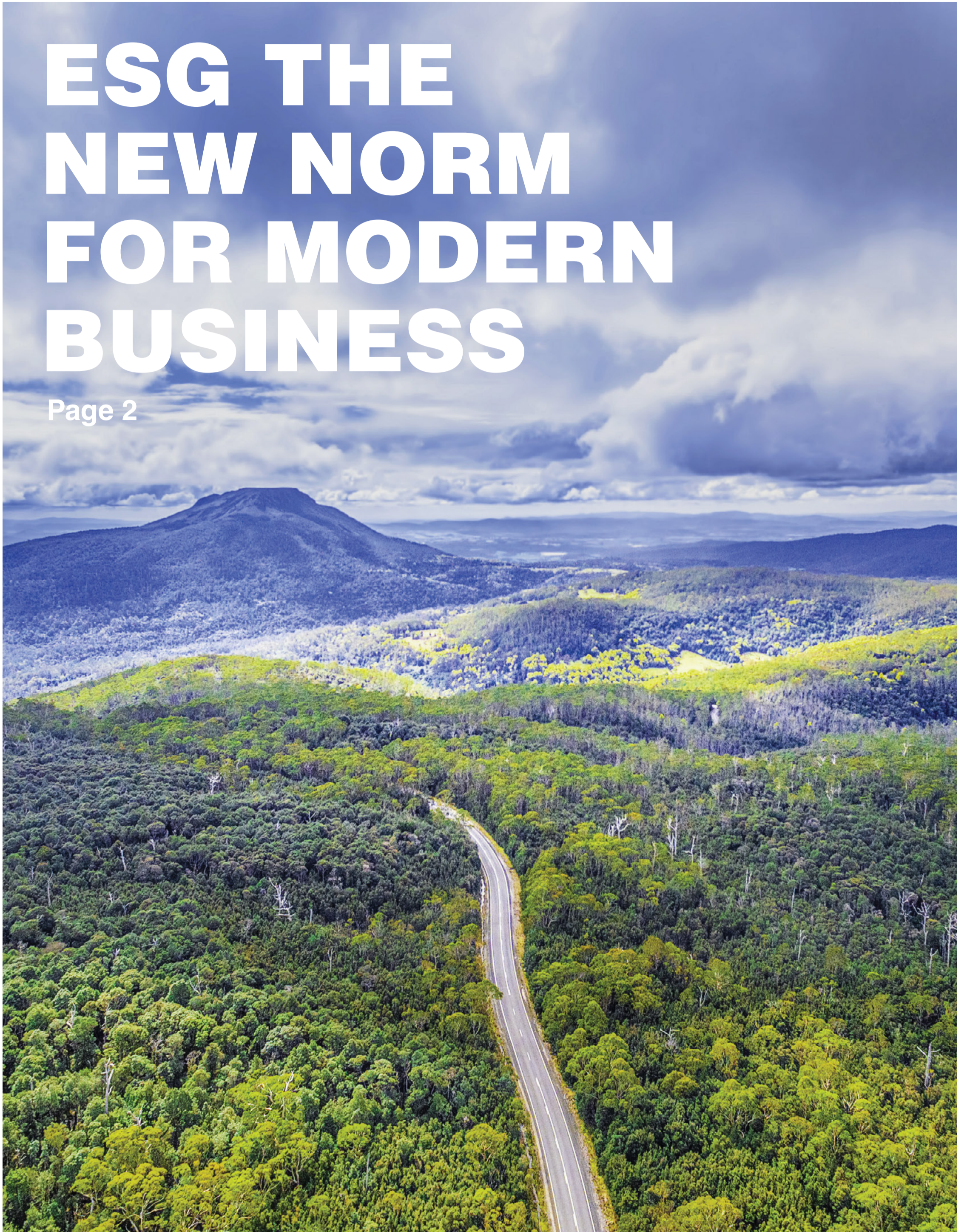


# ESG THE NEW NORM FOR MODERN BUSINESS

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# ESG reporting is the new norm for modern business

ESG is no longer a nice to have but a must have. Incorporating the Environmental, Social and Governance (ESG) aspects of conducting business into corporate reporting cycles is becoming an essential accompaniment to financial and organisational performance measures. The notion of “optional transparency” is no longer sufficient as expectations from investors, customers, employees and interested stakeholders on ESG issues continue to rise.

ESG reporting is a broad term capturing a range of factors relating to non-financial disclosure, including carbon emissions, water and land management, human rights, diversity and equality, executive remuneration, and more. ESG reporting serves as a benchmark for a company’s non-financial performance that investors use to screen potential investments, and is becoming the industry standard with 80% of the ASX 200 reporting on ESG performance to stakeholders in 2019.

The benefits of developing a strong basis for ESG reporting include boosted customer and employee engagement, attraction and retention of talent, improved social licence, reduced operational risk and, increasingly, enhanced investment return.

Good ESG reporting discloses commercial risks and opportunities to show how they are guiding future business strategy. Business risks could include biodiversity loss, extreme weather, water and food insecurity, and cyber-attack, while opportunities might range from sustainable impact investment to shared value creation and market capital growth.

Many reporting frameworks are available to guide ESG reporting, including the Global Reporting Initiative, the Task Force on Climate Related Financial Disclosure and the UN Sustainable Development Goals.

ESG reporting in some capacity is likely to become mandatory in the near future, with the ASX Corporate Governance Principles and Recommendations already strongly stipulating that: “A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.”

Shelly Dempsey, writer and editor at the ACID says “Consistent, transparent reporting, particularly by listed entities, allows relevant stakeholders including customers and employees to better understand strategy, risks and drivers of current and future performance.” Ideally, companies reporting on ESG identify a reporting framework that suit them best to address these three areas of impact.

The benefits of developing a strong basis for ESG reporting include boosted customer and employee engagement, attraction and retention of talent, improved social licence, reduced operational risk and, increasingly, enhanced investment return. Further, there is strong evidence that good ESG performance has a statistically significant positive impact on companies’ valuations and margins.

Poor ESG strategy and reporting is increasingly likely to threaten a business

through reputational damage, regulatory scrutiny, litigation, and ultimately poor investment and valuation results. A 2020 study by the NYU Stern Centre for Sustainable Business found that strong ESG performance was very rarely correlated with poor financial performance.

Benchmarking against peers and competitors can identify ESG gaps and help align your business’ strategy with a sustainable future. A gap analysis using robust international frameworks will build investor confidence and form the basis of your ESG program and reporting. A full review produces a robust reporting framework suitable for future annual reports and other financial market information.

As sustainability specialists, Cress Consulting is ideally positioned to not only ensure your business satisfies reporting requirements, but to solidify your business as an industry leader in ESG reporting. We know that expert assistance and support can make all the difference. Cress Consulting has joined forces with corporate communication specialists Collier Creative to bring essential and professional skills to the table including, business and communications strategy, ESG expertise, design and copywriting, digital delivery, and measurement. We provide a team of problem-solvers to work with you through the challenges and opportunities that your ESG reporting process uncovers, well after we’ve delivered the report. Get in touch [here](#) to find out how Cress can help your business on the ESG journey.

## Correlation between ESG reporting and financial performance

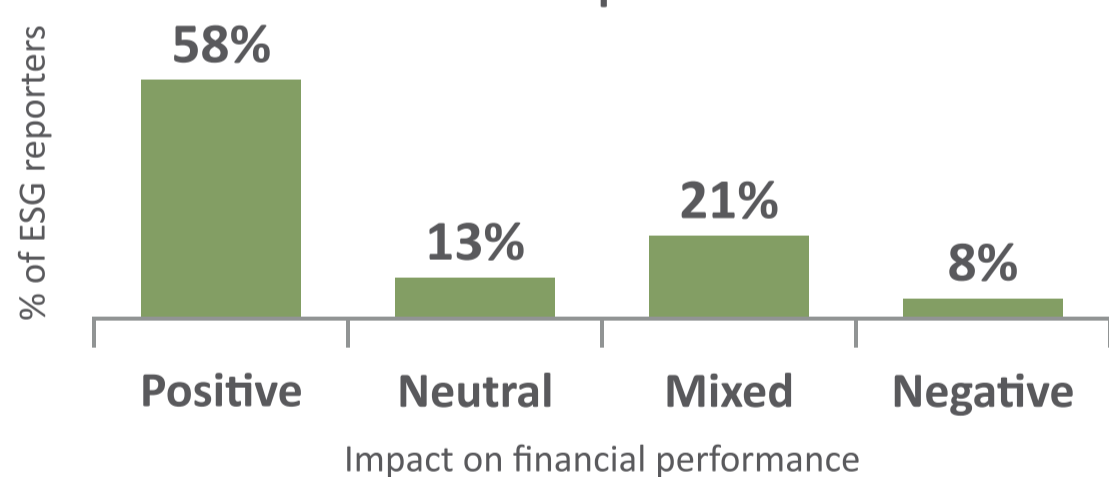


Figure 1 - Based on 245 studies between 2016 and 2020 by the NYU Stern Centre for Sustainable Business



### This month

Cress CEO, Julia Seddon, says “we are delighted to re-open the Gordon office and bring the North Shore team together! Cress has doubled in size - if you can believe it- during the lockdown and are really looking forward to working together in person. We are opening in a staggered and very COVID safe way with a QR code, plenty of space, hand sanitiser, a plethora of face masks, and of course the all-important fully vaccinated team. We feel confident to return to the office and have plans in place should we need them. In short we are enthusiastic and ready. What’s even more exciting is that this marks the beginning of our entire North Shore team being together in the same place. If you need anything sustainability, climate or water related please get in touch, we’d love to hear from you”



## How is the fashion industry moving towards sustainability?

Food, shelter and clothing are basic human needs, essential for our survival and increasingly dependent on highly complex global supply chains.

The fashion industry isn't often considered an essential service perhaps because of 'fast fashion' which is readily available, low cost and always changing, encouraging us to frequently buy something 'new' and discard the 'old' sometimes low-quality garments.

Substantial environmental and social impacts are associated with clothing manufacturing -think significant water consumption, chemical use, air and water pollution, poor labour practices, plastic use and waste generation. Most brands source their product range offshore which can include high-

sustainability-risk regions such as China, Bangladesh, Pakistan, Bali, and Sri Lanka.

The idea of donating old clothing to charity no longer necessarily holds with organisations such as the Salvos reporting they are overwhelmed with donations that have to be dumped into landfill. Although clothing can be recycled via domestic or export resale or made into rags or insulation fill, it is limited to higher quality materials meaning more and more low-grade material makes its way into landfill.

Consumers increasingly expect their favourite brands to take action on issues such as climate change, ocean pollution and single use plastics. Some fashion brands are making commitments to carbon neutrality, recyclable or compostable packaging or aligning with sustainable or ethical cotton programs such

as the Better Cotton Initiative (BCI). Some provide transparent information to customers, including supplier and factory details, carbon footprint calculations and sustainability policies and others are working with the charitable recycling sector, supporting the development of on-shore textile reprocessing technologies or using post-consumer waste for new garment manufacture or packaging.

As major impacts have been found in the supply chain and at end of life waste, more brands are reevaluating their procurement practices and incorporating sustainability initiatives into their business plans.

Implementing these sorts of initiatives helps brands and retailers and establish their sustainability credentials and build trust from its customers.

Cress can help your business become more sustainable and reduce supply chain risks. If you'd like to find out more please contact us [here](#).

## The right to repair matters for you, and the environment

Have you ever been frustrated with your inability fix your iPhone or Samsung phone? You're not alone. Making products that are difficult to service or repair not only disadvantages the consumer, it encourages premature or unnecessary replacement.

Improving the repairability of products would mean a big environmental step forward for businesses, primarily through reductions in material sourcing, manufacturing, and e-waste from product disposal.

With environmental issues and climate change rising to the forefront of public perception, large corporations are increasingly in the spotlight of public criticism. Mobile phone manufacturers are one of the primary industries under the microscope. Apple, the world's most profitable



firm, has been at the centre of the right to repair debate for many years. They intentionally use unusual 'Pentalobe' screws and glue batteries in place to disable third party repairs. They also lobby vehemently against the US Fair Repair Act legislation intended to grant repair instructions and spare parts to the public. These examples underline their intent to keep repairs internal, monopolizing control over their own products, which in turn serves as an addition source of revenue generation.

In response to this the Australian Productivity Commission has released a draft report assessing whether "consumers face any unnecessary barriers to repair that require

a government policy response". The report specifically cites the proliferation of e-waste and the associated environmental impacts as one of the key considerations of the legislative decision-making process. This is a key inclusion, as curbing the speed of the technology replacement cycle is a critical step in moving towards a more sustainable global supply chain. It also means lower prices for consumers, and the enablement of a healthy competition within a third-party repairs market.

Cress is watching this right to repair legislation closely as it could be a significant step forward reducing the negative impacts of consumerism. The Government is expected to receive the report in October 2021.

# Proactively planning for a warmer future

In the rush to net-zero emissions, we can sometimes forget that the physical impacts of climate change must also be assessed. Glen Innes Severn Council in the New England region of Australia knows that a warmer and less predictable climate is coming and is determined to act.

The smallest and most rural council in NSW to declare a state of climate emergency after the catastrophic 2019-20 bushfire season, the region has firsthand experience of the impact of climate extremes. Following

years of stifling drought and level 5 water restrictions, the bushfires left the region with two dead and hundreds of homes, a school and hundreds of thousands of hectares destroyed. Major flooding came next running across unstable dry ground washing out roads, bridges, and other critical infrastructure.

Council engaged Cress Consulting to undertake a climate risk assessment and adaptation plan which identified 48 risks. Eight were considered high risk, 27 medium risk and 11 of low risk. Formally adopted by Council in September, Council will now begin work on an adaption strategy, a key strategic objective of the 2021-2025 delivery program, and an emissions reduction plan.

The Cress report describes how prolonged and frequent drought, floods and more frequent and dangerous bushfires has multiple social, economic and environmental impacts from

human health, reduced economic output and destroyed ecosystems. Global warming will generate “increased costs associated with health care, social services, public administration and safety, education and training, both in terms of delivery of current programs and upskilling to maintain those services,” the plan said.

The permanent effects of climate change will place a heavy burden on the New England region and the need for a Regional Response and Recovery Taskforce to act as an emergency response to future climate-driven crises, plus a regional adaption planning response to climate change is highlighted.

The NSW Department of Environment and Heritage forecasts the region’s average temperatures to rise by 2.2 degrees by 2070, meaning hotter maximums, harsher droughts, and more frequent and intense bushfires. The region is not alone, and the urgency is now critical for all councils across Australia to undertake comprehensive risks assessments and devise their own robust climate adaption plans.

If you’d like to talk about your climate risk assessment needs with specialists, please contact Cress [Here](#)



# How the circular economy set up businesses for the future

Integrating the principles of circular economy into your business is key to future economic, social and environmental sustainability.

The circular economy is driven by the need to move on from a linear economy model that wastes valuable resources, puts pressure on the use of virgin materials, and generates significant GHG emissions in the life cycle of products.

Consumers are increasingly aware of the negative effects of the current economic model of ‘take, make and dispose’ and many industries are responding by embedding circular economy principles. Some examples include:

- Clothing labels such as Levi’s and Patagonia have introduced a fibre ‘take-back and reuse’ programs, taking a step towards closing the fashion loop.

- Mount Franklin’s 100% post-consumer recycled PET bottles.
- Retailers and manufacturers striving for 100% post-consumer recycled packaging such as Colgate-Palmolive who use fully recycled bottles in an growing number of products.
- Using recycled concrete as a substitute for gravel in the construction sector, and fly ash in concrete manufacture.

Other businesses are rethinking ownership itself and offering products-as-a-service that are designed to be durable and resource-efficient ensuring their lifespan is as long as possible.

For example, you can hire a dress for your next social event. Other products are shared, rented, repaired, maintained, upgraded, recycled and reused. Check out our article on right to repair for an update on how Apple and others are being forced to allow

the repair of their products rather than the replacement cycle of planned obsolescence.

As well as recovering and repurposing resources, the circular economy is about designing for extended product lifetime, embedding circular business models in all stages, and closing the loop between supply chain and reuse through partnerships.

Our current linear economy is becoming obsolete on a planet with finite resources, a growing population and increasing environmental and social issues. The time to drive changes is now. Cress can help explore circular economy opportunities for your business that put you in the driver’s seat.



Cress has the expertise to help identify pathways to a more sustainable, secure future and can help you design and implement strategies to reduce risk and increase self-reliance.

As a Group, our sustainability, risk and water specialists are supported by more than 60 engineers and scientists across the world.

**AUSTRALIA**  
1300 417 697

Level 26, 44 Market Street.  
Sydney NSW 2000

[info@cress.com.au](mailto:info@cress.com.au)  
[www.cress.com.au](http://www.cress.com.au)

**NEW ZEALAND**  
09 352 2052

Level 26, HSBC Tower  
188 Quay St

[info@cress.nz](mailto:info@cress.nz)