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SOLUTIONS

What is ESG?

Environmental, Social, and **Corporate Governance** refers to the three central factors in measuring the sustainability and societal impact of an organization.

- **The "E" - Environment.** All organizations have environmental impacts to consider. The "E" encompasses direct environmental impacts that are linked to a company's ability to create value over time and are a result of activities which include natural resource extraction, land cultivation, product manufacturing, and the use of energy and water. The impacts include greenhouse gas emissions, water consumption, waste generation, and biodiversity loss.

- **The "S" - Social.** Social criteria that companies need to consider are focused around how you are engaging with customers, local communities, regulators, the public, and employees. The topics include community standing, labor relations, diversity & inclusion.

- **The "G" - Governance.** Governance focuses on how your organization self-governs. Utilizing internal controls, policies & procedures to make decisions, mitigate risk, comply with the law, and lead with integrity. Issues captured in this dimension include, anticompetitive practices, ethical conduct of business, and engagement with employees, community, and stakeholders.

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Why ESG now?

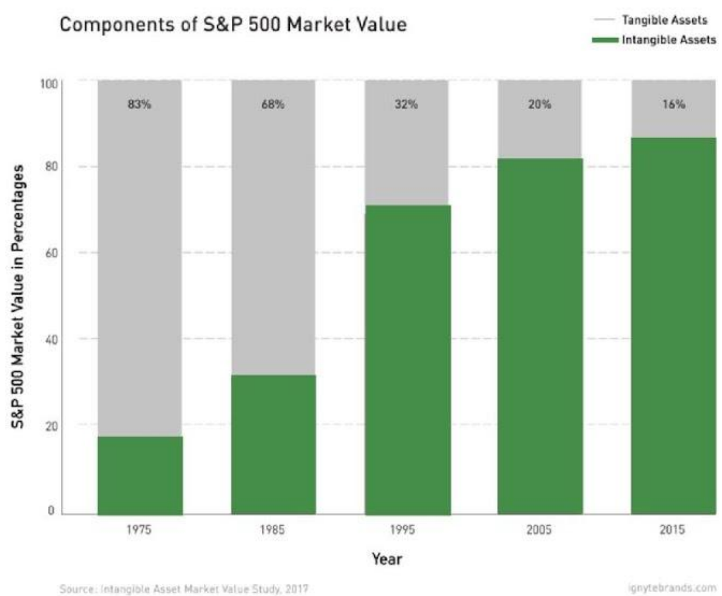
"Texas Power Outages, February 2021 Those managing our grid and power supply are, by and large, not preparing for the extreme weather events that will become more common with climate change." *Popular Science, The Real Story Behind Texas Power Outages by Ula Chrobak*

"CEO of all women co-working space The Wing steps down after employees speak up about a disconnect between the company's feminist branding and treatment of female staff" *Fortune June 2020*

"Meatpacking Companies Dismissed Years of Warnings on pandemic Preparedness. Since 2006, government officials predicted that a pandemic would threaten critical businesses. Lack of planning severely impacted workers health & safety, and disrupted the food chain". *ProPublica, August 2020*

With ESG risks in the news daily, it is increasingly important for companies to be framing their business with sustainability in mind in order to;

- Shift in corporate valuations from tangible to intangible assets poses unaccounted for risk
- Access to debt and investment capital predicated on conforming to ESG policies
- Talent, customers, and investors are increasingly seeking out sustainable organizations
- Improves long-term value creation for organizations



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Where are we today?

- **1929** Stock Market Crash
- **1934** Securities & Exchange Act Established
- **1936** GAAP Founded
- **1959** AICPA Established Accounting Principles Board
- **1973** FASB Created
- **1997** GRI Founded
- **2000** CDP Worldwide Established
- **2001** IASB & IFRS Founded
- **2011** SASB Founded
- **2015** TCFD Created
- **January 2020** Larry Fink (BlackRock) issues letter to CEO's mandating ESG Integration
- **March 2021** SEC forms ESG Task Force.

ESG Integration in Businesses:

- At the very start of the journey
- Companies starting to focus, but working through how to collect, manage, compare ESG data.
- Investors are asking for the information
- Legal liability exists due to inconsistent definition and use of materiality, lack of disclosures and regulatory guidance
- Risk mitigation practices need to be amended as corporate enterprise value is shifting to approximately 85% intangible assets subject to subject to ESG risks