Environmental, Social and Governance(ESG) Advisory Services - An Enterprise Value Enabler

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Demand for transparency on socially responsible practices are on the rise. Corporates are being held accountable to various stakeholders on the impact of their operations in the community and the world at large. The subject of ESG has become an increasingly important topic for all companies, investors, financiers, customers, employees, and non-governmental organizations. Companies need to understand the financial, environmental, and social impact of it on their business. ESG is one of the most important topics on the Board agenda these days. Key stakeholders, such as investors, financiers, regulators, and customers, are now expecting that ESG or Sustainability reporting will be part of a company's ongoing reporting process and will form a key consideration for the basis of their relationship with the company. It is not long before companies realize the benefits of ESG practices.

Recent industry and academic studies indicate that ESG criteria will influence investors and consumers choice and will in turn reflect in the following benefits for companies:

- Better operational performance
- Lower cost of capital
- Stock price performance
- Improved Risk Management
- Considered as low risk investment by investors
- Access to Green Finance
- Higher value creation
- Better credibility in International Market

The term "ESG" is often interchangeably used with the term "sustainability", considering that both have the same objectives of improving a company's business practices by boosting profits and winning confidence of the investors, customers, and regulators. However, there is one major difference. Sustainability is ambiguous and can be interpreted differently by each company, whereas ESG is specific and measurable. ESG provides a specific set of criteria namely, environmental, social, and governance that companies can measure and report against.

The Global Reporting Initiative (GRI) Standards is one such framework that has created a common language for all organizations regardless of its size or type to identify, gather and report on their sustainability impacts in a consistent, credible, and comparable way. Sustainability Reporting is a structured, continuous process of collecting, monitoring & reporting information on the company's economic, environmental & social performance. The information to be disclosed must be in alignment with the stakeholders' expectations as ESG analysis and reporting is the tool that will provide valuable insights to these stakeholders and help companies create a long-term value.

In 2016, Qatar Stock Exchange pledged its commitment to issue guidelines for the reporting of ESG information by listed companies in Qatar. Whilst QSE encourages listed companies to consider the GRI or other standards for their own reporting, it is mindful that for some companies it may not be feasible or practical to adopt these standards now. For this reason, and in line with Sustainability Stock Exchange Initiative (SSEI) and World Federation of Exchanges (WFE) recommendations, the Exchange has developed a set of ESG Key Performance Indicators guidelines that they believe should be the focal point of the issuer's ESG reporting. (https://www.qe.com.qa/esg-del).

ESG reporting guidelines refers to the disclosure of data covering the company's operations in three areas: Environmental, Social and Corporate governance.

E - Environmental Criteria addresses the energy in-take and waste discharged by a company and its consequences on the environment.
S - Social Criteria addresses the relationships a company has and the reputation it factors in the society.
G - Governance addresses the internal practice and controls the company adopts to govern and make effective policy decisions.

The report should provide a snapshot of the business's impact in these three areas for investors. The analysis of performance across these factors will encapsulate the quantitative and qualitative disclosures which in turn helps screen investments.

Companies having long-term vision understand the importance and purpose of communicating ESG criteria and are proactively incorporating it in their business strategy. While it is crucial to build an ESG strategy that will provide for an impactful report, there are challenges resulting from knowledge gap, high cost to collect and report data, and complying with the varying reporting standards and frameworks.

Seeking the support of subject matter experts will help immensely in developing and incorporating a balanced ESG strategies into the companies' overall performance. The expert will support in performing gap assessment, materiality analysis, data collection, benchmarking, real-time data mapping, creating effective communication framework and continually working on improving ESG performance by engaging with stakeholders.

Please connect with us for more information on ESG compliance and reporting.