

SUSTAINABLE
DEVELOPMENT **GOALS**

OUTSIGHT INTERNATIONAL
SERVICE OFFERING: ENVIRONMENTAL,
SOCIAL, AND GOVERNANCE (ESG)

Date | 2022



ENVIRONMENTAL, SOCIAL AND GOVERNANCE

A guided approach to creating shared value and partnerships to create impact toward the sustainable development goals.

Introduction to ESG

Environmental and social governance (ESG) is a rapidly expanding interest area for companies and NGOs of all sizes and nationalities. Increased awareness of the reputational and financial risks (and opportunities) associated with environmental and social impact has meant increased responsibility and pressure on organisations to develop strategies, as well as strengthen their reporting and governance systems. There is a disconnect of knowledge between those tasked with implementing ESG strategies internally and an understanding of how to create true impact through environmental, social and governance strategies. This means that many organisational ESG strategies often more closely resemble corporate social responsibility (CSR) activities, which can be perceived as a publicity exercise, rather than creating genuine value to their customers, investors and partners. For the private sector, this could mean failing to meet their ESG obligation sufficiently, which could mean a host of various legal, financial, reputational, social and sustainability risks.

Common sustainable reporting standards include indicators for environmental, social and governance performance, although these currently focus on managing risks, rather than creating a positive impact. These indicators do not cover all of the areas where negative impacts — including reputational damage — could occur. Standards are generally set as a minimum (at the moment for risk management) rather than an optimum (managing risks holistically and moving towards genuine sustainability while creating shared value). It means a missed opportunity: to improve the triple bottom line¹; increase investment in the organisation; and make a positive social and environmental impact overall.

Opportunities for genuine impact

Going beyond compliance, we see the huge unrealized potential for companies to leverage their social, environmental and economic imperatives in a truly transformative manner that creates opportunities for the company to improve financial performance by:

- **Maintaining and strengthening the brand and its reputation** where customers will pay more for socially or environmentally sustainable products and services.
- **Attracting and retaining talent** through consistent messaging that is aligned with company action, and by keeping the workforce engaged.
- **Better management of risks** as the application of a robust framework leads to proactive management of risks.

¹ Evidence-based theory that measuring and improving social and environmental performance can also be good for financial performance. The three bottom lines being: people, planet, profit. This is a term used in the private sector, but the theory can be applied across sectors, especially in the wake of heightened social consciousness around these issues.

- **Accurate valuations** through better measuring of performance and consistent collection of data.
- **Increased efficiency** through better use of resources, optimization of supply chain enabled by better data, and improved worker performance due to increased commitment and satisfaction.
- **Create new opportunities for partnerships and innovation** as the development and public sector (development cooperation, international governmental organisations) is actively shifting towards identifying long-term private sector partnerships with companies that are aligned to the sustainable development goals.

These opportunities can be harnessed by strengthening the following domains:

- **Environmental:** only monitoring environmental impact to a ‘net zero’ emissions standard. As this means balancing greenhouse gas emissions with greenhouse gas reduction, this does not include any other environmental impacts the organisation may have, such as pollution, biodiversity, natural resources and circular economy. There is a missed opportunity for a positive impact overall.
- **Social:** many companies have fundraising targets for charities, and engage their staff around fundraising activities for staff engagement. Whilst this is good for both charities and the staff who engage, many organisations (companies, NGOs and public sector) do not turn their eye internally, to their own social impact on staff. Many organisations do not have, for example, a Diversity Equity and Inclusion (DEI) team that reports to executive leadership. In addition, many companies do not have a comprehensive supply chain audit that uncovers issues of exploitation or human rights concerns at the bottom rungs of nested supply chains. There are opportunities for organisations to improve work culture, retention of talent, productivity and efficiency internally, and, externally, to have stronger stakeholder engagement and support and to proactively mitigate risks.
- **Governance:** many organisations monitor and manage their financial and legal risks, but may not ensure that their board has a strong understanding of issues related to sustainability or ESG. The EU Commission has proposed a new Directive² for mandatory human rights and climate change due diligence down the supply chain. If accepted by the EU Parliament, member states will have two years to incorporate into national law. This law would affect around 16,800 companies of larger size (500+ employees) and turnover (EUR 150m), and may require changes to their governance system in relation to improved ESG performance, including board composition, and would require leadership from organisational directors. There is an opportunity (and potentially a legal requirement) for organisations to improve their governance towards better ESG performance and positive environmental and social impact.

Many organisations do not have a dedicated ESG team at an operational level. Even though some do, those positioned in these roles may not have the background required, or the

² https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1145

mandate from leadership, to develop strategies towards creating positive impact, rather than monitoring risks or collecting reporting data.

The solution: Impact-focused ESG strategies

ESG performance relates to many different functions of an organisation and will look different from one organisation to another, depending on their value proposition and operations. This means that an ESG strategy must be tailored to an organisation based on many factors including the following points: their risk appetite; a double-materiality assessment of what environmental and social impact they have; and what impact the environment and society may have on them, and how their strategy could tie into their ESG goals.

As implied by the new EU Directive proposal, it is important for ESG capacity to be present at the board level, and for organisational leadership to feel comfortable weaving ESG into their organisational strategy. For this strategy to be implemented, an ESG team may be required. To be effective in achieving the opportunities to build sustainability, this team should be mandated and qualified to: identify ESG gaps; coordinate improvements; and monitor progress. It is helpful for this team to have high visibility from executive leadership (ideally a direct reporting line), as they will be working strategically, across departments, and may need to lead organisational change processes. A strong ESG strategy will normally span across multiple functions including auditing, legal and compliance, HR, operations, programmes and communications.

Considering that improving ESG performance is relatively new to the majority of organisations, there are pioneering organisations and those that will follow. To reduce any competitive disadvantage that comes from investing in improvements (in the short term) it may be useful to incorporate advocacy and communication with trade associations and standard-setting agencies into the organisation's ESG strategy. This can act as a platform for organisational recognition, as well as encouraging more organisations — with good practice examples and healthy competition — to catalyse the movement. It is already becoming common for trade platforms and associations to recognise or even award organisations based on ESG performance.

Considering the complex conversation around ESG at the moment, it can be hard to work out where to start, and what to do, practically, as an organisation to improve performance and sustainability — especially for organisations without current internal ESG capacity. **Outsight offers a distilled, evidence-based, consultative offer to organisations wishing to take the next step.**

Our proposal: A holistic approach, at the level you require

Possessing 65+ years of experience in the humanitarian and development space, working on social and environmental issues, Outsight International is extremely well placed to help

organisations assess, develop and implement ESG approaches that deliver genuine impact to themselves and the communities they serve.

Our subject matter experts cover all aspects of the ESG process and we offer a comprehensive menu of services: from targeted coaching on specific issues to complete strategy development and implementation.

For ESG to provide genuine impact, we have developed a five step process which is based on our experience in the sector. We can help organisations follow the complete process or help with the specific activities of each step.

1. **Understand ESG:** By their nature, environmental, social and governance performance are extremely complex topics which can take years to understand and even longer to master. As a first step to assist organisations, we offer a standalone **resource package** that can help ESG implementers and key stakeholders get to grips with the topic, appropriate frameworks and critical issues. This can be run as a coaching program with ESG focal points, or as a training toolbox.
2. **Simplify complexity and identify the gaps:** ESG strategies need to embrace the complexity of their organisations and distil the most meaningful action. From leadership buy-in to supply chains, the cross-cutting nature of ESG means the process should start by engaging experts and key stakeholders to capture the complexity of real-world choices, dependencies, and tradeoffs in visual system maps that show how the parts fit together. Our system innovation experts help organisations do this in an efficient way, bringing with them years of experience in making sense of complex ecosystems and identifying the key gaps and priority areas to leverage change.
3. **Identify the most appropriate framework:** There are a range of ESG frameworks that can be chosen to apply ESG principles to your operations — there may be regulatory requirements also, depending on the sector. We help you identify the best fit for your existing systems and impact goals.
4. **Put in place a reporting system and establish a baseline:** With an understanding of your organisation's existing ESG systems and reach, and with an appropriate framework selected, the next step is to put in place the right reporting systems and audit methods to collect baseline data, on which your ESG progress can be tracked. Oversight's reporting expertise can help set up these systems easily and efficiently.
5. **Create a strategy and roadmap:** The final and most important stage of the process is to create an impact-focused ESG strategy and roadmap. This should be built on the foundational work of the previous steps and is the point at which theory is put into practice. Strategies will vary in size depending on the goals and objectives of each organisation. They can (and should) include the following:
 - a. **Engagement with your stakeholders:** Engage stakeholders with discussions and analysis of complex challenges that build on visual maps to co-create

desired future states and a shared roadmap to get there. Co-creation enables solutions to be adapted to their specific context but also ensures legitimacy and relevance of strategies so that performance may be meaningfully improved through an efficient process. If stakeholders feel they share ownership of a plan of action, implementation becomes much easier.

- b. **Identify the right support:** Depending on the organisation, Oversight can identify specialist agencies that can help them implement their ESG strategies. There is a range of outsourcing options to support the ESG implementers i.e. human rights in the supply chain, environmental impact, and good governance experts. Partnerships with organisations working in these spaces are essential to moving beyond just the box-ticking exercise that ESG can fall into.
- c. **Strategy formation:** Once the right stakeholder and support have been identified, Oversight helps harmonise this with the chosen regulatory and reporting frameworks to create a strategy that can be put into practice.
- d. **Building staff capacity:** Oversight can provide supporting instruction on the basics of ESG thinking and support the development of staff to engage on the topic through the use of self-assessment tools and change initiatives. Utilising this approach will enable better top-to-bottom engagement in the topic.
- e. **Communications:** It's important to encourage sustained use of system descriptions and visuals in communications, using these tools to help expand the conversation. Interactive tools, courses, and communications materials can be built for the organisation's customers and partners, and provide an aligned strategy for understanding and addressing the effects of complex challenges. Many companies and NGOs are striving toward sustainability, beyond simply mitigating ESG risks. Considering these organisations are the pioneers, it can be useful to put pressure on the trade associations, recognise good practices and raise standards for other organisations. Oversight can support by mapping the system, communications and strategies for this advocacy as well.

This approach can be widely applied to diverse challenge areas in climate action and widely shared in different educational, corporate, and community environments.

Team

Beyond the complex systems design and communication strategy which we have outlined above, [Oversight International](https://outsight.international/) builds teams based on the specific needs of an innovation initiative. Much like a [Hollywood movie](#) builds its production teams to match the right talent with a particular movie, Oversight compiles the right expertise to tackle the unique challenges of a particular initiative. In the case of ESG, we are well placed to provide assistance to organisations looking to break down, solve and communicate problems. We have listed some

of our Associates and their areas of expertise. We can quickly form teams to address particular work packages or slack. **LinkedIn CVs are linked through names.**



[Harriet Milsted](#) — Oversight ESG Team lead: Harriet is a Research, M&E and Reporting Consultant specialising in measuring and improving social impact, and with experience in measuring and improving environmental impact and governance systems. She is a member of the ESG Special Interest Group of the Institute of Risk Management where she was invited to speak in their first publicly broadcast panel discussion around the opportunities for improving ESG performance of private companies and NGOs, through strategic partnerships. She coordinated sustainability reporting for Save the Children against the Global Reporting Initiative (GRI) standard, Sustainable Development Goals (SDGs), Grand Bargain and Core Humanitarian Standard (CHS) and was also the Accountability representative in the corporate Risk Assurance Network. For the past 3 years she has been working on an EU Spotlight initiative around improving ESG performance, with UNICEF and Baan Dek Foundation, a Thai NGO, where she developed the corporate engagement strategy and tools for the construction sector in Thailand including developers, contractors and subcontractors at the bottom rungs of the supply chain.



[Denise Soesilo](#) — Organisational strategy and M&E expert: Denise has 10+ years experience working in international development settings and has worked with numerous organisations including the private sector, NGOs, donors, humanitarian and UN institutions — advising on the application and implementation of new donor strategies in humanitarian operations, for disaster risk reduction, environmental monitoring and emergency response. Denise focuses on ethical and sustainable innovation — by responsibly and equitably adapting social and technology innovations to various settings.

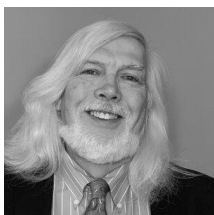


[Michelle Chakkalackal](#) — Organisational design and impact expert: Michelle helps guide organisations through change. She is an experienced facilitator and coach, who works cross-culturally at the intersection of systems change, innovation, and social impact. Michelle is a serial social entrepreneur (>18+ years) with a track record of scaling organisations. As co-founder of Love Matters, Michelle has a history of starting, building, and scaling alternative systems for comprehensive sexual education in the digital space. Love Matters is a series of sexual reproductive health sites and social media platforms that delivers sexual health information online in 5 languages to young people in countries where information was censored or taboo (India, Mexico, Venezuela, Egypt, and China), conservatively reaching 30 million people globally. She helped grow this intrapreneurial organisation from 3 to 65+ globally. As interim COO of Nivi, Michelle was responsible for running operations and scaling Nivi's AI Chatbot services from Kenya to India.



[Monique Duggan](#) — Media & communications specialist:

Monique is a Media & Communications Specialist with experience spanning the non-profit, human rights and media sectors. She is passionate about the potential of the Internet to amplify the conversations and concerns of minority groups by creating channels for exchange and engagement. She has experience working in the United Nations system with OHCHR, profiling the media spheres of African countries awaiting review in treaty bodies sessions in order to send individually tailored press products to local journalists. She currently works as a Digital Communications Specialist for Jawun, an Australian Indigenous NP organisation, where CCEA is at the forefront of her role. She leads the marketing team, produces communications collateral, leverages data and programme analysis to inform prioritisation of development efforts, and writes high-level reports. In addition, she regularly produces case studies on various projects, with a passion for analysing the impact of the pandemic on media and communications in remote Aboriginal communities.



[Dan McClure](#) — Systems innovation specialist: Dan has 30+ years experience as a hands-on leader of systems innovation for complex challenges. He supports ambitious efforts to architect systems level innovations, scale sustainable ideas in low resource environments, design collaborative networks, and build adaptive organisations. His work has helped shape numerous aid sector innovation initiatives that focus on delivering sustainable impact at scale.



[Gunes Kocabag](#) — Partnerships and capacity building : Gunes is a researcher and service designer specialising in the development of human-centred solutions in complex stakeholder environments. She has led human-centred design projects end-to-end from research to design and implementation, as well as designing and running training and capacity building workshops for various public and private stakeholders. Her work focuses on developing/co-creating proposals that reconcile user or beneficiary needs with organisational priorities, building blueprints and toolkits for win-win partnerships, developing programs for internal capacity building, coaching teams on design thinking and human-centred design.

If you'd like to learn more about how Oversight can help your organisation with ESG, please contact hq@outsight.international