

Why does ESG Matter?



ARTICLE 09.21.22 DEAN DORTON

[Environmental, Social and Governance \(ESG\)](#) programs have become an important topic for entities of all types. Stakeholders at all levels including investors, employees, and customers want to invest, work, and buy from sustainable entities that are both environmentally and socially aware. ESG programs bring structure to these consumer demands and allow businesses to both improve and boast successes in these areas.

What makes ESG programs unique? ***They work in any industry.*** Certain industries like healthcare and higher education have already seen great success by being on the forefront of these programs.

All ESG programs are built around four main pillars:

When establishing an ESG program entities should first review overarching goals and core values of the business and explore how those core values are tied to the four pillars of ESG. To get started many entities will research examples of successful, well established programs outside of their place of business, but we encourage you to search your operations internally as well. You may be pleasantly surprised at what programs and initiatives are already in-place, working towards ESG specific goals. When trying to establish your first program it's best practice to explore sustainability programs on public company websites to get additional ideas. In fact, the [Sustainability Accounting Standards Board \(SASB\)](#) has industry-specific ESG metrics that can assist with establishing your first set of goals.

Measurements around greenhouse gas emissions, diversity (including employee, board, and suppliers), and safety statistics are basic ESG metrics that will help you get started. It's important to first establish baseline metrics and then work to set goals that will improve those metrics moving forward.

Keys to Success

Here are a few things that are sure to get you off to a successful start in ESG:

1. **Reinforce the entity's mission** – Mission alignment is critical when establishing or optimizing a new or existing ESG program. To gain buy-in from key parties within the organization, your program must align with the main values of the entity.
2. **Make ESG a priority in reporting** – Allocating resources to measure and report on ESG will help you leverage statistically backed marketing for stakeholders. Numbers drive business, and by prioritizing key metrics you will have a baseline of information to motivate teams to reach goals. To begin, start with one metric for each pillar. Once your program matures, you can add additional and more details tracking metrics.
3. **Work with passion** – Working towards environmental, social, and governmental goals can ignite the passions of your workforce. Keep your team involved and informed with your progress and you will see more impactful results.

Frameworks

As of now, most entities are not under required ESG mandates, in fact, entities have a lot of latitude in how and when they establish their plans. Due to the lack of regulation there are several reporting frameworks that currently exist, but there is belief that consolidation of reporting metrics and real regulations and requirements could be coming in the near future. In fact, on August 1, 2022, the [IFRS Foundation](#) completed a consolidation with Value Reporting Foundation as they move closer to comprehensive global sustainability disclosures for capital markets.

Accountability and Assurance

To date, most ESG programs have not been subject to third party assurance procedures. Without assurance validation the concept of “greenwashing” has emerged as entities use their ESG programs as a marketing vehicle to promote themselves without any regard for accountability. Embellishing numbers and tracking is unacceptable and could be subject to audit if new governmental requirements are established.

All of the value of an ESG program will be lost if the program is used without regard to integrity, further stressing the importance of establishing reliable tracking earlier in your program launch.

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