



SUSTAINABILITY SPOTLIGHT

Issue 1 – April 2023





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01 FOREWORD

Welcome to the first issue of Sustainability Spotlight, our global sustainability publication, sharing key insights from our sustainability experts around the world, to help you make better business decisions for the future. From business leadership issues such as the role tax plays in ESG and understanding the board's ESG mandate, to core sustainability themes such as the circular economy and sustainability standards, our professionals unpack pressing issues in the sustainability and ESG arena.

Smart companies are discovering that it is no longer a choice between choosing a more sustainable path and growing long-term profits – sustainability is the path to prosperity. For both business and humanitarian reasons, it is imperative that all organisations act now and embrace the benefits of sustainable business practices. Sustainability is fundamental to the creation of a world that is resilient, equitable and allows everyone to thrive. We need to change the way we live, work and play... the time has come for our actions to be bold and uncompromising.

The BDO organisation has committed to achieve net-zero greenhouse gas emissions by 2050 or sooner, and we have embarked on a journey to measure our carbon footprint and set science-based emissions targets.

Many of our clients are following a similar path and, as trusted advisers, we will offer support and guidance, and share our learnings.

As you read this publication, I encourage you to reflect on your own role in promoting sustainability and to think about actions you can take now to support a more sustainable future.



ASHLEY TRUSCOTT

Senior Manager, Global Sustainability

02 SUSTAINABILITY AND BUSINESS STRATEGY

TAX: How tax represents ESG in action

Environmental, Social and Governance (ESG) factors can provide a framework for evaluating a business's performance beyond its financial profitability, by assessing its impact in each of these three broad areas:

- Environmental factors measure a business's impact on the natural environment. This will include its use of natural resources, emissions, waste generation, and its ability to manage environmental risks (and embrace environmental opportunities).
- Social factors measure a business's impact on, and perception in, wider society. This will include its interaction with employees, customers, suppliers, and the external community.
- Governance factors measure a business's internal governance structures and practices. This will include its overall strategy, leadership, ethics, transparency and accountability, and risk management.



So, where does tax fit and why does it matter?

In this [article](#), Robert O'Hare from BDO's Global Tax team, explores this question.

BUSINESS STRATEGY: Achieve business growth by managing for the future

Does your business supply a company that has committed to #ESG and #sustainability goals? This could significantly impact your own operations.



Learn more in BDO in Canada's [#AccountingForTheFuture](#) podcast.

LEADERSHIP: Understanding the board's ESG mandate

Sustainability and ESG are propelling savvy directors to navigate new ESG-related responsibilities. Amid a dynamic regulatory landscape and rapidly evolving stakeholder demands, corporate boards face a new mandate: oversight of the organisation's adoption of ESG programmes. While boards may differ in how to approach or allocate responsibility, failure to fulfil this duty can alienate stakeholders, draw regulatory scrutiny, and jeopardise customer and employee loyalty.



Read [more](#) from Amy Rojik at BDO in the USA



The board's duties of care and loyalty already encompass ESG. As ESG risks and impact become more material to the business, it ultimately falls to the board to ensure that management is acting in the interests of a broader set of stakeholders in ensuring the sustainability of the organisation.

MID-MARKET BUSINESSES

How can ESG and sustainability strategy help UK mid-market companies survive and thrive?

The forecasts are not getting better for the UK economy; with words like 'tough', 'bleak', and 'grim' being bandied about. The IMF in its annual economic outlook is projecting that growth across the world in 2023 is expected to be weak. The weakness in growth is due to three global issues: high inflation accompanied by central bank tightening, the continued war in Ukraine, and the lingering effects of COVID-19, especially the development of the disease in China.

The view from the EU is just as challenging, as the Financial Times survey of economists points to shrinkage in the Eurozone, again citing high inflation and the probability of energy shortages, which will depress output and the labour market. The UK is expected to face the worse downturn of any major economy, according to the Organisation for Economic Co-operation and Development (OECD). With all this doom and gloom, how can ESG and sustainability strategy help UK mid-market companies survive and even thrive?



[Read more](#) from BDO in the UK.



The investment at this time in ESG and sustainability strategy could lead to resilient companies who will be better able to weather the economic headwinds.



03 SUSTAINABILITY IMPERATIVES

ASSURANCE AND REPORTING

Which level of assurance is best for your ESG reporting?

Deciding which level of ESG reporting assurance is right for your organisation can be complex. We explore the different benefits of each assurance level and the factors that drive organisations' decisions on which type of assurance to obtain.



Christopher Tower and Dan Harris from BDO in the USA [help you with your decision.](#)

STANDARDS

Preparing for global sustainability standards

2022 was a busy year for those in the sustainability space, and so far, 2023 is showing no signs of slowing down. Towards the end of 2022, international standards setters and jurisdictions, including Europe (EU) and the United States Securities Exchanges Commission (US SEC), published proposals for sustainability reporting requirements.



BDO in Australia's Aletta Boshoff and Ashley Bleeker explain what this means for [mandatory reporting and your business.](#)

CIRCULAR ECONOMY



Podcast: ESG in Retail: a 3 part series from BDO in the USA discussing the circular economy, employee experience and labour practices, and ethical consumerism. [Listen now.](#)



Report: The [Circular Economy Series](#) from BDO in the UK looks at how the UK M&A market is driving the circular economy and its transformational use in eliminating waste and pollution, circulating products and materials, and the regeneration of nature.



04 INDUSTRY SECTORS

NATURAL RESOURCES

Climate-related reporting in the Natural Resources sector

Many people consider the Natural Resources sector central to the achievement of net zero targets, since metals are critical in the production and storage of renewable energy. Reporting is key to understanding and measuring the impact that climate change is having on businesses.



In this report, Matt Crane from BDO in the UK discusses [climate-related reporting within the Natural Resources sector](#).

Tax transparency in Natural Resources



[Listen to our interview.](#)

BDO in the UK's Tax Partners Julia McCullagh and James Egert are joined by special guest David Murray, Head of Tax Policy & Sustainability at Anglo American, as they explore the topic of tax transparency and what this means in the natural resources industry.



REAL ESTATE AND CONSTRUCTION

ESG in construction: managing risks and driving profits

Sustainability risk is one the biggest risks faced by the construction industry, but it is also one of the biggest opportunities for market leadership and future-proofing profitability. Sustainable construction ensures that negative impacts are minimised, and positive impacts are maximised to achieve a balance of environmental, economic, and social performance.

Global construction output is forecast to grow 42% by 2030. The construction industry generates an estimated 39% of the world's carbon emissions, according to the World Green Building Council (WGBC).



Read more from BDO in Canada about the construction industry's obligations to develop [greener ways of doing business](#).





TECHNOLOGY

Technology's role in enabling ESG

Buzzwords such as the triple bottom line, sustainability, green, and eco-friendly have all made their way into boardroom conversations under the umbrella term 'ESG' or sustainability. The stakes of resisting an ESG strategy are high, with potential consequences being reduced investor interest, higher cost of capital, increased risks, and negative public perception.

When it comes to reporting, there are several metrics and frameworks available. But how do you determine these metrics and ensure the integrity of the data?



BDO in Canada shares the [benefits that digitisation can bring to your ESG strategy and reporting.](#)

Rethinking manufacturing: insights and opportunities

It's not only large corporates that need to consider sustainability in the context of their business practices but SMEs which, without significant resources, often have questions around where to start and how to navigate the topic. All organisations, regardless of industry or size, should be thinking not only in terms of the 'E' (environmental) aspects, but far more broadly.

A clear understanding of the social (S) and governance (G) aspects of ESG and their materiality for the business is a vital first step. For manufacturers, the greatest drivers for change will come through their role in the supply chain. If not already doing so, ESG considerations will soon drive decision making, meaning manufacturers will need to demonstrate that they are pro-active in this space to maintain supply contracts and be an employer of choice.



Read more from BDO in Australia about the [opportunities that being a sustainable manufacturing business](#) will bring.



BDO's sustainability professionals around the world are available to help you respond to sustainability challenges and opportunities. A selection of useful resources is also provided below:

- A summary of the [Greenhouse Gas Protocol](#).
- A summary of [ESRS E1 Climate Change](#) - an overview of the reporting requirements for many entities operating in the EU, including a requirement to measure and disclose Scopes 1, 2 and 3 emissions. It also explains how climate risks affect an entity's governance, strategy, business model and metrics and targets.
- To help you benchmark where your organisation is on its sustainability journey, we have developed the [Sustainability Readiness Tool](#): Complete our questionnaire and receive a customised assessment of your organisation's sustainability readiness, an actionable framework and best practice to support you on your sustainability journey.

06 CONTACT US

We work with clients no matter where they are on their sustainability journey – we are here to guide you through a complex landscape to help you achieve success.

Core sustainability services:

- > Climate Risk
- > ESG Assurance
- > ESG Reporting
- > ESG Strategy
- > Global Value Chain
- > Human Capital and the 'social' pillar of ESG
- > Learning & Development
- > Sustainable Communities
- > Sustainable Finance

If you have a sustainability-related query or would like help with at any stage of your sustainability journey, please [**contact us.**](#)





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