



# ESG: Why It Matters

For Companies, Leaders and Advisors

November 2022

MT  
CONSULTING

# OUR APPROACH

Developing sustainable, resilient business models that incorporate ESG (environment, social, governance) factors

We often look at business from a 10,000-foot level, like staring down at the streets of city from an observation deck. From there, spotting risk is like seeing a storm coming – only the biggest black cloud is truly visible. Risks in environment, social and governance factors are often hiding behind that cloud. In today's ever-changing ESG landscape, it is imperative you turn the dial to clear your vision of these growing risks.





## Quick Wins + Long-Term Value

MT Consulting focuses dually on solid strategy and immediate, data-driven results. Experts know success in ESG and sustainability takes time and enterprise-wide effort and buy-in. But insiders know quick wins matter. We prioritize both and pride ourselves on crafting a path for our clients that will quickly create ROI. We emphasize strong stakeholder relationships and a multi-pronged approach to every project, meeting clients where they are to drive results in the short term and strategic directives over a longer time horizon.

**OUR PROCESS:  
DATA DRIVEN,  
FUTURE FOCUSED**



# TRUSTED BY GLOBAL SUSTAINABILITY LEADERS

Clients Include



# OVERVIEW

ESG Today

# THE BIG “HUH”? THE LANGUAGE OF ESG

corporate  
responsibility

CSR

sustainable  
development

sustainability

ESG

PURPOSE

corporate  
citizenship

cause  
marketing

SOCIAL  
IMPACT

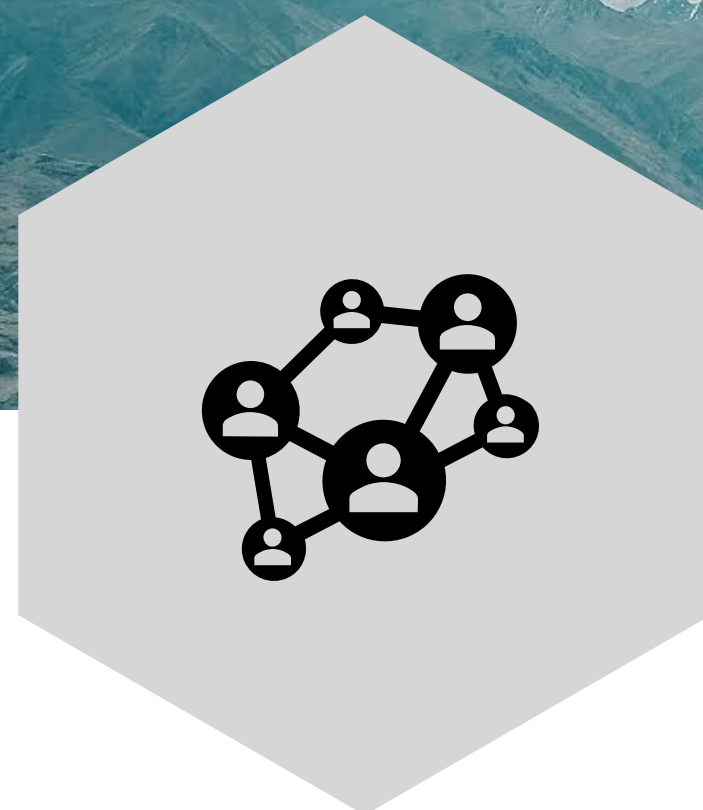


# UNDERSTANDING THE ESG LANDSCAPE



## Environment

Climate, resource usage, waste, regulations, activism



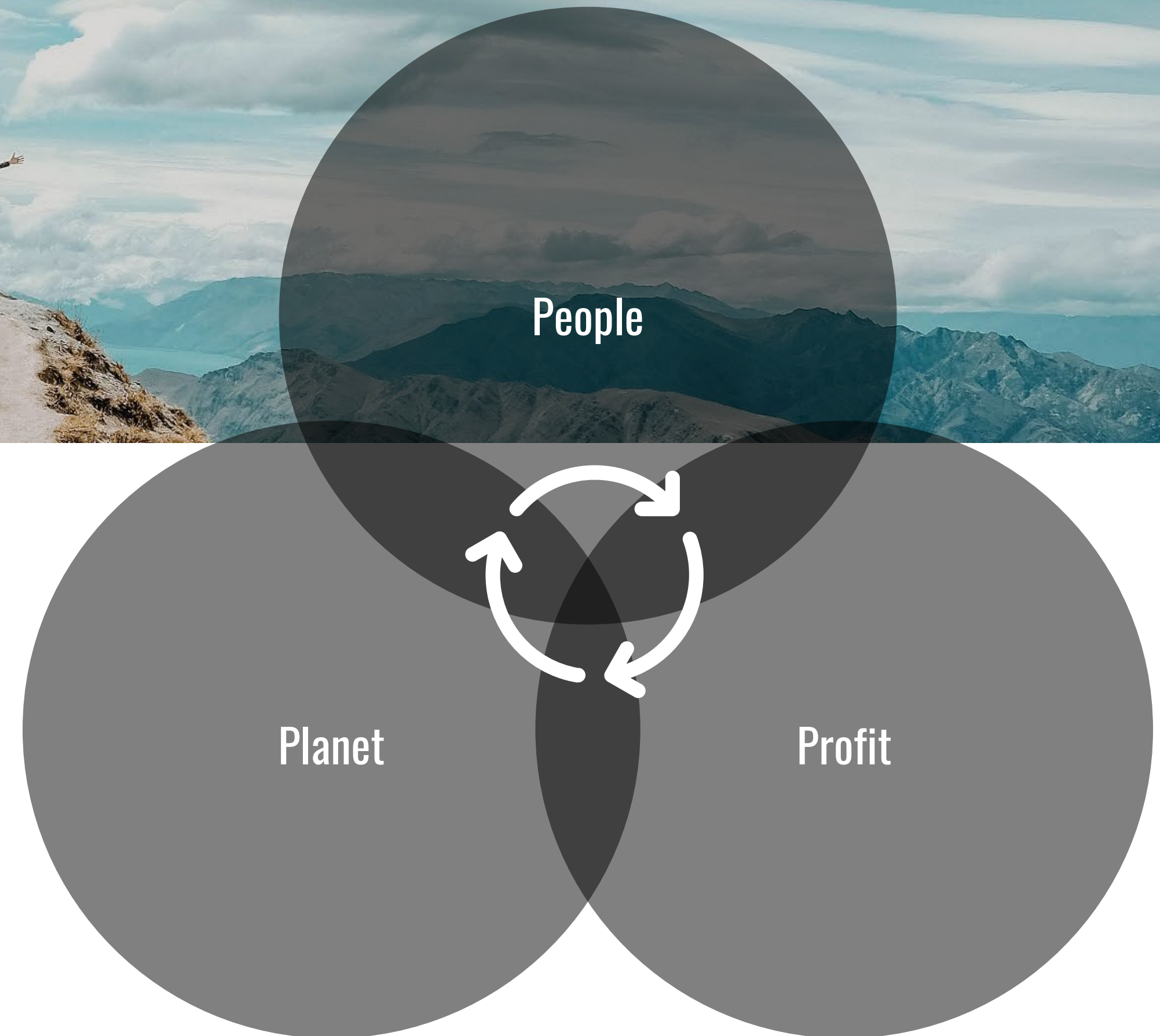
## Social

Human capital, stakeholder relations, social programs



## Governance

Board governance, annual reporting, corporate policies



# UNDERSTANDING THE SPECTRUM FROM CSR TO ESG

While the origins of what today is known as CSR, ESG or sustainability date back to WWII in some companies, largely CSR departments rose to “table stakes” over the last 30 years. Today, these functions inside companies are rapidly enhancing sophistication, and the function’s evolution is faster than ever before.

## Philanthropic Investment

As corporations developed enhanced community relations programs, especially when profits increased, corporations invested tax deductible dollars to support community needs.

## Community Relations

As far back as WWII, corporations were expected to interact with the communities where they operate.

## Minimum Expectation

## Employee Volunteerism

Both corporate employees and community partners see an opportunity to support community needs with donated time and talents.

Minimum  
Expectation

Experience-Based  
Expectation



# THE SPECTRUM FROM CSR TO ESG

Recent rapid  
evolution  
continues

## Corporate Social Responsibility

Companies create departments specific to CSR, often with a responsibility for social investments as well as reporting and transparency.

**Normative  
Expectations**

## Sustainability

CSR departments grow beyond social responsibility to responsibility including business-focused results and long-term sustainability – for the company, people, and the planet.

**Ideal  
Expectations**

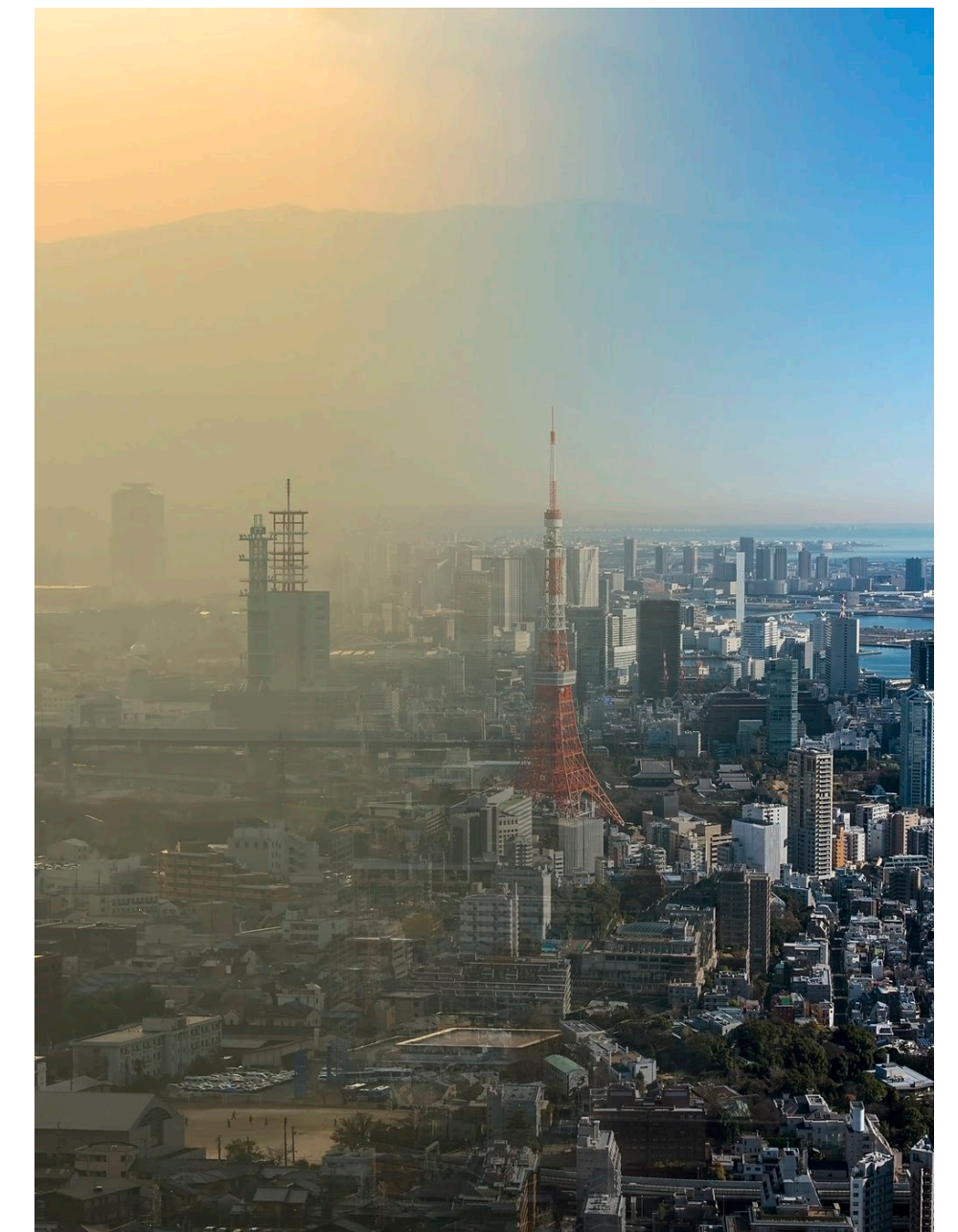
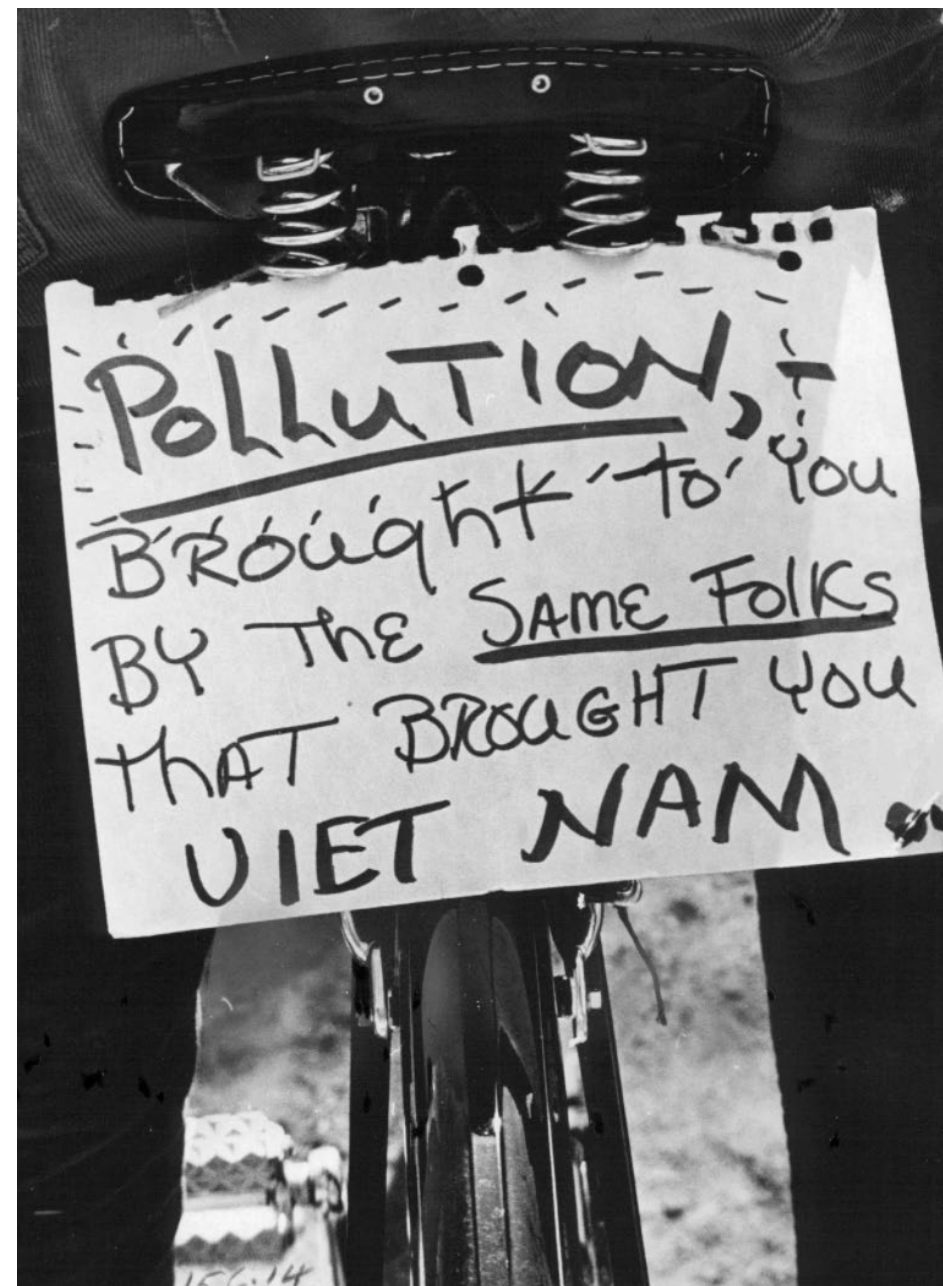
## ESG and Business Transformation

Environmental, social and governance factors are actively considered in the business' models and strategy.

**Growing  
Expectations**

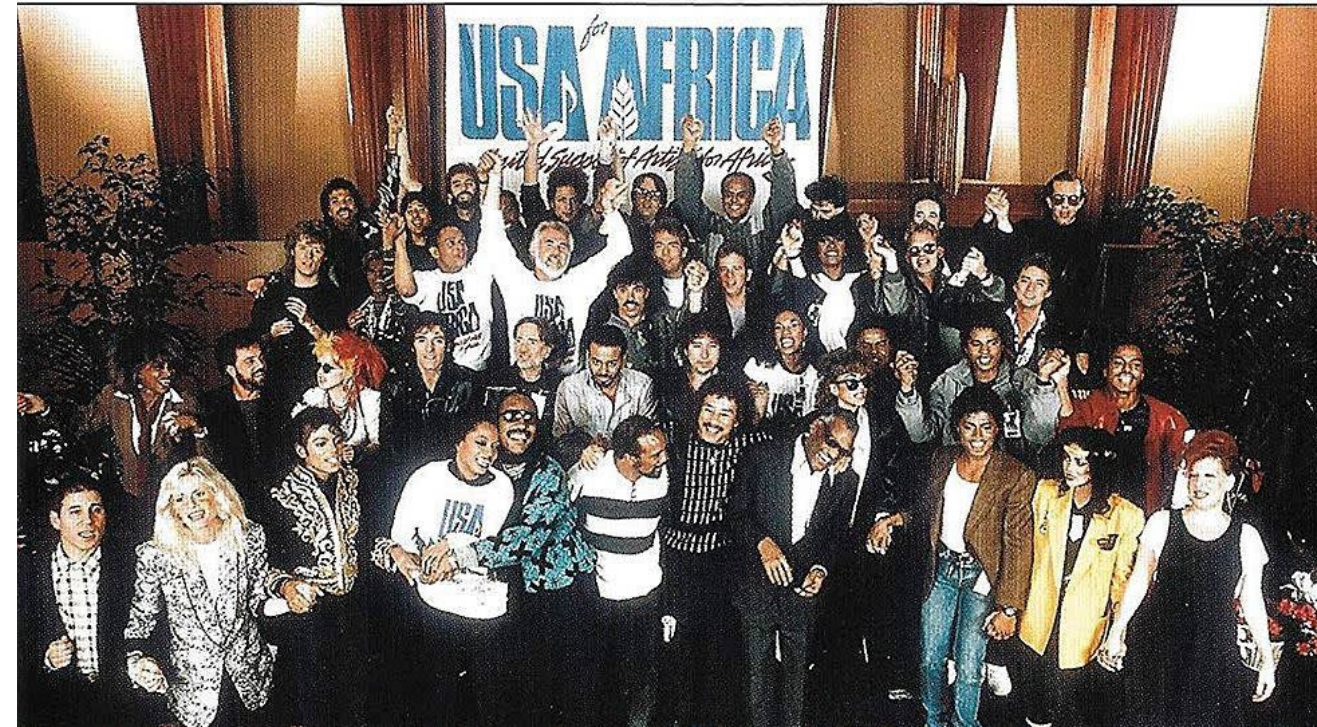
# “SAVE THE EARTH” GAINS GLOBAL TRACTION

Activism and environmentalism collide following the Vietnam War and rise over decades leading to 1990’s Clean Air Act and other key legislation around the world.





## *We Are The World* THE STORY BEHIND THE SONG



# SOCIAL ISSUES RISE

World hunger, the AIDS epidemic, and other global social issues take center stage as celebrities and world leaders draw attention to key issues. Charitable giving rises steeply

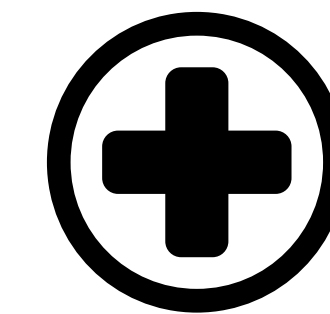


# CORPORATE TRUST WANES

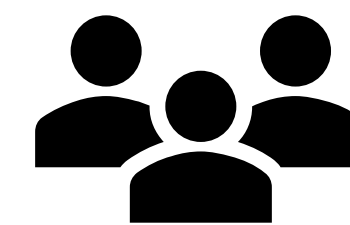
The 2000s produce the largest corporate scandals in history.

From Enron to Lehman Brothers, Bear Stearns and AIG, company after company experienced public scandal, bankruptcy and ruin in a short period. The tech bubble burst, the housing bubble burst, and consumers didn't know who to believe.

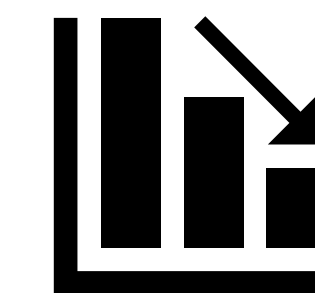
# COVID BOOSTS ESG AWARENESS



Can I trust I'm safe with you?

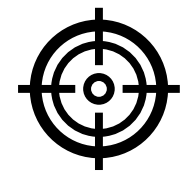


Are you taking care of your people?



Will you still exist post-pandemic?

# CONSUMER ACTIVISM & “CANCEL CULTURE”



## Issues-specific protests

Corporations targeted based on public outcry



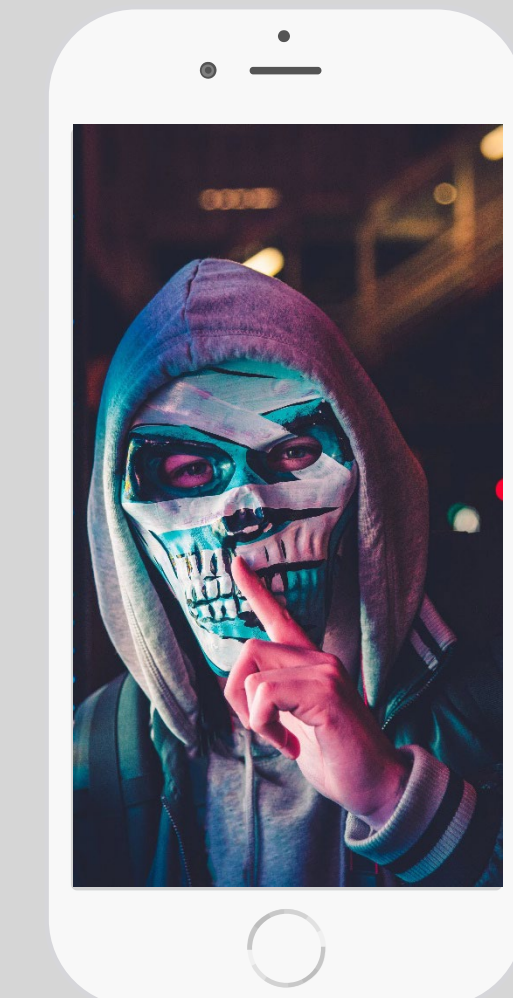
## Viral spread of information

Crises that used to occur over weeks or months now go viral in minutes and hours



## Anonymity rules

Critics and whistleblowers don't need to be visible or truthful to have a global impact on your brand

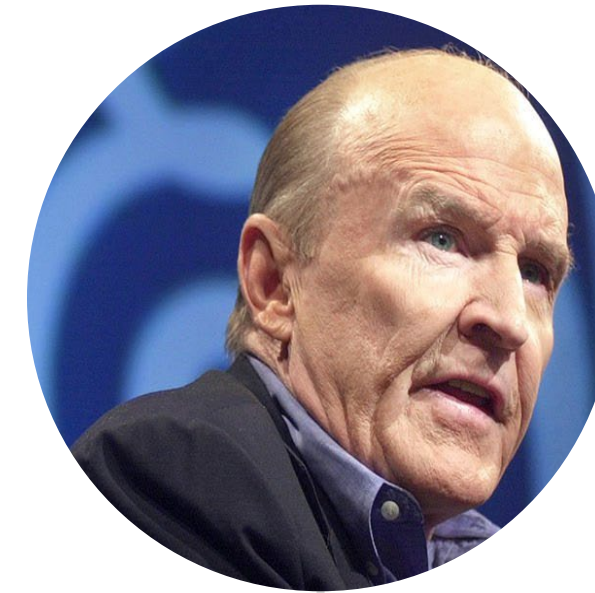


# FROM SHAREHOLDER VALUE TO STAKEHOLDER CAPITALISM



**Milton Friedman**

“The social responsibility of business is to increase its profits.”



**Jack Welch**

“On the face of it, shareholder value is the dumbest idea in the world.”



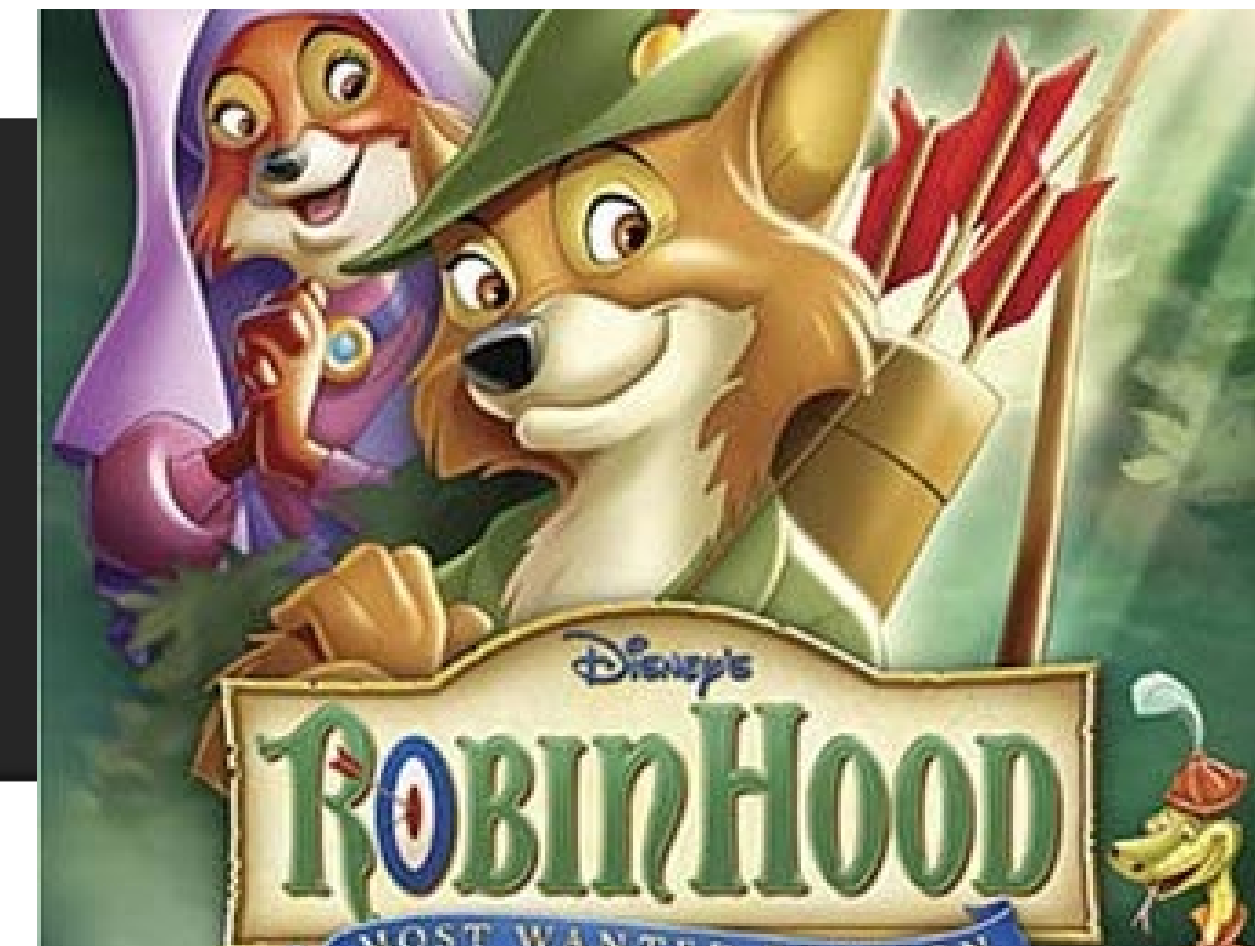
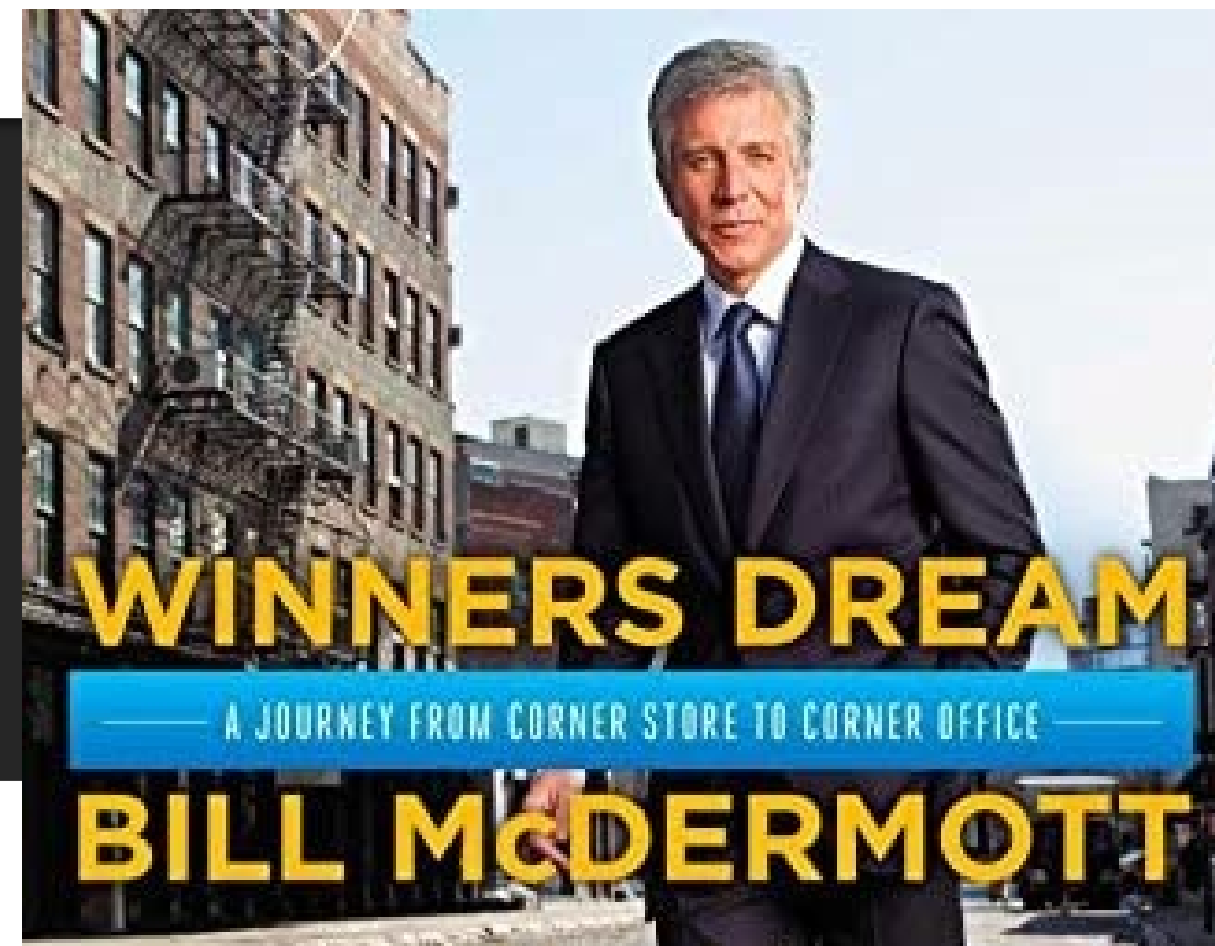
**The Business Roundtable**

181 CEOs signed a new Statement on the Purpose of a Corporation as a stakeholder-focused entity generating societal value

# FINDING THE BALANCE PROFIT AND PURPOSE

“Winning was the process, not the destination. A journey of striving to be better – to be kinder, more compassionate, hungrier, more humble, more audacious, more inspiring, more rigorous – that was what inspired me. The quest was best.”

-Bill McDermott, CEO, ServiceNow





# PERCEIVING DESIRED OUTCOMES

“Factory ZERO is being transformed with sustainability in mind. During the plant’s physical transition, concrete waste was repurposed to create temporary roadways. The site also recycled stormwater to reduce discharge costs and offset the cost of potable water. Treated stormwater will be used in cooling towers and the fire suppression system. Recognized by the Wildlife Habitat Council, the site also features a 16.5-acre wildlife habitat and is home to species such as monarchs, foxes and turkeys.”

-Dane Parker, Chief Sustainability Officer, GM



# ENDING “ALL OR NOTHING” MENTALITY FOR RESPONSIBLE INVESTING

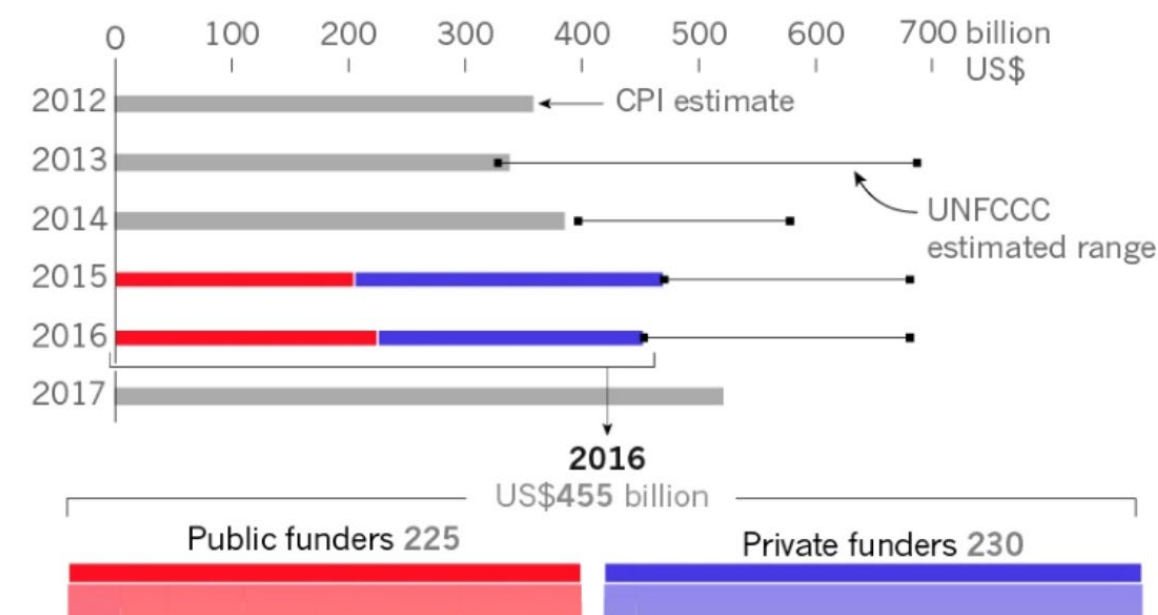
“As investors, we like to talk about Google and Amazon, but where the returns will really be generated in the next decade, we look to agriculture, autos and energy.”

-Jennifer Grancio, CEO, Engine No. 1



## HOW MUCH CLIMATE FINANCE IS THERE? HOW IS IT SPENT?

Two organizations — the Climate Policy Initiative (CPI) and the United Nations Framework Convention on Climate Change (UNFCCC) — have differing estimates of climate finance. Renewable-energy sources, such as solar and wind farms, account for the biggest share of funding, mostly from the private sector.



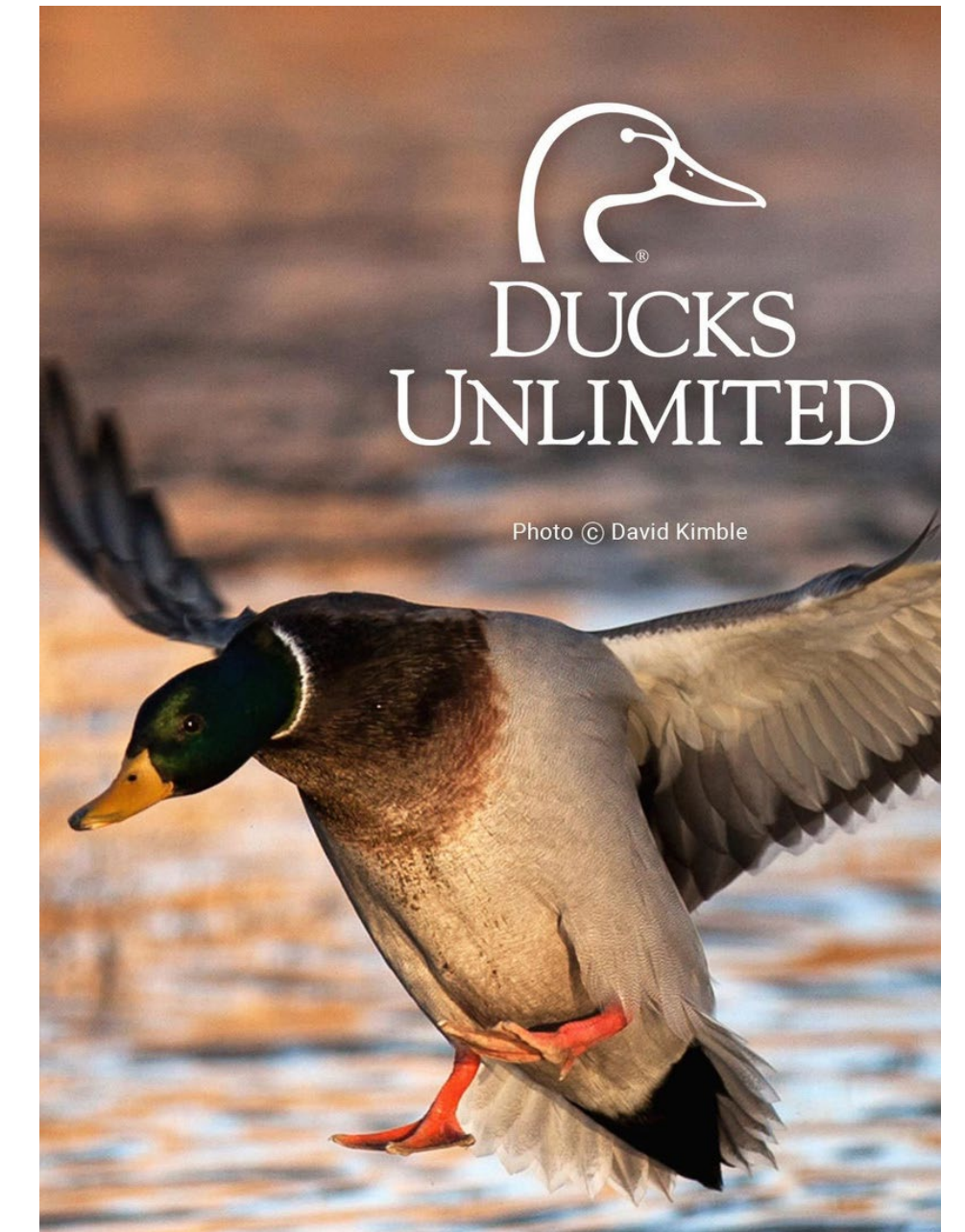
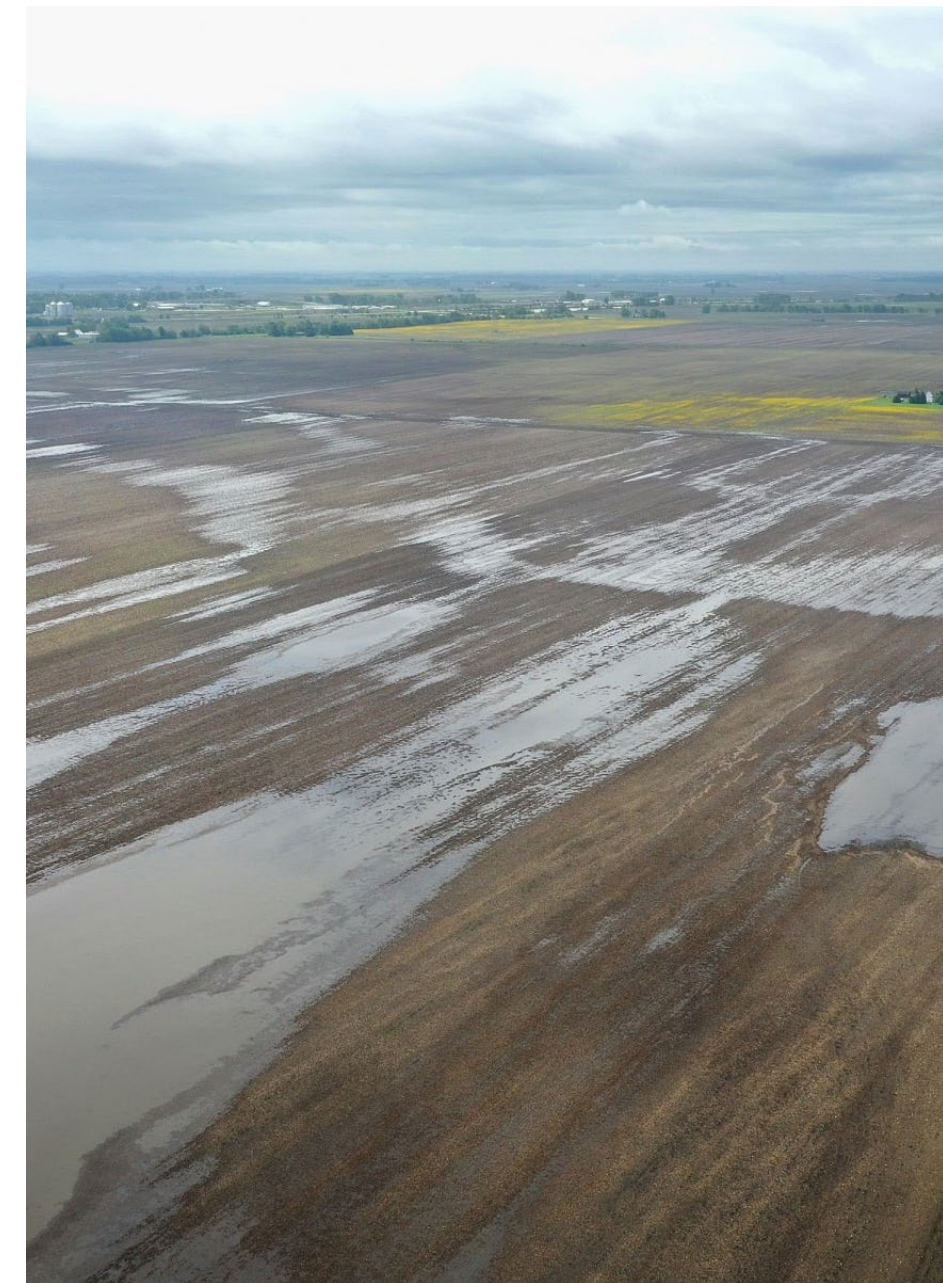
## Texas' ESG Attack Sweeps Up Some Funds That Aren't Really ESG

Almost 40% of the funds targeted by state comptroller have invest stocks.



# FIND SHARED GOALS

ESG programs and initiatives should always remain **outcomes focused**. In today's polarized environment, our reasoning doesn't need to be the same for our goals to align.



An aerial photograph of a rocky coastline. The water is a vibrant turquoise color, and the rocks are dark and jagged. A white rectangular text box is overlaid on the right side of the image.

# KEY FORCES IN ESG

Topics Affecting Every Business in Recent Years



## The Rise of the Glass Box Brand

“Back in the day a **business was a black box**. For outsiders, it was pretty hard to see what was going on inside. The brand was painted on the outside of the box. People [...] either liked it or they didn’t.

Today a business is a glass box. Outsiders can easily see inside. They can see the people and the processes. **They can see the values**. They can even see what the people inside the box *feel* about what they’re doing. **That’s thanks to the transparency that is part of a connected world.**” -David Mattin

**TRANSPARENCY  
RULES THE DAY**

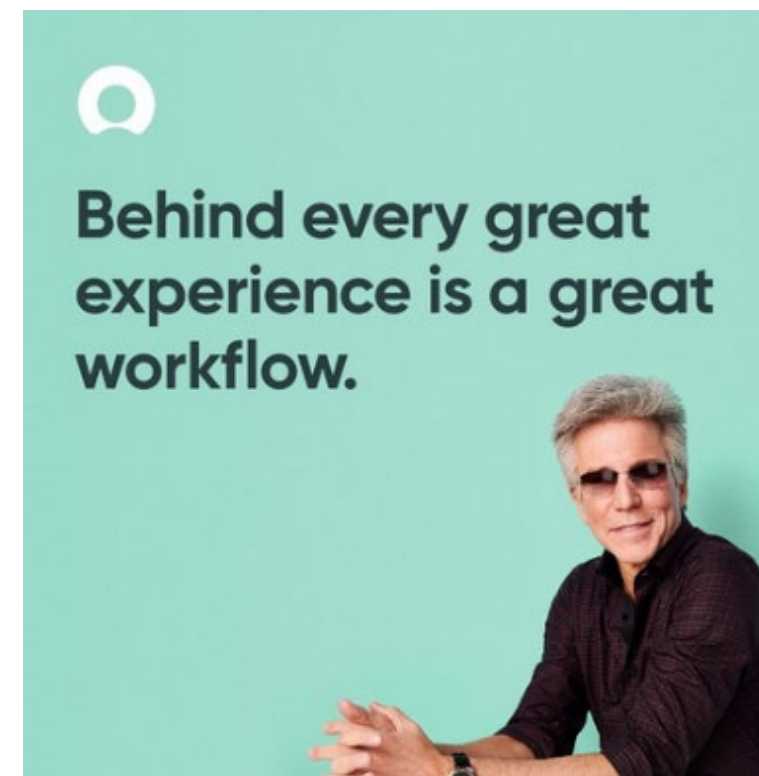


# EXAMPLES: GLASS BOX BRANDING



**Marriott**

Cleanliness Council redefining cleaning and safety standards



**Service Now**

Commits to “no layoffs for 2020” for their 11,000 plus global workforce



**Union Square Hospitality**

Transparency on commitment to being a good “unemployer”

# REPORTING BECOMES TABLE STAKES

Vast Growth in Sustainability Reporting Since 2008

## 2008:

Only 358 companies reported worldwide using GRI standards, reports were accessed largely by sustainability insiders.



# DATA AVAILABILITY

## Today's reporting landscape

Today, more than 30,000 companies globally use the GRI framework in reporting. Beyond that, a global rise in sustainability indices, industry-specific and issue-specific certifications have arisen. Sustainability leaders spend thousands of hours each year responding to and staying abreast of these individual transparency requests.

Reporting Frameworks



Investor & Supplier Reporting



Industry Specific



Issue Specific





# SUPPLY CHAIN SUSTAINABILITY

## Generating Value Up and Down the Value Chain

To have a positive impact and run a true “triple bottom line business” focused on people, planet, and profits, companies now know they must extend their CSR and ESG strategies beyond their four walls and across their value chain. Certification strategies, memberships in industry alliances and open communications with suppliers are key to a strong value chain for any company.

### Most Important Certifications



### Industry Leadership Groups



# INVESTORS KEEP THE PRESSURE ON

- Both SEC and FTC are implementing rules making it more difficult for companies to track their investor base. Activist or hostile shareholders no longer need to own significant portions of a company to bring a disruptive resolution.
- Shareholder resolutions are increasing every year. In the S&P 500, over 120 shareholder proposals in 2020 were ESG related.
- Most common ESG shareholder resolutions are related to climate change, diversity and transparency, with the most significant transparency requests being about political contributions and lobbying activities.



# REGULATIONS GROW GLOBALLY

- CSDDD (Corporate Sustainability Due Diligence Directive) in the EU requires strategic and operational updates to businesses selling or operating in the UE.
- CRSD (Corporate Sustainability Reporting Directive) in the EU launches in 2024 (in process).
- U.S. SEC proposed rules on climate disclosure in process, unlikely to launch prior to 2024.



# CORPORATE INNOVATION INCLUDES ESG INITIATIVES

As pressure on corporations grows to produce dividends, ROE, and keep up with technological developments in their industries, innovation is at a premium.

70%

of CEOs

List innovation as a  
top 3 priority

50%

of CEOs

Dissatisfied with  
return on internal  
innovation  
investment

1 in 5

CEOs

Believe innovation is  
enabling a  
competitive  
advantage

#1

Obstacle for Innovation

Slow development  
cycle times

# TREND: CORPORATE INNOVATION INCLUDES ESG INITIATIVES

ESG leaders are harnessing the expectation of innovation from their CEOs and creating groundbreaking ESG programming that proves ROI and inspires stakeholders.



*allbirds*

Incorporated ratings firm ISS ESG to conduct the first-ever “sustainable public equity offering” with its IPO, ensuring trackable ESG goals for shareholders as they go public.



salesforce

Has dedicated \$150 million since 2017 for Salesforce Ventures Impact Fund to support a new generation of startups focused on positive social change.



EVERLANE

Everlane shows consumers exactly what they’re paying for – fabric, construction, duties, transportation. They even display their markup and adjust pricing based on costs in real time.



rubrik

Rubrik invites all 900 employees to attend meetings of their Board of Directors and ask questions freely.

Sources:

Allbirds: <https://footwearnews.com/2021/business/financial-news/allbirds-ipo-filing-sustainable-sneaker-brand-public-1203172876/>

Salesforce: <https://www.salesforce.com/news/press-releases/2020/10/06/salesforce-ventures-launches-second-100-million-impact-fund/>

Everlane: <https://www.everlane.com/about>

Rubrik: <https://www.inc.com/raj-jana/3-ways-to-maintain-great-company-culture-while-scaling-quickly.html>

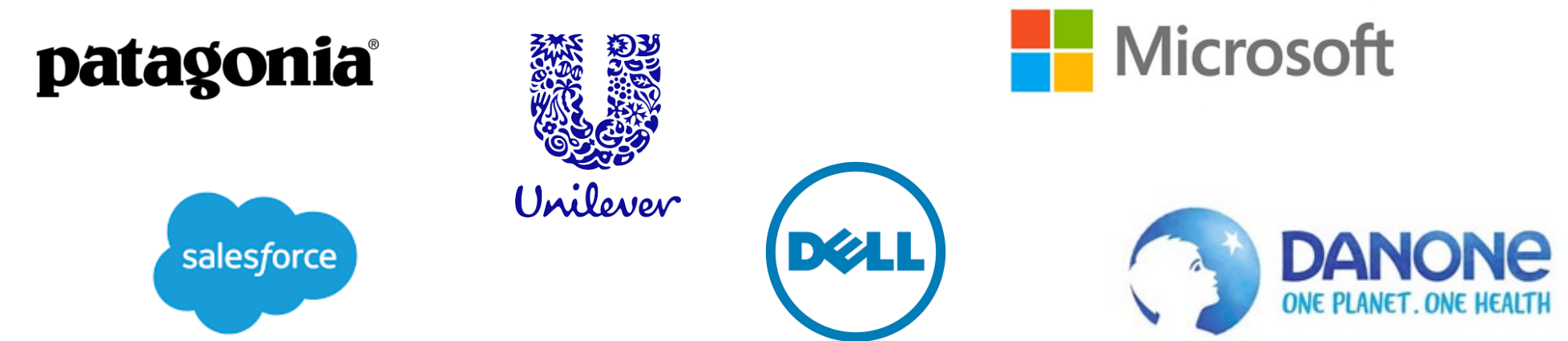
MT  
CONSULTING

# LEADERS ACROSS THE ESG SOPHISTICATION SPECTRUM

Though traditional CSR is growing into ESG, there are still important leaders across the spectrum of sophistication. Some companies continue to stand tall on a history and continued focus on philanthropy. Others focus heavily on environmental sustainability. Some newcomers to the space are finding key points of disruption in recycling and circular economy, consumer marketing, transparency and product stewardship. Few companies “get it right” in all key spheres, but there are some true ESG giants whose practices can inspire companies globally.

## True ESG Giants

A global reputation for “getting it right” in all areas of ESG and transparency



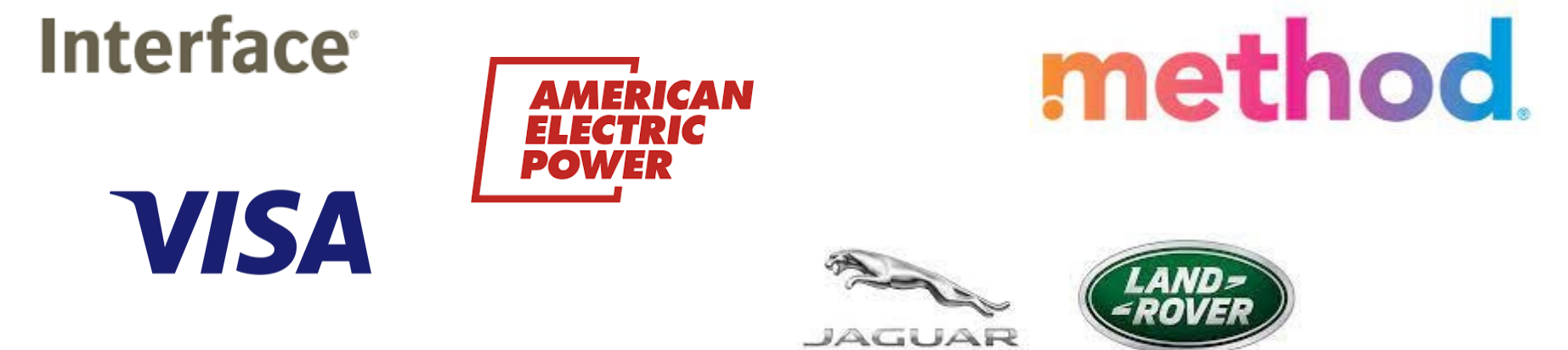
## Philanthropic Leaders

Logo recognized as a community leader and investor in social issues



## Strength in Sustainability

Known specifically for environmental innovation and commitment



## Disruptors and Newcomers

Companies building ESG directly into business models, even before scale

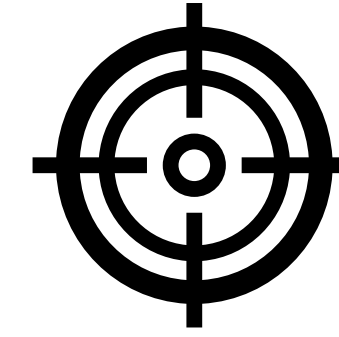


An aerial photograph of a rocky coastline. The water is a vibrant turquoise color, and the rocks are dark and jagged. A white rectangular text box is overlaid on the right side of the image.

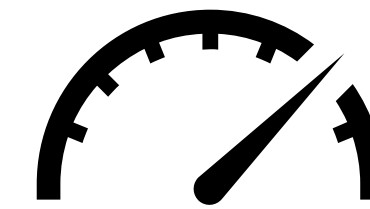
# WHAT IT MEANS

For Every Business Leader

# ULTIMATELY SUSTAINABILITY IS ABOUT IMPACT



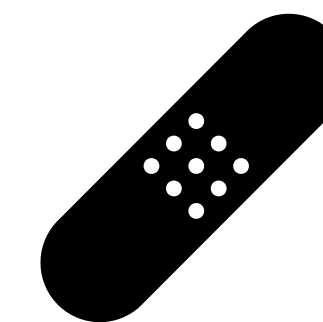
Target Positive Impact



Increase Innovation



Study Your Results



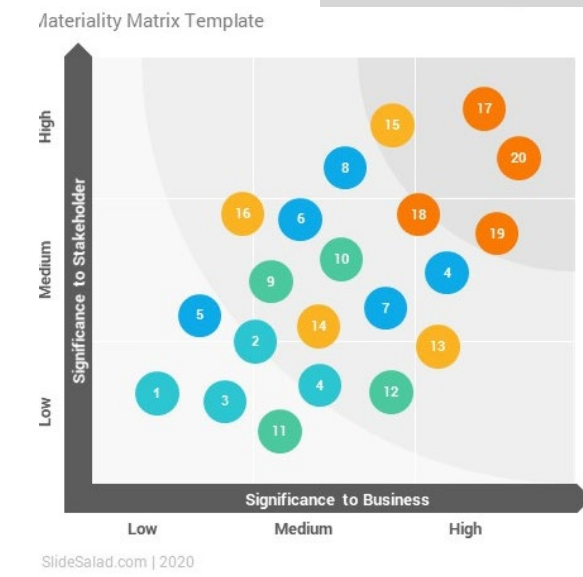
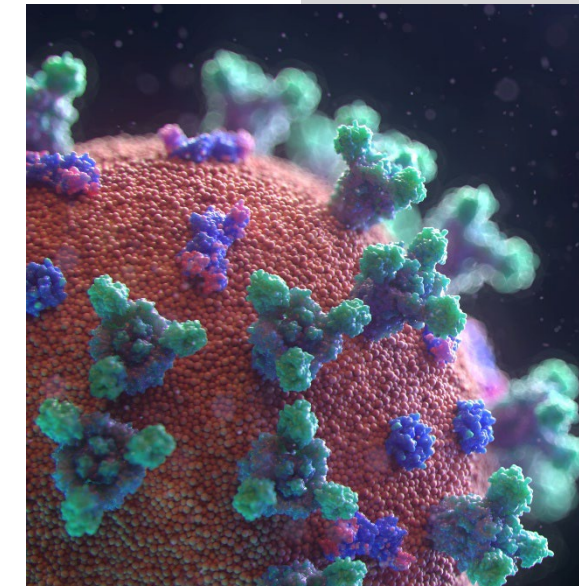
Mitigate Negative Impact



# IT'S ALSO ABOUT RISK

## What's "the next crisis" or major issue affecting our company?

Every leader in every company around the world had to respond to COVID-19. Now, they're asking themselves "how did we do" in preparing for COVID-19? What should we be preparing for now?



### Macro Issue Preparedness Continues

Companies who prepared well will continue to do the same. Companies who didn't will scramble on preparedness as the pandemic continues.

### Micro Issues Rise in Importance

Companies will focus more on potential crisis issues materiality to their company specifically.

### Everyone is Looking for the Bad Barrels

Companies have a spotlight on their behavior during crisis. When that spotlight shines on your company, will you be ready?

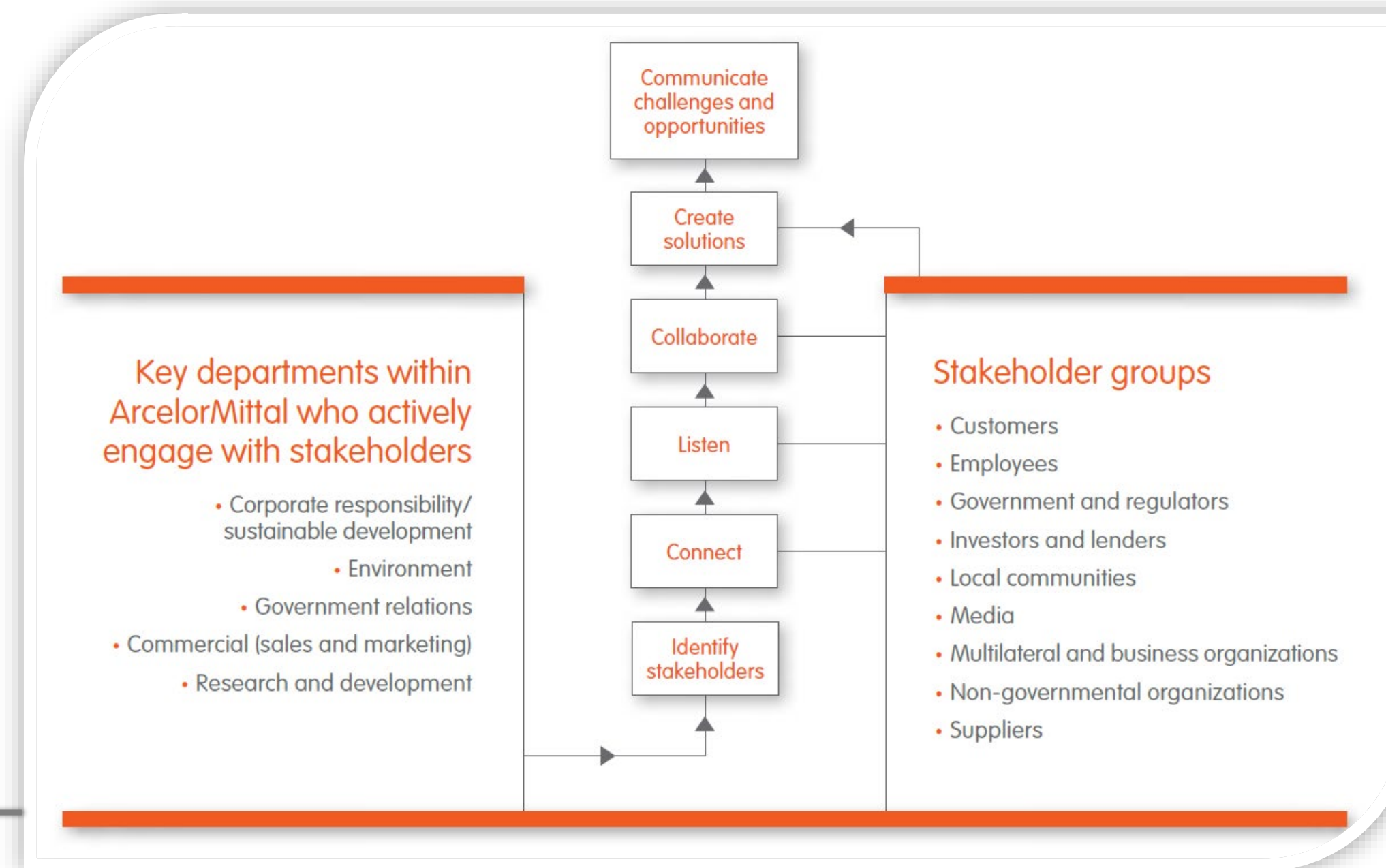
# KNOW YOUR STAKEHOLDER LANDSCAPE AND SHARE THE STRATEGY

## Who are your key stakeholders?

Comprehensively, who has a stake in your business? Who is connected to that individual or group specifically?

## Who owns stakeholder relationships?

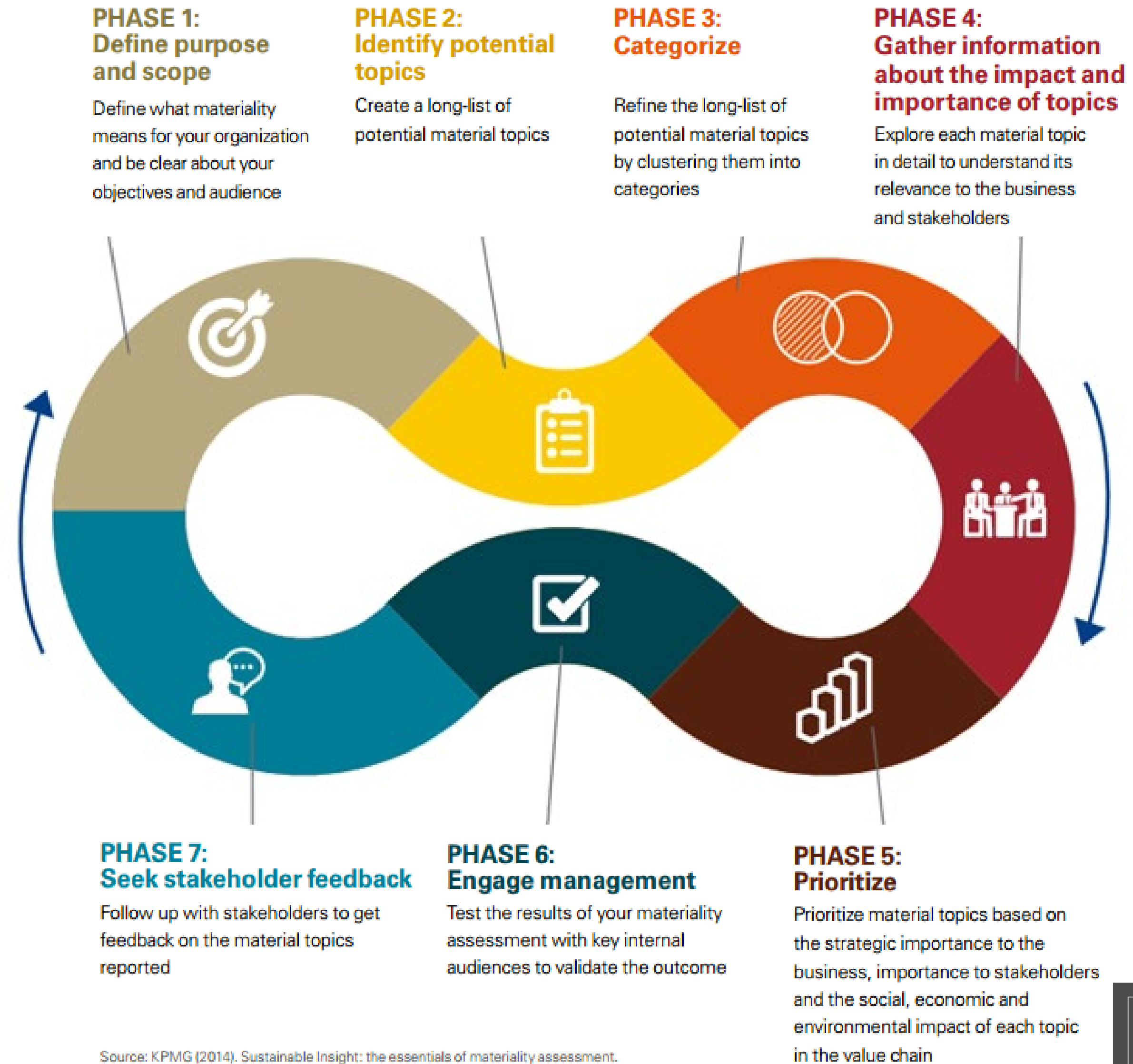
Who is best positioned to handle communications to each stakeholder or group?



Example: ArcelorMittal Integrated Report 2017

# MATERIALITY MATTERS: KNOW THYSELF

Companies work to identify the key issues relevant to their business, and then to solicit feedback from stakeholders and prioritize feedback into an actionable matrix.

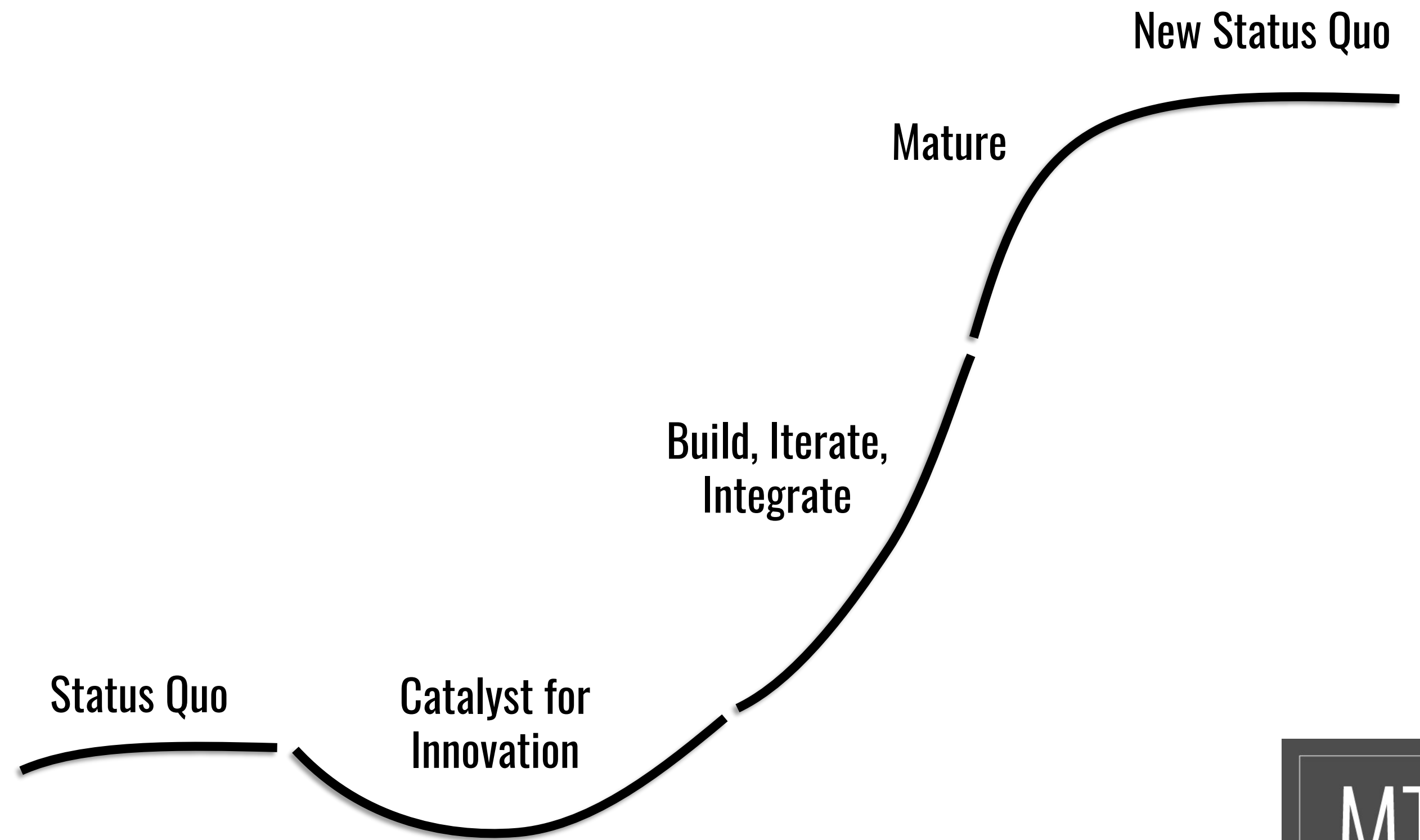


Source: KPMG (2014). Sustainable Insight: the essentials of materiality assessment.



# Current State: Sustainability Investment

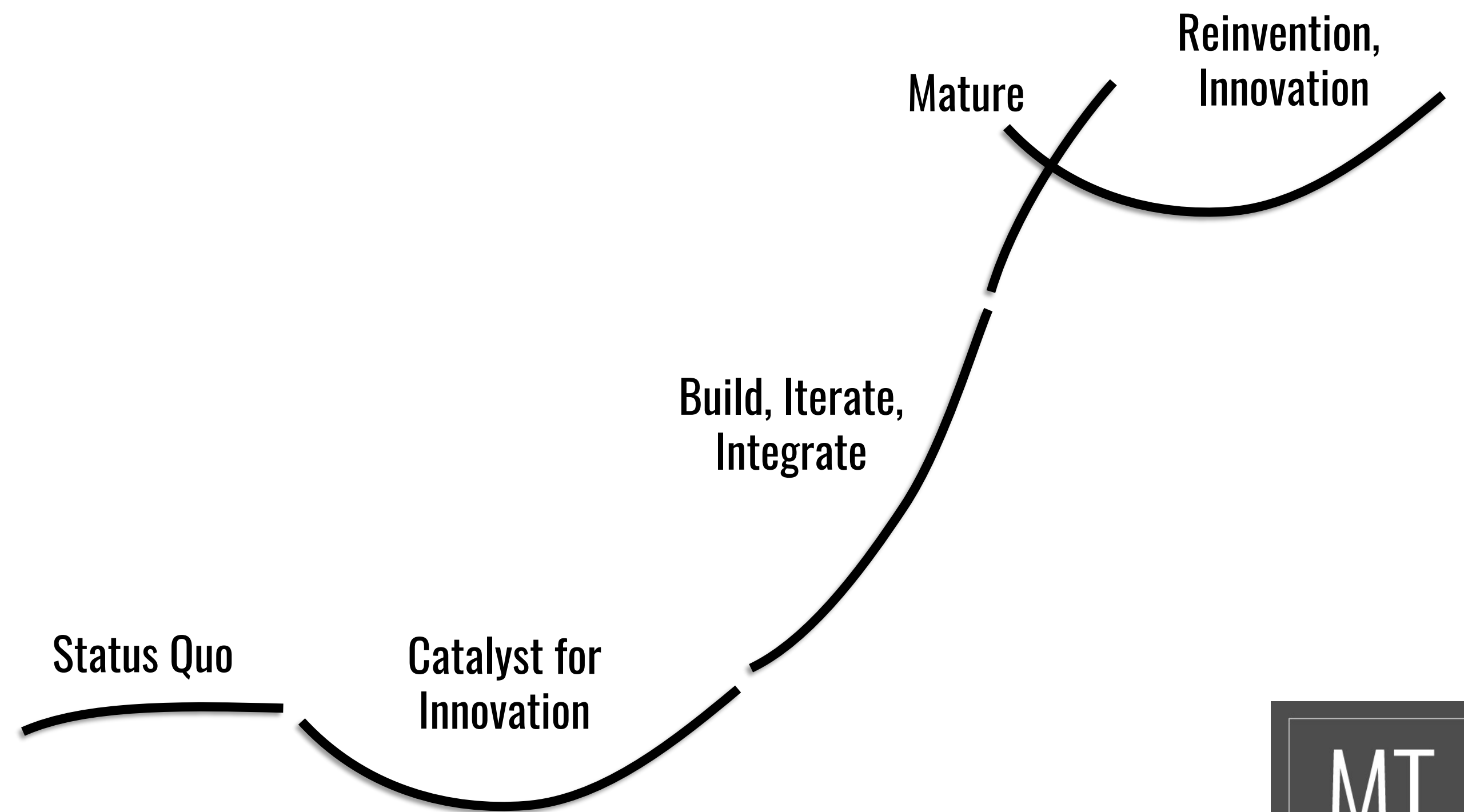
Companies invest in sustainability and corporate responsibility to build a program that establishes a more mature status quo.





# Future State: Sustainability Investment Cycle

Companies invest in sustainability and corporate responsibility to build a program that establishes a more mature status quo.





# THE ESG LEADING COMPANY OF THE FUTURE

## Understands Its Impact

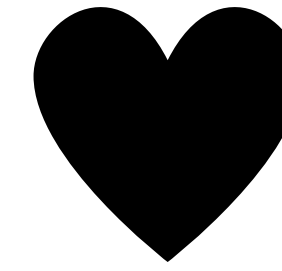
You know what you give to the community, and you know what resources you use. You mitigate your negative impact and emphasize your positive. You speak openly and transparently about your impact, whether good or bad.

## Inspires Trust In Its Community

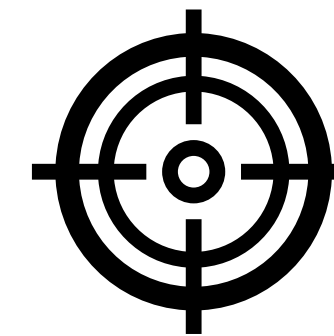
The stakeholders who live and work in your community know you and trust your intentions. This is the place they want to be cared for, spoken for, advocated for. They come to you for connectivity, understanding and partnership.

# KEYS FOR SUCCESS

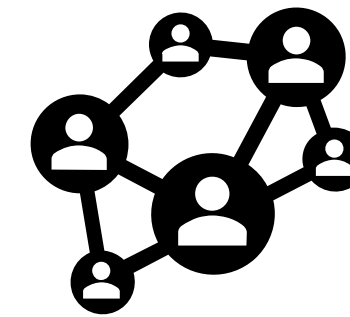
WAKE UP.  
KICK ASS.  
BE KIND.  
REPEAT.



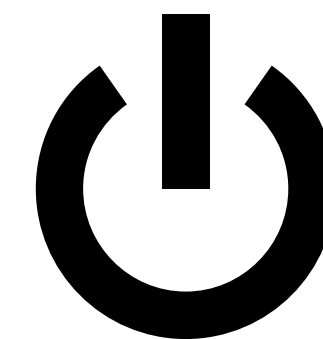
**Human First**



**Dual Focus on  
Strategy & Transparency**



**Cross-Functional Teams**



**C-Suite Enabled**

# THANK YOU



## Email

[marcy@marcytwete.com](mailto:marcy@marcytwete.com)

## Phone

312.882.0826

## Web

[www.marcytwete.com](http://www.marcytwete.com)