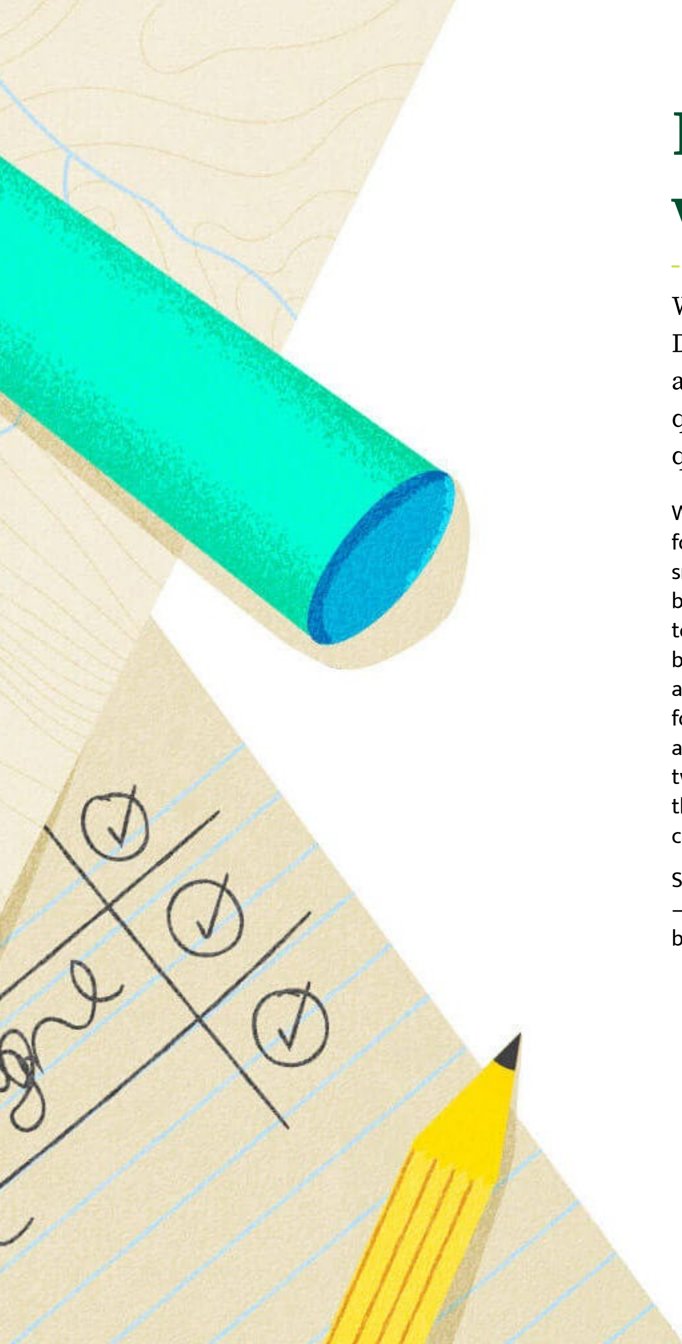
For investors, it might be to increase investments in your company, for customers it can compel purchasing decisions and brand loyalty, and for employees it can build pride, increase performance, and help companies reach the targets they've set.

We will cover communication and engagement strategy in greater detail in Part III of The ESG Field Manual. If you have questions about how to communicate your ESG strategy, please contact thinkPARALLAX.

STEP 3:

Establishing goals to map your destination

With an ESG strategy established, the next step is to set goals. Within the context of corporate sustainability, goals are more than just a means to measure progress. While goals set the direction, process is what gets you there. To be successful, an ESG goal or commitment must be accompanied with a plan to achieve it. While it's common to see headlines filled with lofty sustainability commitments by companies that have no solid plan for operationalizing them, you should strive to avoid this by pairing your goals with an action plan for achieving them.



How to set goals that get you where you want to go

When setting ESG goals, begin with the impact you want to create and work backward. Do you want to minimize your company's impact on the climate crisis? Start there, and determine what needs to be done to reduce your carbon footprint. Goals can be qualitative (e.g. implement a carbon reduction program over the next 3-5 years) or quantitative (reduce carbon emissions by 30% by 2030).

When establishing ESG goals, companies tend to follow one of two paths: being cautious and setting smaller goals that are incremental, or "going big" by setting ambitious targets that are improbable to achieve. The more cautious companies fear blowback if they set a target that they fail to achieve, while the more audacious wish to "shoot for the stars and fall on the moon". The right approach tends to fall somewhere between the two extremes. Reflecting back on your ESG strategy, the level of ambition you set, and corporate culture can help guide the goal-setting process.

So-called "moonshot" goals — those most ambitious — typically work better for major consumer-facing brands. These companies tend to have bigger marketing budgets than B2B brands which make sustainability and ESG easier to sell internally. Conversely, B2B brands often have smaller marketing budgets and have more technical sustainability challenges — this makes them more technical and focused on operationalizing goals versus communicating them.

IKEA, for example, has established an overarching goal to become "climate positive" by 2030 — reducing more greenhouse gas emissions than its entire value chain emits while still growing its business by designing new products, moving into new markets and building dozens of new stores in that time.

Types of sustainability goals

Net zero

A net zero goal means a company will cut greenhouse gas emissions to as close to zero as possible — with any remaining emissions re-absorbed from the atmosphere, by oceans and forests.[9]

Science-Based Target

Targets which provide a clearly-defined pathway for companies to reduce greenhouse gas emissions in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement — limiting global warming to 1.5ºC below pre-industrial levels.

Year-based

Any goal which is tied to being achieved by a specific year (e.g. ensure that 50% of the board is female by 2030).

Goal-setting

Using the letters of E, S, and G to guide your goal-setting is a good starting point. Remember, you don't want to have dozens of goals — it's better to focus on the few that will allow your organization to create a true impact versus a laundry list.

Example issues to set goals around

ENVIRONMENTAL	SOCIAL	GOVERNANCE
☐ Greenhouse gas emissions (Scope I, II, III)	☐ Human capital	☐ Privacy and security
☐ Waste	☐ DEI	☐ Board diversity
☐ Water	☐ Occupational health and safety	☐ Business ethics
☐ Biodiversity	☐ Training and development	☐ Supply chain
☐ Pollution	☐ Employee well-being	
☐ Materials	☐ Human rights	

Creating an ESG roadmap

An effective way to organize your goal-setting is through an ESG roadmap which provides a high-level overview of long-term commitments, mid-term milestones to get there, and key disclosures to measure and disclose.

This can be done by initiating discussions with internal subject matter experts to assess feasibility and pathways to targets, facilitating thematic and priority issue workshops to confirm long-term goals, and creating a roadmap with tangible near-term milestones. See an example of an ESG roadmap to the right.

Sample high-level roadmap

	PHASE ONE	PHASE TWO	LONG-TERM COMMITMENTS
HUMAN CAPITAL	• Develop diverse talent target(s) and plan • Identify key trianing and develoment enhancement goals and needs • Create employee engagement metric/goal	• Make a public diversity commitment • Create diverse talent sourcing partnerships	• Industry-leading employee engagement score • Increase representation in employee base of underrepresented minorities to 25%
ENVIRONMENT	• Perform TCFD scenario planning • Create plan to increase renewable energy • Offset a portion of utilities emissions • Measure Scope 3 emissions • Disclose an absolute carbon reduction commitment	• Disclose renewable energy goal • Develop plan for science-based carbon commitment • Reduce Scope 3 emissions • Create portfolio-wide sustainability guidelines • Develop electric vehicle (EV) engagement plan • Develop water conservation plan	• Perform TCFD scenario planning • Carbon neutral by 2050 • Increase community visibility for water conservation

The great journey ahead

Creating an ESG strategy is only the beginning. In Part II of this Field Manual, we will cover how to operationalize your ESG strategy and track and disclose progress through reporting. In Part III, we'll cover how to translate your ESG strategy into an effective story, communicate sustainability, and build reputation for your impact.

Remember, corporate sustainability is a journey, not a destination. You are taking the first steps toward a better future for your brand, your stakeholders, and the world. If at any point you need help, [contact thinkPARALLAX](#).

Appendix

ESG glossary

Here is a list of important terms for anyone engaged in corporate sustainability to understand. Note that this is not an exhaustive list.

Standard: specific, detailed, and replicable requirements for what should be reported for each topic, including metrics (e.g., SASB).

Framework: principles-based guidance on how information is structured, how it is prepared, and what broad topics should be covered (e.g., TCFD).

GRI (Global Reporting Initiative): an international independent standards organization that helps businesses, governments and other organizations understand and communicate their impacts on issues such as climate change, human rights and corruption.

SASB (The Sustainability Accounting Standards Board): an industry-specific set of standards that disclose financially material ESG information to stakeholders, primarily investors.

SDGs (The Sustainable Development Goals): a universal call, organized around 17 goals, to end poverty, protect the planet and ensure that by 2030 all people live in peace and prosperity.

TCFD (The Task Force on Climate Related Financial Disclosures): provides information to investors about what companies are doing to mitigate the risks of climate change, as well as be transparent about the way in which they are governed.

UNGC (United Nations Global Compact): a voluntary initiative based on CEO commitments to implement universal sustainability principles and take steps to support UN goals.

Materiality: an accounting principle which states that all items that are reasonably likely to impact investors' decision-making must be recorded or reported in detail.

Materiality in ESG: refers to the effectiveness and financial significance of a specific measure as part of a company's overall ESG analysis.

Single materiality: is only concerned with a company's value creation or risk management for the company.

Double materiality: refers to the impact of ESG issues on a company's value creation and affects on society in general along environmental and social dimensions.

Net zero: refers to the balance between the amount of greenhouse gasses produced and the amount removed from the atmosphere.

Scope 1 emissions: emissions generated on site (e.g., fuel consumption manufacturing or transport).

Scope 2 emissions: emissions generated indirectly (e.g., electricity generated by burning fuel somewhere else).

Scope 3 emissions: activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value/supply chain. Scope 3 emissions include all sources not within an organization's scope 1 and 2 boundary.

Biodiversity: the collective term for the full variety of life on earth.

Clean energy transition: the shift from fossil-based systems of energy production and consumption — including oil, natural gas and coal — to renewable energy sources like wind and solar, as well as lithium-ion batteries.

Green washing: communication about environmental performance that is deceptive or unsubstantiated.

Footnotes

[1] Serafeim, George, "Purpose + Profit" (2022)

[2] United Nations (1987) Report of the World Commission on Environment and Development: Our Common Future

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[8] Governance & Accountability Institute (2021) 92% of S&P 500® Companies and 70% of Russell 1000® Companies Published Sustainability Reports in 2020, G&A Institute Research Shows

[9] United Nations "For a livable climate: Net-zero commitments must be backed by credible action"

About thinkPARALLAX

We are a leading full-service sustainability strategy and communications agency. We partner with influential companies across industries to drive meaningful sustainability progress, action, and conversation.

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