

The ESG Imperative

Turning Words Into Action





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Forging a Mindset

The pressure is on for organizations to get serious about sustainability and social impact strategies.

The pandemic may prove to be a crucible moment for environmental, social and governance (ESG) issues. As the world rallied to beat the virus, it also faced an onslaught of dire warnings about climate change and confronted complex questions around social justice. Executives faced their own reckoning—and it wasn't always pretty: **Two-thirds** of executives in a GlobalData survey published in 2022 said they believed the COVID-19 crisis has acted as a catalyst for increased focus and action on ESG. Yet the report also found that “inadequate governance practices make it more likely that companies will fail to meet ESG goals.”

The divide between intention and action isn't going unnoticed. "The pandemic changed the perception of ESG," says Aman Mourya, PMP, ESG and framework specialist at investment data company FactSet, Hyderabad. "Amid lockdowns and the looming climate crisis, people have become more curious about how companies are operating."

That scrutiny revealed much room for improvement. Case in point: climate action—or perhaps more accurately, climate inaction. U.N. Secretary-General Antonio Guterres called the most recent report by the Intergovernmental Panel on Climate Change "a file of shame, cataloging the empty pledges that put us firmly on track toward an unlivable world."

While respondents in the GlobalData report ranked risk management as the most important governance factor around ESG, leaders seem woefully unprepared to manage and mitigate the dangers. In fact, a 2022 [Deloitte report](#) found that nearly **60 percent** of respondents said the leaders who assess business threats and opportunities fail to address climate change during meetings. What's more, nearly half said they lack adequate



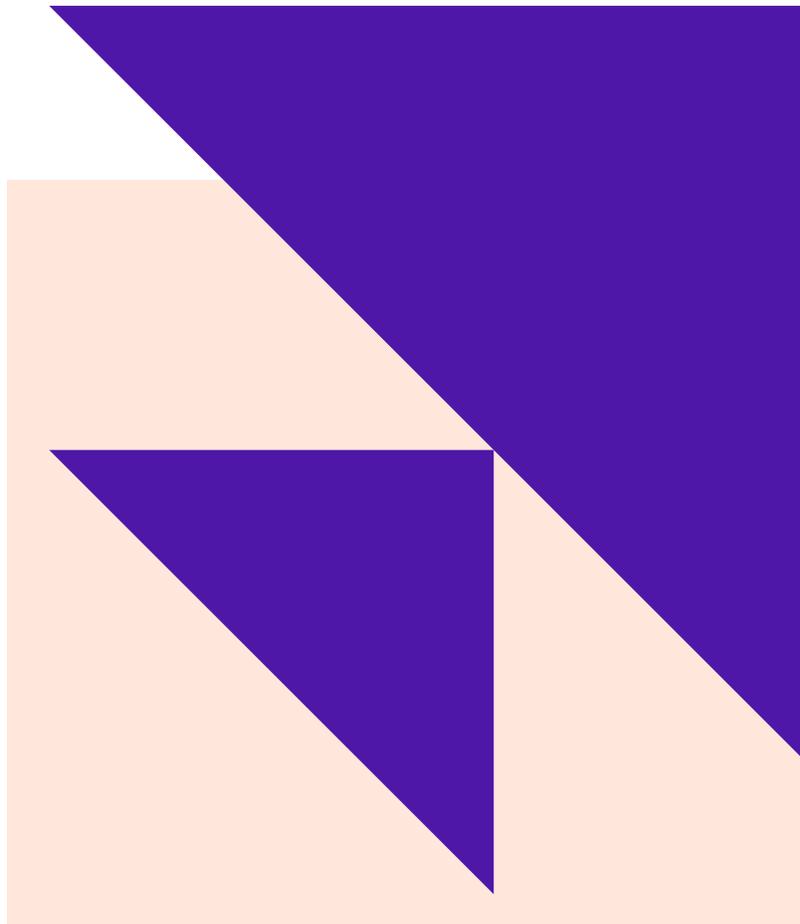
"The pandemic changed the perception of ESG."

—Aman Mourya,
PMP, FactSet

knowledge to make informed decisions about climate-related risks. For instance, **70 percent** have yet to determine how climate change will impact the company's operations, supply chain and customers.

It's a staggering omission that will require organizations to counter complacency by establishing clear standards and expectations. And in many cases, there may soon be no choice but to level up. Last year, climate disclosure became mandatory for publicly listed companies in the United Kingdom, Japan, New Zealand, and Singapore—while U.S. and European Union regulators plan to increase disclosure requirements this year. At the same time, organizations around the world are trying to make up for lost ground. Many government and corporate leaders, for example, are backing up their vows to be carbon-neutral by 2050—or even earlier—with a slew of ambitious projects.

Just contemplating the kind of action



necessary can be overwhelming, especially as many companies try to innovate their way out of a stubbornly stagnant economy. Now more than ever, they rely on projects to fulfill their ESG mission—whether it’s improving diversity on a board, limiting the carbon footprint of supply chains, or removing toxic waste from a community’s water supply. And companies must also ensure those projects are truly delivering, whether the measure is an internal gauge, [U.N. Sustainable Development Goals \(SDGs\)](#), or government regulations.

It’s the kind of seismic—and systemic—change that requires a fundamental shift

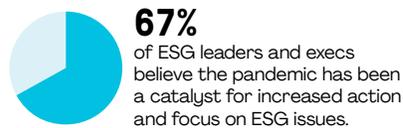
in the way companies do business. Project leaders will be the beating heart at the center of this change.

“ESG imperatives cover so many different areas—operations, sustainability, social, technology, compliance—and project managers are going to be an extremely valuable asset to this entire process, from end to end,” says Kathryn Connolly, PMP, ESG program development manager at global law firm Paul, Weiss, Rifkind, Wharton & Garrison, Toronto.

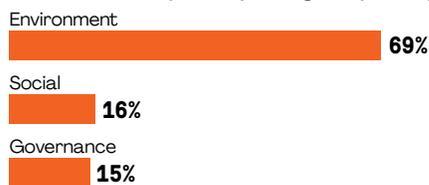
Here’s how project leaders and their teams can move beyond the buzz to deliver meaningful change.

A Clarion Call for ESG

Organizations appear to be poised for action on environmental, social and governance (ESG) issues.



Where are companies putting the priority?



Which ESG issues need the most attention?



Source: ESG Strategy Survey, GlobalData, 2022



Set Standards with a Sense of Urgency

As attention to ESG escalates, organizations need a proper infrastructure to ensure project teams can raise the bar on positive impact while still delivering bottom-line results—or, perhaps even more importantly, recalibrate if something isn't working. Integrating such processes and documentation keeps ESG front of mind for project leaders and their teams, even as those goals and requirements might shift.

The first step is typically an assessment that identifies the ESG factors most critical to a company and its stakeholders. Not only does such an audit pinpoint gaps and opportunities, but it also lets companies compare their ESG objectives to those of their competitors. “That then dictates where you need to go with your strategy,” says Connolly.

There's no shortage of external forces to guide—or accelerate—ESG ambitions. For instance, in March, the U.S. Securities and Exchange Commission unveiled a proposal to enhance and standardize climate-related reporting. If approved, companies would need to meet compliance by 2024.

After the U.N. approved its Global Agenda for Sustainable Development in 2015, Mainstream Renewable Power (MRP) reset its framework to align with the U.N.'s 17 SDGs. The Irish wind and solar energy company now measures performance against 12 of them that apply to its project activities:

- Good health and wellbeing
- Gender equality
- Affordable and clean energy
- Decent work and economic growth
- Industry, innovation and infrastructure
- Sustainable cities and communities
- Responsible consumption and production
- Climate action
- Life below water
- Life on land
- Peace and justice strong institutions
- Partnerships for the goals

As part of the company's ESG strategy, a single project often can fulfill multiple SDGs at once. For example, MRP last year completed the Alena wind farm in Chile that provides electricity for more than 113,000 homes in the Biobio region and reduces annual carbon dioxide emissions by more than 110,000 metric tons (compared to conventional power generation). At the same time, the organization chose a woman to be the project site manager to ensure gender diversity and elevate the work of females across the team. Project leaders also prioritized regular communication

MAKING ESG A REALITY

For decades, when organizations sought to deliver positive change in the world, they often defaulted to the shareholder-driven impulses under the guise of corporate social responsibility. But as expectations for delivering serious social and environmental impact shift, organizations need to embrace a wider stakeholder-centric perspective that also establishes accountability and rigor.

Now more than ever, organizations need to understand the power of environmental, social and governance (ESG). ESG provides structure that ensures there's a quantifiable payoff inside and outside the organization. Much in the same way a project management office builds formal governance, ESG helps organizations set clear criteria to track sustainability and social good—and create enterprise-wide ethos for achieving long-term ROI.

PMI empowers and enables individuals and organizations to drive social impact and change—tackling the world's biggest challenges, through learning and developing project management skills, to make ideas into a reality.

with community members, so they become a true partner in generating a positive impact.

“As human beings, we must develop activities that promote not only caring for the environment, but also tolerance, respect and social awareness, among many other factors,” says Nicolas Fabbri, PMP, the company’s construction project manager leader in Santiago. “At MRP, this understanding is in our DNA, and we understand that it’s vital to have a positive impact not only on the environment but also on our communities.”

Creating—and maintaining—an ESG mission with meaning and intent requires project leaders to reinforce the organization’s strategic vision with each new initiative. It also means managing up to make sure sponsors and executives are properly and promptly engaged and actively bolstering external engagement.

As head of ESG at Tharisa plc in Johannesburg, Tebogo Matsimela sees the rewards of proactively identifying, engaging and managing internal and external stakeholders—whether they are C-suite leaders or people in communities near project sites. By swiftly gathering—and sharing—information, the company creates the kind of feedback loop that mitigates disruptions.

“An informed stakeholder is a very progressive and powerful stakeholder,” he says. “An uninformed stakeholder is very dangerous. Don’t wait for stakeholders to find out in the media about what’s happening.”

To ensure the project delivers for the company and the community, Tharisa holds monthly meetings with government leaders, designates a community liaison officer, and establishes a dedicated management team to track social and economic impacts.



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—Nicolas Fabbri, PMP, Mainstream Renewable Power



Determine ROI for the Long Haul

As the stakes intensify and the circle of stakeholders widens, there's little margin for error. And the onus is on organizations to establish clear metrics that prove they're delivering—or to flag when they're not—with the type of information that lets them course-correct. Tracking progress on core ESG goals, like a drop in single-use plastics or ensuring a project doesn't interfere with a community's biodiversity, is a given. But teams also need to assess how each initiative helps the organization: Does it cut costs, create efficiencies, attract new talent, improve reputation and/or spark growth?

In a 2022 [survey](#) by NTT, respondents ranked higher profitability as a top benefit of companies having a sustainability strategy. There's also the need to juggle investor interests: **27 percent** of respondents in the Deloitte report cite conflicting messages from investors, who push for costly long-term climate-change adjustments while still expecting short-term financial gains.

But the ROI goes beyond the bottom line, with respondents reporting greater innovation and teamwork. A company's reputation on ESG can influence buying habits, too—particularly among younger consumers. More than **one-quarter** of millennials and Gen Zers said certain businesses' impact on the environment had influenced their buying decisions, according to a 2021 [Deloitte report](#).

A company's ESG efforts can also boost—or scuttle—talent management efforts. As companies struggle to recruit and retain rock-star employees during [The Great Reshuffle](#), a strong ESG vision can often make a difference. SHRM's 2021-2022 [workplace survey](#), for example, found organizations with ineffective diversity, equity and inclusion (DE&I) initiatives were **32 percent** more likely to have climbing resignation rates.

Establishing such engagement metrics doesn't necessarily require an overhaul, Connolly says. Most companies already solicit feedback from employees and other stakeholders, so it may be a matter of simply adding a few targeted questions about ESG efforts.

Tharisa also tracks more tangible met-

rics around worker safety, which is critical to employee well-being and the mining company's bottom line. Of the 44 mining deaths reported worldwide in 2020, half of them occurred in South Africa. Yet as of the third quarter of 2021, Tharisa had gone more than six years—or more than 5 million shifts—without a fatality in its mining operations. “Our record speaks to the integration of ESG and safety principles within the organization,” says Matsimela.

Along with the traditional surveys, questionnaires and focus groups, some companies are leveraging technology to paint a more robust picture of their reputation in the marketplace and capture ESG nuances that could be turned into a competitive advantage.

“There are a lot of platforms that use AI to pull from social media and news and give another lens into what the sentiment is—whether it's ESG broadly, or a specific issue for the company,” says Connolly.

The payoff? By looking beyond just profits or stock prices to include more holistic ESG metrics, leaders can better position their company for the future.

Climate Change Disconnect

58% of organizations say the leaders who assess business threats and opportunities fail to address climate change during meetings.

70% have yet to assess how climate change will impact the company's operations, supply chain and customers.

What's holding companies back?



Source: *The Audit Committee Frontier—Addressing Climate Change*, Deloitte, 2021



Develop and Empower Changemakers

As many companies hit reset on ESG, some may find themselves starting down a talent void. According to a [LinkedIn global report](#) published in February, demand for green jobs will outstrip supply over the next five years. To bridge the gap, the priority will be on hiring project leaders with ESG knowledge and experience—and upskilling existing talent to seed an ESG ethos across the enterprise.

Project professionals can step up on their own, too, by honing new must-have skills. Having a baseline understanding of data analysis, for example, can help team members more accurately predict and map out risks so they can prioritize the right ESG initiatives and assess ROI. Fine-tuning creative problem-solving skills can come in handy if teams need to mitigate a potential negative social or environmental impact. And coupling that kind of critical thinking with empathy positions leaders to better navigate multiple perspectives. The result? An ability to influence all levels of stakeholders—and provide an example for aspiring ESG changemakers to follow.

A big part of Connolly's role is to ensure project activities align with the firm's ESG strategy—so each initiative delivers positive impact. By connecting the dots between ESG and the big-picture benefits, she helps ensure all key stakeholders will embrace the processes that are necessary to achieve ESG goals and objectives.

“There's so much breadth to cover with ESG that project managers are going to be an extremely valuable asset to this entire process from end to end,” Connolly says. “You need to implement ESG strategy into the guts of the organization—and project managers are going to be an active part of that change.”

Connolly believes many project professionals will be quick ESG studies because they already have a strong foundation upon which to build their knowledge. There's also an opportunity for organizations to incentivize learning, such as leaning into resources—like PMI's [partnership](#) with Green Project Management—or investing in certifications for employees. For instance, she says having the Project Management Professional (PMP)® certification “will definitely help in implementing ESG-related initiatives and goals—closing gaps, lowering risks and enabling opportunities.”

“It's not a brand-new world of project management. You're simply touching on different requirements and engaging with different stakeholders—an approach that's similar to any other project,” Connolly says.

FactSet embeds ESG training from the start, says Mourya. As part of the company's onboarding, new workers get a crash course on [Global Reporting Initiative Standards](#) and how the sustainability benchmarks

MAKING A DIFFERENCE

A project leader teaming up with an NGO to remove trash from a local waterway. A PMI chapter creating audio books for visually challenged college students. A project leader volunteering her time to create a digital platform connecting youth from across Africa to empower climate change and COVID-19 recovery.

It's not just companies dedicating their efforts to environmental, social and governance (ESG) issues. Individual project leaders are, too—and PMI is dedicated to enabling changemakers around the world to elevate their positive impact on society. [The Hours for Impact](#) program supports the United Nations' 17 Sustainable Development Goals (SDGs) to better people's lives and the planet.

In 2021, PMI called upon its global community and set a goal to pledge 100,000 hours of service to advance the SDGs. This year, it's aiming higher with a new objective of 125,000 hours. Ready to turn ESG ideas into action? Make your pledge [here](#).



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—Kathryn Connolly, PMP, Paul, Weiss, Rifkind, Wharton & Garrison

impact organizations. Onboardings also shine a spotlight on FactSet’s ESG imperatives and how employees make a difference outside of the typical work environment, such as volunteering in the community. The payoff: In 2021, the company logged some 14,000 service hours. Such initiatives not only foster employee engagement and buy-in, but also teach team members how to better navigate stakeholder demands.

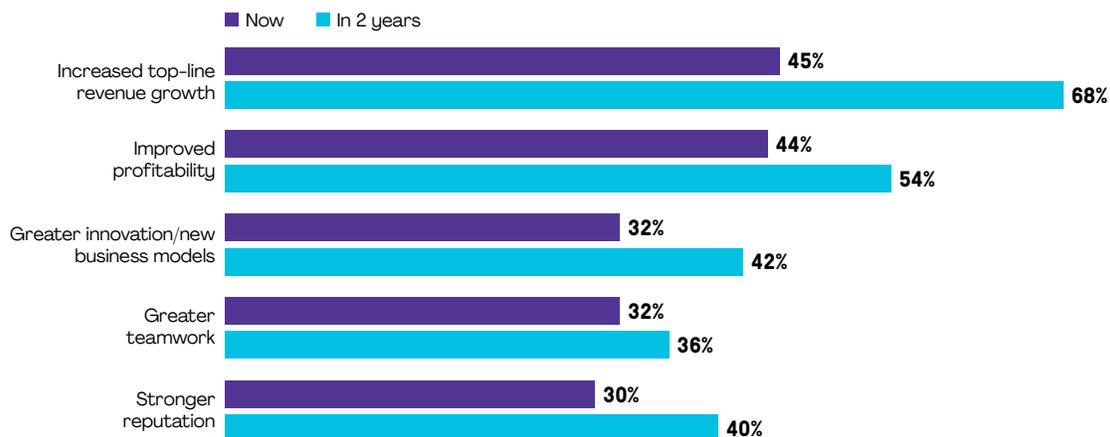
At MRP, ESG training is considered a must-have, Fabbri says. It not only helps team members develop the skills they need to help the company achieve its ambitious goals, but also reinforces the mindset that its projects should generate long-term value for communities. For example, MRP

has a department dedicated to external affairs, communications and communities. That group works closely with project teams to provide them with guidance, support and training on all matters related to ESG—ensuring they stay aligned with the company’s standards and expectations.

“As a project leader, it’s important for me to ensure that all of our project activities are carried out efficiently and in line with our corporate values, including collaboration, respect and responsible interaction with our communities,” Fabbri says. “Ultimately, the aim is not just to bring the communities closer to our projects but bring our projects—and the people who work on them—closer to communities.”

The Power of ESG

Going in with a strategy for sustainability can be a huge boost to business performance—now and in the future.



Source: *Innovating for a Sustainable Future*, NTT, 2022

A Call to Action

A strong commitment to ESG isn't just the right thing to do; it's the smart thing to do. It's what society demands of modern business—and that means showing clear evidence of progress. Companies must ensure that positive social impact is embedded into the very fiber of their projects—whether the intent is to boost inclusion among employees or improve access to healthcare.

By resetting expectations, diving into data to track progress, and empowering project leaders to become changemakers, companies can turn intent into action and deliver projects that make the world a better place.



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