







# Crack the Code for Sustainable Asset Management Investing

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## Today's Presenters

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|  | Dr. Laith Alfaqih, Stantec   |
|  | Mark De Clercq, Applied Asset Management Consultants               |
|  | Mark Knight, 1898 & Co.  |
|  | David Sumpton, Western University & Fanshawe College (lead author) |
|  | Melody Tungol, Palm Beach Water Utilities Dept.                    |
|  | Sarah Vine, AMCL   |

## Today's Topics

- Abstract Summary: ESG Investing
  - Current practices: planning & budgeting
  - Role of Sustainable Business
  - The Sustainable Development lens
  - Applying activity-based methods
  - Financial reporting requirements
  - Sustainability reporting practices and requirements
  - Integrating Business goals with UN SDGs
  - Roadmap for Sustainability Investing
- The Presenters thank the Institute of Asset Management (IAM) for the opportunity to share ideas at the 2023 North American Conference.
  - We also thank the organizations and IAM Project Teams listed in the Backup Slides acknowledgements.
  - These organizations and teams did not review or approve the details in this presentation. It reflects the insights of the presenters only.
  - Should there be errors or mis-interpretation of the cited references, please email [david@davidsumpton.com](mailto:david@davidsumpton.com) so that we may correct our understanding. Thank you for your consideration.



# Abstract Summary



## ESG Investing: Engaging, not merely Reporting ...

- **Manage an ESG profile:** Show that project sponsors, project teams and operations staff are responsible enablers; apply requirements of GRI, IFRS/SASB, GHG Protocol, TFCDD, CSRD...
- **Sustainability & Sustainable Development:** Align business actions with the public and environmental interests.
  - Include societal and environmental requirements in the innovation process.
  - Build long-term value and resilience.
  - Make more money, by doing good for the world.
- **Competence:** Assess technical, operational, financial feasibility; apply good practices.
  - Define and manage the trade-offs in financial, social and environmental decisions, including the effects of weather and climate.
  - Get things done; show good outcomes through Financial and ESG reporting.
- **Leadership and Culture:** Take initiative and apply good judgement; deliver better value.
  - Show your colleagues, senior leaders, suppliers, customers, taxpayers and communities, why Sustainability is important and how to achieve it together.

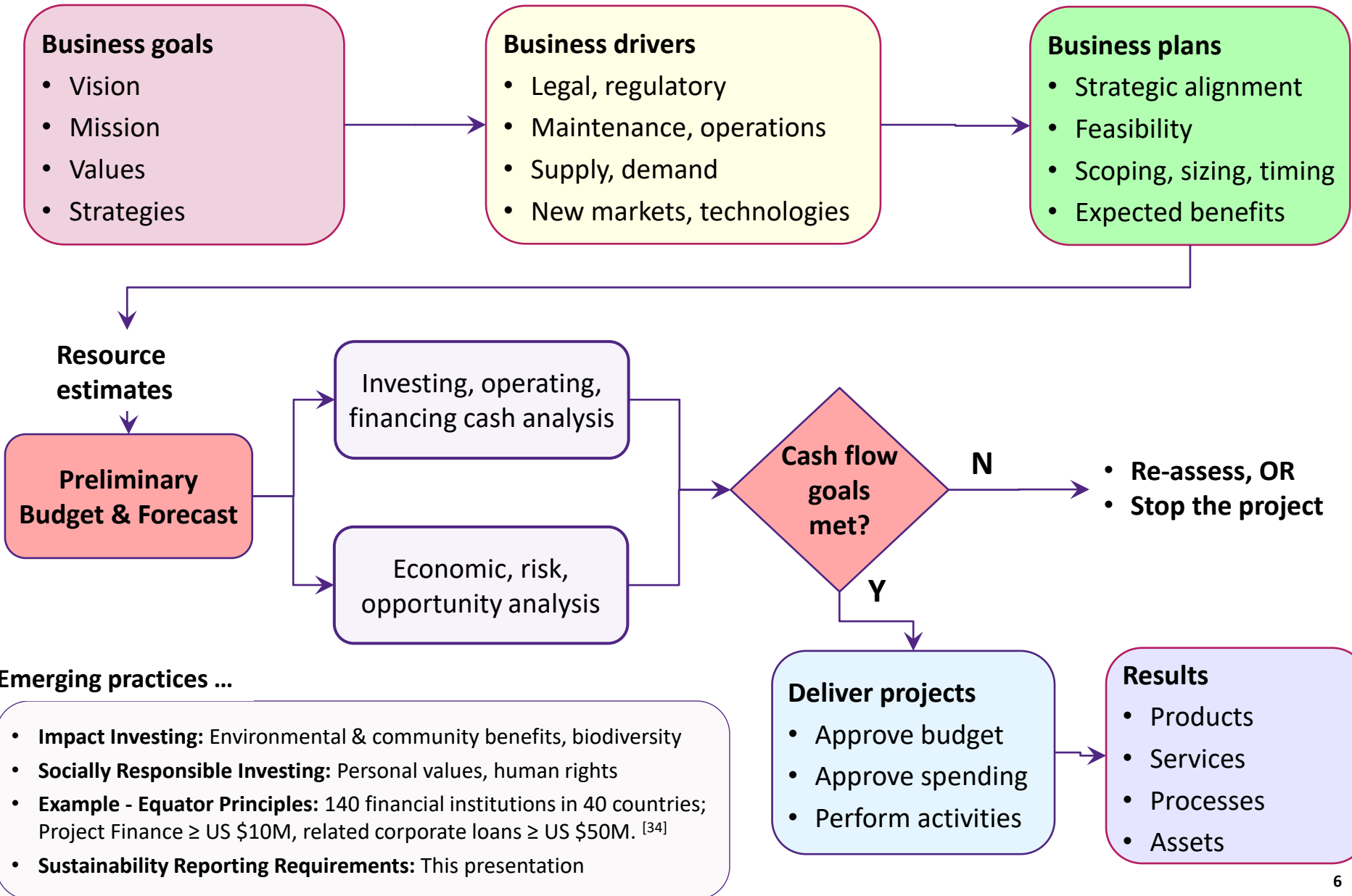


# Current practices in planning, budgeting & financial control



# Current practices in planning, budgeting & financial control

Generally focused on delivering projects & operations to achieve tangible results





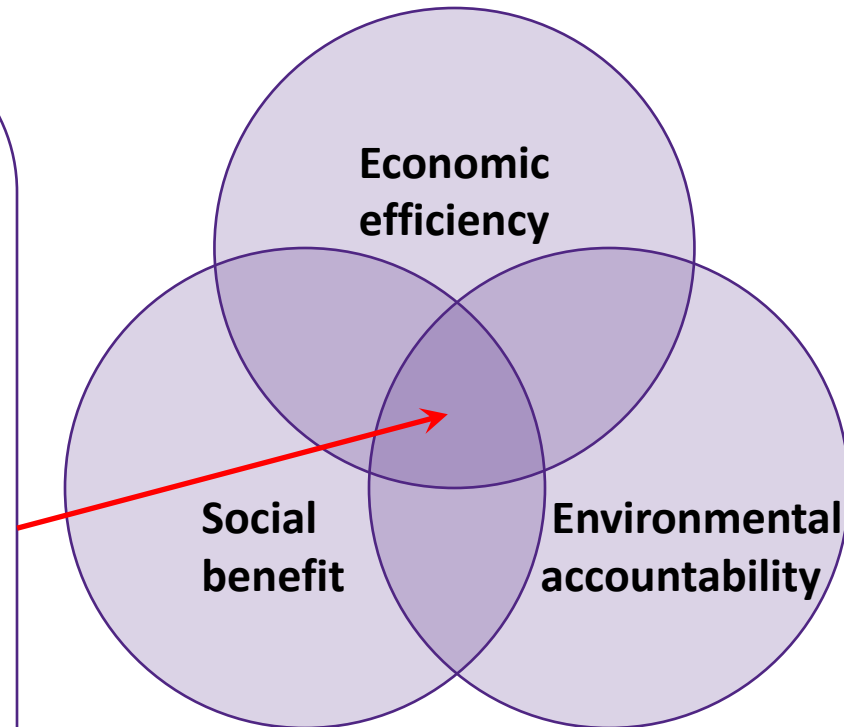
# Emerging role of Sustainable Business



# What do Sustainable Businesses do?

The follow-up question: how might we obtain 'line of sight' for good Management at ALL levels?

- “Industrial development must subscribe to the three principles of economic efficiency, social equity, environmental accountability ...
- Sustainable businesses create economic value, healthy ecosystems, and strong communities.” [26]
- **“Sustainable businesses align their private actions with the public interest ...**
- Deliver net-positive benefits, now & later.” [27]



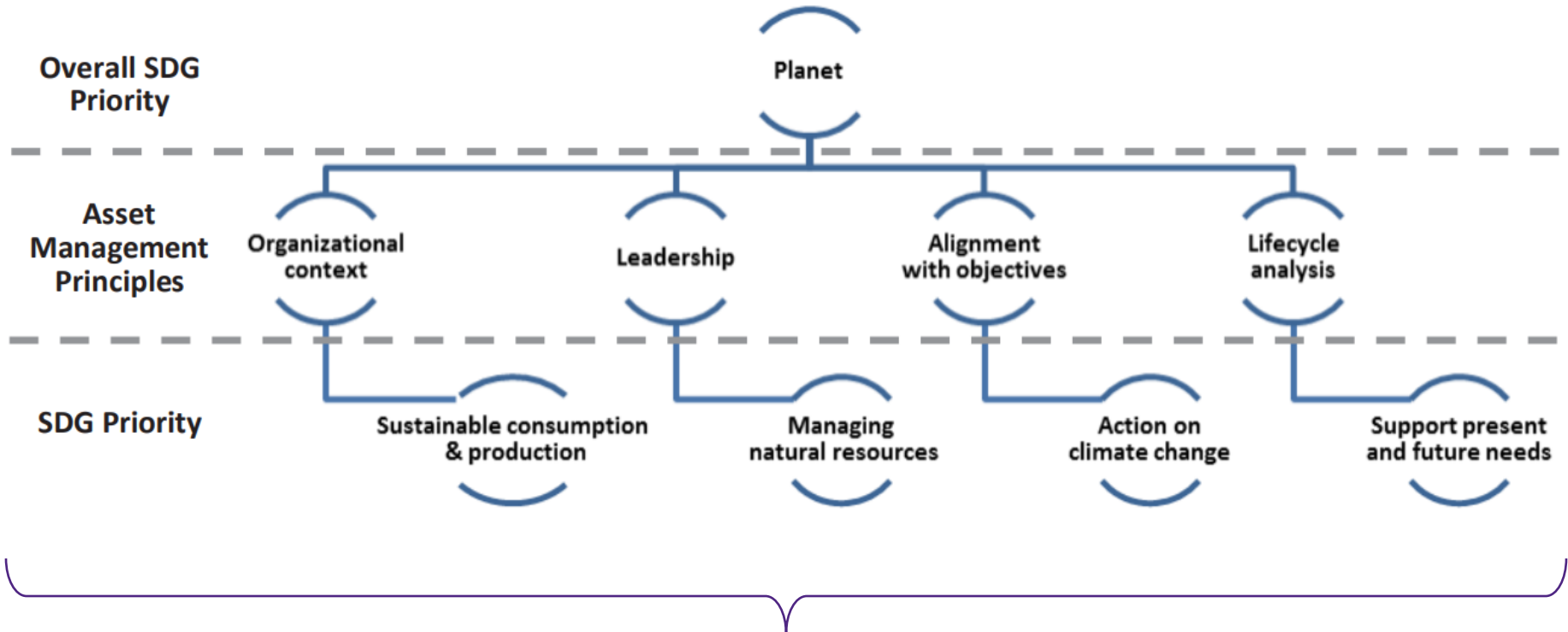
## Essential requirements: [28]

- Effective institutional systems
- Responsible law and order
- Education and knowledge
- Ethical decision making



# Role of Leaders in capital-intensive organizations

ISO Technical Committee 251, 2018: “Assets are fundamental to your organization. Managing them in a controlled way optimizes cost and risk, allows timely and fact-based decisions, and delivers value in meeting your objectives.” [29]



**Leadership is needed at all levels:** help Sustainability & Sustainable Development be part of company culture; create resilient assets; grow the business.

Good asset management can help drive progress towards all 17 UN SDGs. [30]  
Leader's opportunity: evaluate & align asset requirements with ESG priorities.

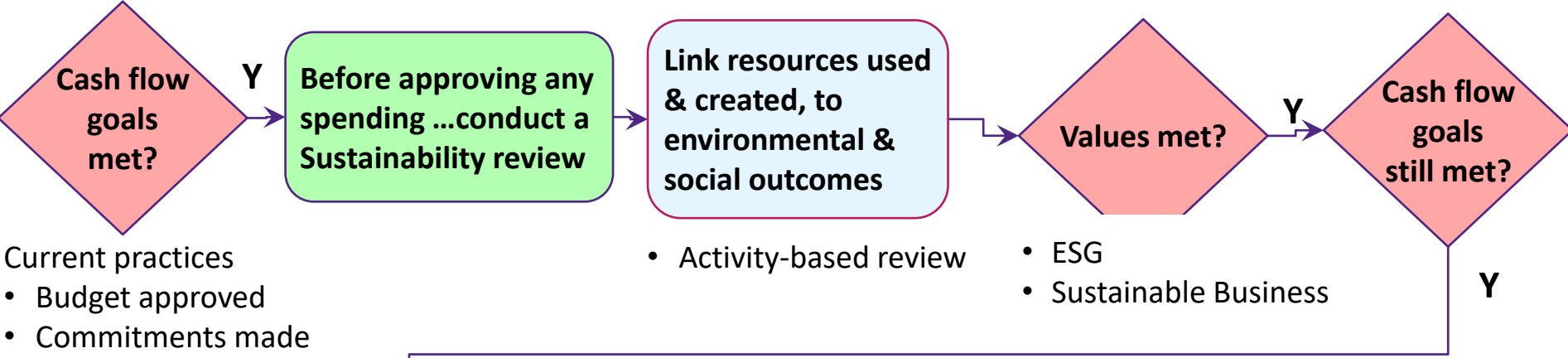


**How might we make successful Financial decisions through the Sustainability and Sustainable Development lenses?**



# Business Case for Sustainability: Value Definition includes ESG investing

How do we translate social, environmental & climate change mitigation goals into Positive Cash Flow? [31]



- Current practices
- Budget approved
  - Commitments made

- Activity-based review
- ESG
- Sustainable Business

Review again through the SDG lens



Cash flow goals still met? **N** → Re-scope the project or find another one

- Y**
- Commit resources
  - Deliver results

**Financial & ESG Investing**

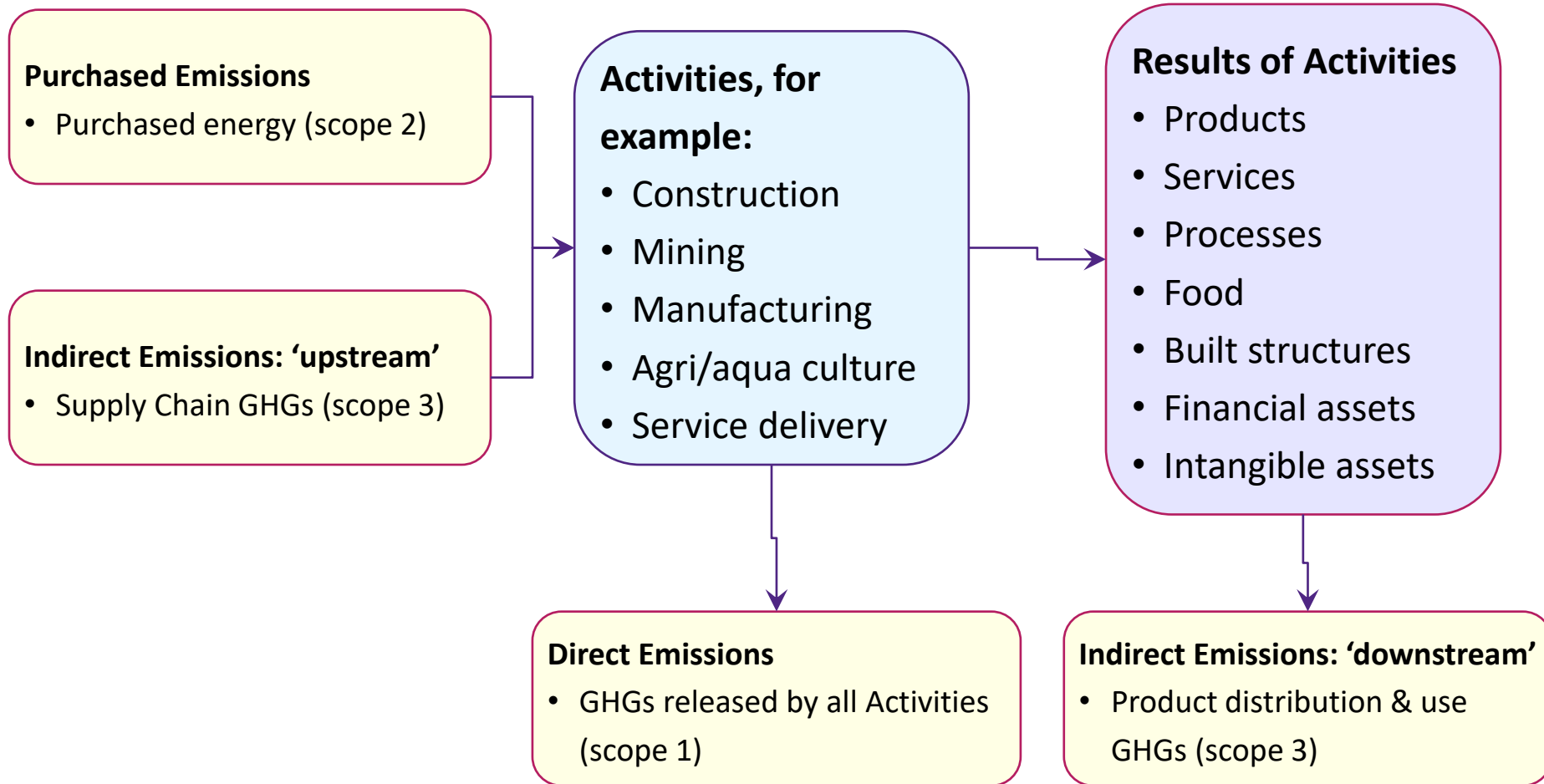
- Emotional commitment to ethical social solutions
- Technology alternatives to enable environmental benefits and mitigate climate change



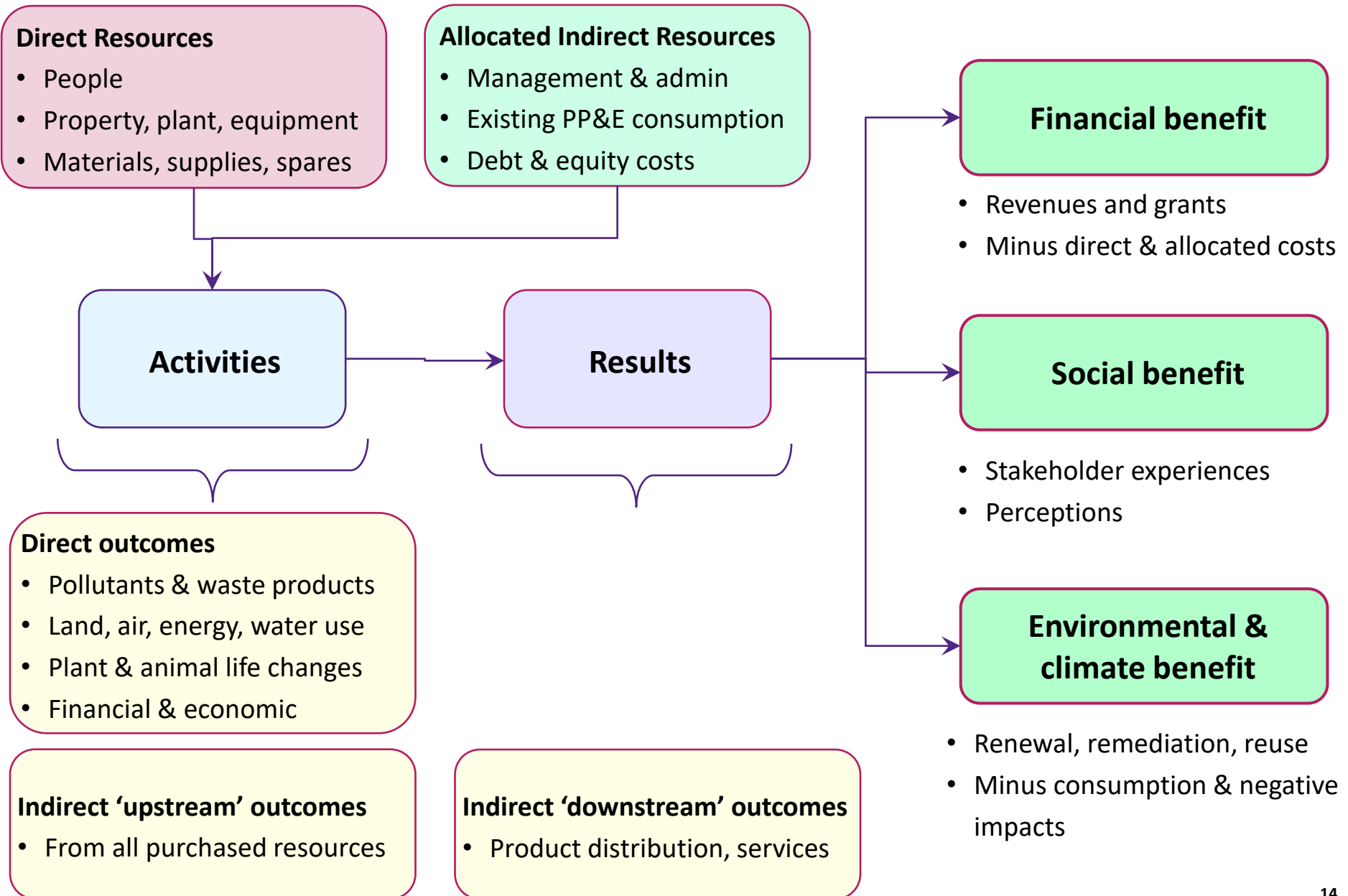
**Activity-based methods:**

**Applying traditional Financial Analysis tools to  
Sustainability assessments**

# Activity-based example: managing Greenhouse Gas Emissions <sup>[32]</sup>



# Activity-based methods also apply to Sustainability assessments <sup>[33]</sup>





# Financial and Sustainability reporting: Summary of contemporary & emerging practices



# Financial reporting requirements

Apply common accounting standards; disclose business risks; price climate risks

**IFRS Foundation  
International Accounting  
Standards Board** [12]

Standards applied by  
Financial Reporting &  
Assurance Standards  
Canada [1,2]

**US Financial Accounting  
Standards Board** [4]

Sponsored by US Securities  
& Exchange Commission [3]

**UK Financial Reporting  
Council** [5]

Directors are appointed by  
UK Secretary of State for  
Business & Trade [5]

**Taskforce on Climate-related  
Financial Disclosures** [16]

Created by G20 Central  
Bank Governors & Finance  
Ministers in 2015 [16]

## Financial reporting

### Statutory Requirements

- Accounting cash flows
- Risk analysis and disclosures

### TCFD Recommendations

- IFRS Foundation Sustainability Standards 2023 include the same core elements
- Focus on risks to business model and financial considerations

- Canada/US: Risk disclosure reporting begins 2024; directives in 2022 from Canada Federal Budget, US SEC [6,7]
- UK: Disclosure reporting began 2021 ('premium' LSE listings), 2022 ('standard'); rules issued by Financial Conduct Authority [8]



# Sustainability reporting p 1 of 2: risks/opportunities to cash flows

Themes: materiality, governance, strategy, risk management, metrics & targets

## Greenhouse Gas Protocol: GHG emissions <sup>[15]</sup>

Standards & Tools to measure and manage emissions

- Scope 1: company facilities
- Scope 2: energy purchases
- Scope 3: entire supply chain, product distribution & use

## IFRS Foundation International Sustainability Standards Board <sup>[13]</sup>

New standards, June 26 2023 <sup>[12]</sup>

- S1: Sustainability-related Financial Information
- S2: Climate-related Disclosures

Convened in 1998 by

- World Resources Institute <sup>[19]</sup>
- World Business Council for Sustainable Development <sup>[20]</sup>

IFRS Foundation since 2022, now includes the Value Reporting Foundation:

- Sustainability Accounting Standards Board: <sup>[14]</sup> 77 industry sector standards
- VRF integrated thinking: <sup>[18]</sup> Sustainability & Sustainable Development
- VRF integrated reporting: <sup>[17]</sup> productive allocation of Six Capitals

## Environmental

- Regulatory compliance
- Risk mitigation & avoidance
- Opportunity realization

## Social

- Implied: e.g. the standards may be applied by cities & countries

## Governance

- Values & policies
- Monitoring & control

# Sustainability reporting p. 2 of 2: UK/EU

## UK Sustainability Disclosure Standards<sup>[10]</sup>

To be published by UK dept. for Business & Trade

New standards 2024

- To be based on IFRS Sustainability Disclosure Standards

## UK Corporate Governance Code<sup>[9]</sup>

Sponsored by UK Financial Reporting Council

Required policies & practices 2018

- Applies to London Stock Exchange equity listings

## EU Corporate Sustainability Reporting Directive<sup>[11]</sup>

Legal directive by European Union Parliament

EU Reporting 2025

- For companies with > 500 employees, > € 40 M annual revenues

## Environmental

- Regulatory compliance
- Risk mitigation & avoidance
- Opportunity realization

## Social

- Implied

## Governance

- Values & policies
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# Integrating Sustainability investing with the UN perspective

## United Nations Sustainable Development Goals <sup>[21]</sup>

17 SDGs, 169 targets,  
>3,700 data charts <sup>[23]</sup>

## UN Global Compact <sup>[22]</sup>

Voluntary CEO commitment,  
> 23,000 participants

## Global Reporting Initiative <sup>[24]</sup>

- 32 topic standards
- 3 sector standards (others in progress)
- **Business indicators matched to SDGs**

## UN Intergovernmental Panel on Climate Change <sup>[25]</sup>

6<sup>th</sup> Assessment Report for policy makers  
and reporting companies: 2023

## Sustainability reporting themes and regulations

As illustrated in previous slides

## Company ESG Investing

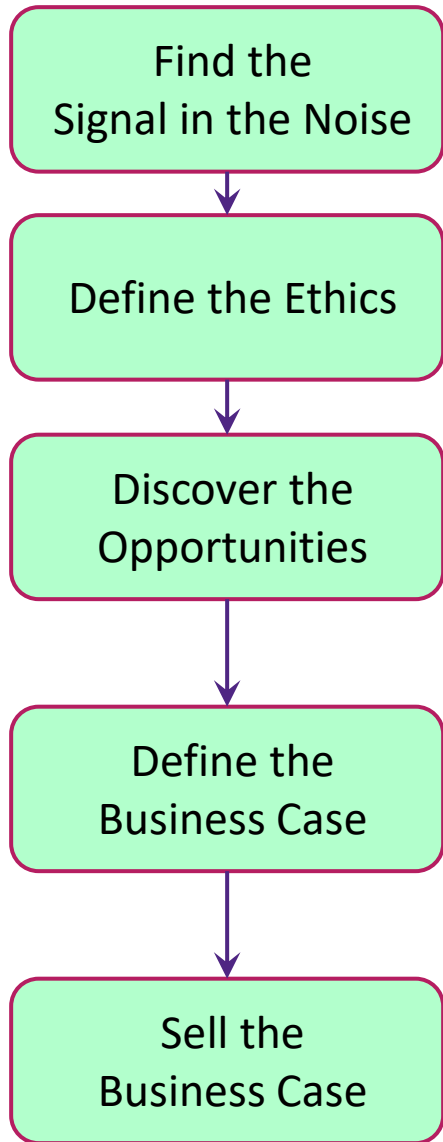
- Additional focus on Social issues and Environmental Ethics



# Business Case for Sustainability Investing: Roadmap for Success



# Business Case for Sustainability Investing: Roadmap for Success



- Disruption, red tape, shortages, regulations, taxes, conflicting priorities, limited resources ... opportunities for positive change?
  - Diversify focus from 'financial bottom line' thinking
  - Consider the broader public & environmental interests
  - Possible outcomes & results of company activities
  - Technology and process solutions & alternatives
  - Personal accountabilities and capabilities
  - Strategic, feasibility and financial analysis
  - Apply Sustainability Standards and regulatory directives
  - Link to UN SDGs / GRI Reporting
1. Operational optimization: a place to begin - keep it simple
  2. Organizational evolution: grow the business
  3. Institutional transformation: do good & make money with others



**Backup slides**

**Detailed presenter biographies,  
acknowledgements, references cited**

# Presenter Biographies

- Dr. Laith Alfaqih brings 20 years of experience in asset management implementation. He utilizes a multi-modal / multi-disciplinary asset management approach across different sectors and effectively partnering with stakeholders to develop robust and sustainable solutions.
- Mark DeClercq is president of Applied Asset Management Consultants in Kalamazoo, Michigan, specializing in cultural transformation of organizations and people to Asset Management. He spent the past 15 years developing and aligning Asset Management programs with organizational strategic objectives and outcomes to improve operations, culture, and public trust. He has a combined 30+ years' experience in both private and public sectors. Mark is an adjunct professor in Asset Management and a national instructor in Project Management for Municipal Public Works. He is a professional engineer and Asset Manager Professional, holding memberships and volunteering with the IAM, ASCE & NSPE
- Mark Knight is a principal consultant in the power advisory group at 1898 & Co. He was formerly a chief engineer at one of the US national laboratories and works mostly in the power sector. He is a senior fellow of the asset leadership network and a fellow of the institute of asset management. He is also deputy chair of IAM USA and is a member of the IAM's knowledge leadership group. He is a member of the US Technical Advisory Group and TC 251 where he is working on asset management standards.
- David Sumpton teaches at Western University and Fanshawe College. His research focus is the role of for-profit Business in Sustainability and Sustainable Development. David brings Engineering and Finance expertise in capital budgeting, planning and control over large-scale project investments and operating activities.
- Melody Tungol is the Technical Compliance Manager for Palm Beach Water Utilities Department and is responsible for ensuring that the organization is compliant with ISO 55001. She co-leads the South Florida IAM branch, co-facilitates the WiAM-NA Asset Management Mentorship Program, and is a Member of the IAM.
- Sarah Vine is a Fellow of the Institute of Asset Management with nearly 30 years of industry experience in asset management in utilities, transportation, defence and civil infrastructure across the UK, US and UAE. Over her career, Sarah has been involved with various facets of asset management, specializing in value-based investment planning, developing regulatory assessment models and undertaking technical assurance of business plans.

# Acknowledgements

## Our companies and organizations

|   |
|---|
| 1898 & Co                                 |
| AMCL                                      |
| Applied Asset Management Consultants      |
| Fanshawe College                          |
| U.S. Asset Leadership Network partnership |

|                               |
|-------------------------------|
| Palm Beach Water Utilities    |
| Stantec                       |
| University of Western Ontario |
| Toronto Finance Network       |
|                               |

## Institute of Asset Management teams

|  |
|--|
| Stakeholder Engagement SSG #39: published 2019.                            |
| Sustainable Development SSG #33: peer review completed, update in progress |
| Competence SSG #30: peer review targeted 4Q 2023                           |
| Women in Asset Management North America                                    |

|   |
|---|
| Procurement & Supply Chain Management SSG #26: completed IAM review, pending publication. |
| Leadership SSG #27: peer review targeted 4Q 2023  |
| IAM Climate Emergency task team   |
| Institute of Asset Management North American 2023 conference organizing team              |



## References: Financial and Sustainability reporting slides

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Role of Leaders in Capital Intensive organizations

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Business Case for Sustainability

31. Business Case for Sustainability adapted from the following:
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Activity-based method example

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Activity-based methods, Sustainability assessments

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