

Start Small and Scale Up – A Pragmatic and No-frills Approach to Integrating ESG into your Business Strategy

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Introduction

- Sustainability and the energy sector
- Who this presentation is for

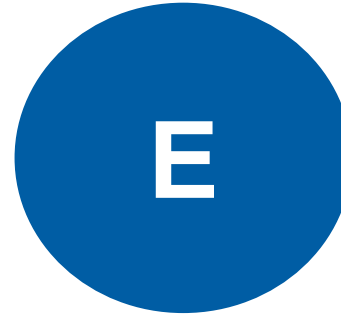


About this presentation

1. ESG 101
2. Applicability and key trends
3. A framework for integration
4. Questions

ESG 101

- What is it?
- What isn't it?
- Why does it matter?



- Energy consumption
- GHG emissions
- Climate risk
- Materials
- Water Use
- Waste
- Biodiversity
- Environmental Compliance



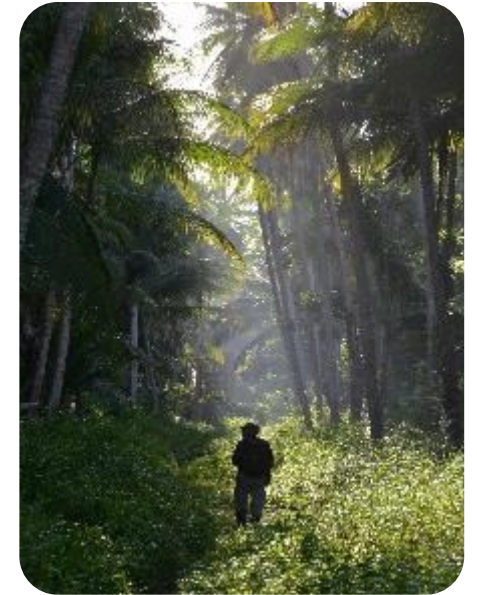
- Health and safety
- Employee satisfaction
- Human rights & modern slavery
- Security practices
- Supplier management
- Hiring & labour practices
- Training & development
- Community engagement



- Diversity
- Pay equity
- Anti-corruption
- Procurement practices
- Anti-competitive behaviour
- Board & Executive compensation

Application & Trends

- Net zero targets
- Focusing the company vision
- Improved reporting
- Greater focus on the 'S'
- Meaningful engagement
- Governance still lacking
- Scope 3 emissions targets lacking
- So many frameworks!

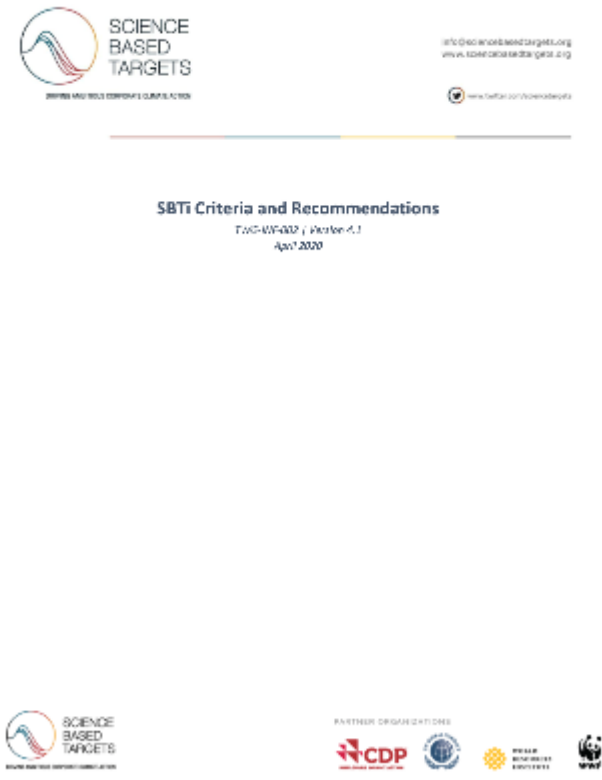
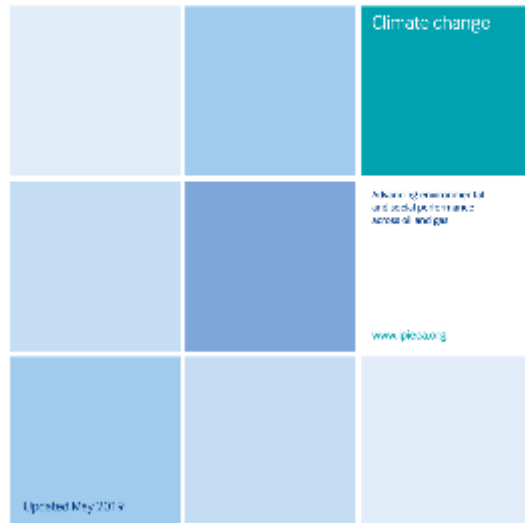


On to the frameworks...

ipieca

IPIECA climate change reporting framework

Supplementary guidance for the oil and gas industry on voluntary sustainability reporting



ESG Maturity Matrix

No.	Stage	Description
1	Minimal	Solely compliance based. Activities are those required to meet regulatory requirements only.
2	Values-focused	Ethically-motivated. Activities are often siloed and selective, and there is minimal consideration of stakeholder views or priorities or external frameworks.
3	Risk-focused	Understood as a risk management issue. Materiality assessment, target-setting and disclosure are risk-focused and there is some integration of activities across parts of the organisation.
4	Integrated	Understood as integral to business performance. Activities are integrated across the organisation and seek to reduce risk and leverage opportunities. Regular engagement to inform business strategy and decision-making with external stakeholders, the Board and employees.
5	Value Creation	Deeply embedded and a core focus of business strategy. Very high level of transparency (i.e., with strategy and performance) both internally and externally. Focus is on impact and creation of value for the organisation, its stakeholders and society more broadly.

Note: Maturity matrix based on work by Gold, A. (2019). Corporate Sustainability (ESG) Reporting Maturity Model. Accessed 15 December 2020 from: <https://drgold.co/2020/06/20/corporate-reporting-maturity-model/>

Integration Matrix

No.	Step	Description
1	Set your vision	Set a vision or purpose suited to your organisation's strategic priorities, size and operating context to help create a sense of purpose, establish a common language and understanding and set the value, direction and focus of ESG across the organisation.
2	Identify material risks	Engage key employees, the Board and external stakeholders in undertaking a materiality assessment to identify the ESG risks and opportunities material to your organisation's core strategy and performance. Integrate this assessment into existing enterprise risk management processes to support a cohesive approach to risk management across the organisation.
3	Establish your goals and targets	Develop strategic goals and targets that support your vision and address the material risks. It's important to ensure these are relevant and achievable. Targets are supported by key performance indicators and narratives.
4	Implement your ESG initiatives	Ensure that your initiatives are directly linked to achieving your vision, goals and targets. These include ensuring ESG is considered and integrated within company policies, procedures and practices such as strategic planning, due diligence and risk management activities, supplier contracts and procurement, recruitment, training and development, and internal and external reporting and assurance. You may want to capture your initiatives within an annual action plan or strategic document.
5	Measure and disclose your performance	Reporting boundaries provide a clear definition of what will and won't be included when collecting, measuring and reporting data to support key performance indicators. Use standards and frameworks to support consistency of disclosure around your material risks. Include how ESG is being incorporated into business strategy, and don't just describe past performance, look to the future.
6	Engage the Board and Executive	Boards will increasingly be held accountable for managing ESG risks, for setting the direction that guides the organisation's ESG focus and for ESG performance. Strong leadership is essential for accountability, transparency, creating incentives for achievement. Board members may need ESG training, or new members onboarded with ESG expertise.

Benchmark – Take stock of what your organisation is already doing, and look to both your local peers and competitors, and overseas to establish an 'ESG benchmark' relevant to your business.

Engage – Talk to your stakeholders to understand their concerns and priorities. Sustainability is not longer the remit of a single department, so ensure your employees are engaged and on board.

Monitor and Review – Regularly review your performance through monitoring industry issues and trends, changes in legislation or industry standards, stakeholder views/expectations, employee engagement outcomes and progress against your targets. Adjust your strategy as required.

Conclusions

- Strategy is about choice
- It's not all about targets
- Avoid greenwashing
- Start small and scale up
- Seek help

Thanks to:

- Rashveen Maini, Beach Energy
- Megan Saussey, APA Group
- Kylie Quinlivan, Horizon Oil
- Frances Carter, ERIAS
- Andy Pym, ERIAS

Questions?