



McCoy

# Digitalisation and sustainability

McCoy's vision on  
the future and impact  
on your SAP-landscape



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# 1 Management summary

McCoy & Partners, is happy to present the first iteration of our whitepaper, solely dedicated to sustainability in its broadest form. In its inception, this document started as a single paragraph. Thereafter it's been enhanced by multiple people, each providing their own angles and insights.

## The world is changing\*

As always, we're transitioning. Businesses are never done, they're always developing. In this document we're zooming in on our observations in the current market. We'll look at the role of Environment, Social and Governance (ESG) on our ways of interaction. And on doing business.

## Carrot and stick\*

Just like we're not standing still, so is the world around us. We see legislation being developed. We see external factors, like customer sentiment for example, that demand we change our way of doing business. This can be seen as a stick. It's always good to know what the stick looks like, where it's coming from and how you can accommodate it. Working on that basis, threats can be turned into opportunities.

After all, regulations also provide a level playing field. And the insights being gained from that can be very helpful in defining our future position in the world. It opens up your view to new opportunities (investors, war on talent, subsidies). And we prefer carrots over sticks. Therefore, we also included a chapter on the solutions and opportunities that we see - the carrots in principle.

## Less is more

A net neutral society is achieved by balancing technical innovation with reduced usage of natural resources. Diversity and inclusion are the result of a cultural fit between companies, employees and the market they're in. And good governance provides the means to support an inclusive company. As well as it identifies, manages and mitigates the risks associated in a modern world.

With this document we provide you our vision on doing business in a sustainable, inclusive and diverse environment. We hope to inspire you and your company to realize less inequality and to reduce the impact on the environment. And at the same time, to achieve more. Explore new markets, attract more happy employees and do more business.

\* Chapter 2 explores this in more detail.

\* Chapter 5 explores this in more detail.



## 2 On our way to change

We believe that future generations demand a lower consumption of natural resources, equal chances for everybody, a brighter future that is more righteous to the planet and the people that inhabit it. We believe that IT can be a driving force in enabling this future.

**3,7** people out of 100 is what it takes to shift opinions and initiate change<sup>1</sup>. As SAP market leader in the Netherlands, we want to inspire and want to drive the transition of organizations from focusing on a “sustainability strategy” towards a “sustainable business strategy”. We do that in the McCoy way: “energizing, pragmatic and delivering solutions that actually work”.

### Our vision

We see the world around us changing. The effects of climate change can be seen in higher temperatures, in loss of biodiversity and in excessive weather conditions. Especially, the loss of biodiversity can be seen as the canary in the coal mine. The effects of the changes may not be immediately threatening for human life, but it is a very clear signal that something is wrong. We believe that, if we act now, we can still halt the effects of climate change and prosper into a brighter future. This will take commitment from all governments around the world, together with global and locally operating businesses. And most importantly, it will take commitment from ourselves, all inhabitants of the world.

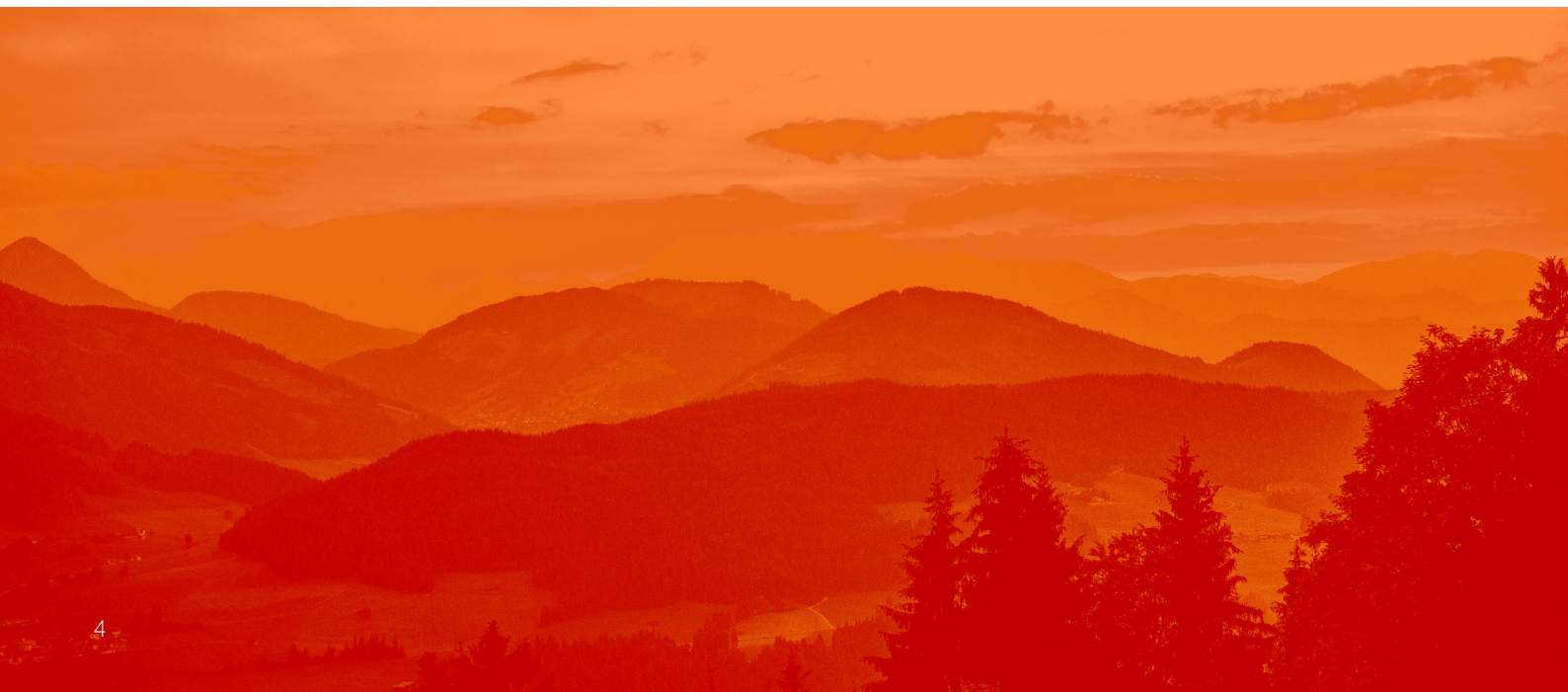
### Carrot and stick

EU and local legislation and regulation will enforce a minimum level of reporting on companies. This will be discussed in more detail in [chapter 3](#). For companies or individuals without a sustainable strategy this must-do activity can be perceived as a stick.

On a more positive side, it can also be viewed as opening up to new insights. Towards a new approach that provides a view on alternative opportunities. And the means to measure these options in a tangible way. A carrot if you wish.

We like to look more into what's possible. What are the threats and how can we convert them into opportunities? After all, we prefer carrots over sticks. The opportunities (carrots) that will be identified, will be achieved by a combination of less and smarter consumption, climate adaptation, innovation and a change in mindsets. Combine this with a more inclusive world, with less inequality and a level playing field for all: makes a compelling case for increased focus on a more inclusive way of living and of operating our businesses.




**Be part of the change.**





## Some of McCoy's sustainable strategy initiatives

Following to the people, planet and process principles

 <b>People</b>	 <b>Planet</b>	 <b>Process</b>
<p>Together with JINC, our consultants provide job interview trainings for people with a distance to the labor market. In this way we hope to open opportunities to people that wouldn't have existed otherwise.</p> <p>At the end of the year, our colleagues receive a gratuity. If they decide to donate that to charity, McCoy doubles the bonus. In this way we support local initiatives, NGOs and give something back to the community.</p> <p>In McCoy's yearly 4 day event we organize multiple sports activities. Good for mind and body. And with every kilometer that we ride, run or swim, we earn money for charity.</p>	<p>We built a dashboard that tracks our emissions. Using that we're trying to reduce the emissions.</p> <p>For the part for which this is not possible, we compensate our CO2 emissions through JustDiggIt.</p>	<p>McCoy has an active policy to encourage electrical transport.</p> <p>We also strive to place consultants in assignments close to their place of residence, to reduce travel time.</p> <p>And we actively support knowledge development and distribution.</p> <div data-bbox="1048 1193 1495 1299"> <p>Want to know more about this?  <a href="#">Read the McCoy Social Yearreport</a></p> </div>

### 2.1 Sustainability as container concept

**17** sustainable development goals, in total, have been recognised by the United Nations.<sup>11</sup> These range from: "decent work and economic growth", to "affordable and clean energy" to "responsible consumption and production".



Sustainability is all about balancing Environmental, Social and Governance (ESG) factors. All factors are important; but some may be more realistic for a company to aim for. Your focus also depends on the already existing sustainability strategy. The more mature that is, the more SDG factors you may want to include in your strategy. As a conclusion, sustainability is more than reducing CO2 emissions. Sustainability forms the 'purpose' of your company and employees.

## 2.2 Business trends

The market has always strived for optimization. After all, there's competitive advantage to be gained in consuming fewer resources, while delivering the same level of customer satisfaction. This has been the current mode of operations for decades. Now, companies are moving away from "just" making profit towards, "making sustainable profit". After all, the main driver for companies to remain relevant is their intrinsic promise of continuity. And that cannot be guaranteed when companies are exhausting natural resources at the cost of the planet. Broken down into smaller bits and pieces, we see the following trends.

### Business optimization trends



More and more companies are considering **circular processes**, **reusability** of materials and the **reduction** of non-reusable energy sources.



Due to high energy prices, factories are shutting down. We see an increased focus on **risk reduction** in that area.



The covid pandemic has clearly illustrated that (long) supply chains are vulnerable to changes in demand and supply. We see a demand to improve '**supply chain resilience**' to be better equipped for unexpected changes.



**New intelligent technologies** are maturing. We see more and more interest to incorporate technologies such as machine learning, big data, process mining and AI in logistics processes.



And particularly, more and more focus on **local production and sourcing**. To reduce disruption and be less dependent on long and unpredictable transportation.



As well as the attention for reduction of CO2 emissions, inflicted by new European and Dutch legislation. Think of increase in prices per tonne CO2 emitted (ETS), as well as duties on imported goods for products that cause high emissions (Carbon Border Adjustment Mechanism, CBAM).



## 2.3 The role of IT

McCoy is "More than IT". Sustainability is not a topic restricted to one party. Not to IT, to operations or to Business. It's overarching and affects multiple areas. It is our vision that IT is an enabler to connect and improve processes. Extracting data in a uniform, structured way can only be done, quickly and automated, by the use of IT. The data supports your goals and backs your claims. Information Technology in its broadest context identifies trends, it makes them tangible and provides insights. It provides the tools to counter any negative side effects and to turn the trends into a positive contribution to people, process and planet.

Because we have expertise in your industry and we think in systems logic, we understand how business departments work together. We can demonstrate how a change in one department positively affects the workload or efficiency of another department. Also, since this is a complex problem, IT can help to identify threats and opportunities. The insights that we deliver through projects and tools are the foundation for change. And because of our proven pragmatic approach, our consultants deliver tangible results.

## 2.4 Brighter future

The more you start to learn about sustainability, the grimmer the future might seem. There are so many factors to consider. It's a worldwide problem and 'what can you accomplish as an individual' might be a recurring thought.

Quite a lot in fact! We know individual actions do not seem to have a global impact, right away. Of course, it's good to drive in an electrical vehicle or change to a plant based diet. All these small changes in your everyday life contribute and inspire others. It's with that power of the masses that we can make great steps. As soon as many people ask for products that are produced in a sustainable way, a way that respects nature and the people that produce it, then we can make big steps. As soon as large industries, such as airlines and mining companies change their operations, on the demand of customers, then the power of the masses kicks in. And change can come quicker than expected.

A complex problem sometimes requires simple solutions. The solutions are multidisciplinary and multi-tech. It requires a vision and strong leadership to make this happen. And when we do that, we will leave the world a better place for the people around and after us. You, as a reader of this document are one of those leaders.

**Be part of the change!**

### Overview and next chapter:

With this introducing chapter, you can begin to understand what sustainability entails. We've also touched upon the trends that we see in the market. And our idea on how IT can help in turning these trends into profitable ways of doing business. In the next chapter we'll have a closer look at external factors that affect future operations.

## 3 External factors

The topic of sustainability suffers from acronyms. GHG, CSRD, ESG, some of the terms you may have heard of, but were not able to put them in context. This chapter will guide you through several of the most common abbreviations, along the axis of legislation and emission trading, calculations and certifications.

### 3.1 Legislation and sustainability reporting

The European Commission is driving a lot of changes in this area. Since most of these issues are not limited to country borders as such, it's good to have an overarching vision. And legislation that backs up the vision and creates a level playing field for companies that want to operate in the European market.

#### Legislation

**2024** onwards companies are required to follow the **Corporate Sustainability Reporting Directives**<sup>III</sup> (CSRD). With this directive, the European Union commits (larger) companies to report on their sustainability achievements in their annual reports. The timeline for this being mandatory depends on the size of the company and other factors. Formally, CSRD is an extension to the **Non-Financial Reporting Directive**<sup>IV</sup> (NFRD). Companies that already report according to this directive will need to incorporate CSRD in their reporting. From 2025, CSRD will be applicable for "big" companies.

A company is considered big when it meets at least 2 of 3 characteristics:

1. More than 250 employees.
2. A turnover higher than €40 million per annum.
3. Balance totals that exceed €20 million.

#### Planned legislation

Year	Regulations	Example
2024	Companies currently reporting under NFRD regulations.	Typically, publicly listed companies.
2025	All companies that meet the 2 of the 3 "big" criteria.	Companies of the size of McCoy & Partners.
2026	All other companies.	Most likely CSRD-lite, lower reporting requirements.
2027	Non-EU companies that exceed €150 million turnover.	Also applicable for non-European companies with activities in Europe.

Companies will need to report on their financial risks in relation to their effect on the planet. This, combined with the other reporting requirements, will result in more insights. That will require companies to create or update their **sustainability strategy**.



# The main components of Corporate Sustainability Reporting Directive (CSRD)\*

according to Environment, Social and Governance (ESG)

 Environment	 Social	 Governance
Climate change	Own employees	Governance
Pollution	Workers in the chain	Risk management
Water and marine sources	Influence on communities	Internal control
Biodiversity	Customers and end users	Business conduct
Material usage and circular economy		

\* Chapter 5 explores this in more detail.

## International laws

The EU is not the only one working on criteria to apply to financial accounting and reporting.

The **international accounting organization** (IFRS), is now incorporating ESG goals in their regulations.

A committee within the organization is developing a global standard for climate reporting. In the discussion, countries such as the United States and China are also involved.

## 3.2 Level playing field

### Emission trading and duties

The EU already knows a system where energy consuming industries are granted CO<sub>2</sub> emissions rights. Currently, these rights are granted, for free to a selected number of companies. Year over year, the amount of free emission rights, reduces. In due time, no free certificates will be handed out anymore.

If processes consume more CO<sub>2</sub> than that the company is allowed to emit, they can buy additional emission rights on a marketplace. The price of these rights increases year over year; after all, if demand is higher than supply, then the price will increase. The system is referred to as: **Emission Trade System<sup>V</sup>** (ETS).

### Carbon leakage

The ETS mechanism is constructed to create an incentive to reduce emissions and strive for decarbonization. Until now it was only applicable for companies based out of Europe. The system functioned, but there was a risk of carbon leakage. This is the effect that occurs when industrial production moves to countries outside of Europe. In such a way that CO<sub>2</sub> is emitted abroad, and the products are imported into the European Union afterwards. So overall, the benefit of the system was limited.

Recently, the European Union agreed on the introduction of **C arbon Border Adjustment Mechanism<sup>VI</sup>** (CBAM). In this system, products from outside of the EU, are subject to import duties, to compensate for CO<sub>2</sub> emissions incurred elsewhere.

## Carbon Border Adjustment Mechanism (CBAM)

Importing goods into the EU



In this way, the EU has created a level playing field for all parties. Although decision making seems to be slow, we do see that the EU, typically, is on the forefront of legislation. It is therefore expected that other countries (China and the USA) will soon follow with comparable laws.

### Local taxes

On top of the legislation mentioned previously, additional local regulations may apply. Such as surcharges on plastic usage in Spain, Germany and the United Kingdom. Or the **Lieferkettensorgfaltspflichtengesetz**<sup>VII</sup> (aka Lieferkettengesetz).

### 3.3 Tangible ambitions

In the previous paragraph we elaborated a little on the complexity involved in reporting on sustainability. This is mainly written from the viewpoint of legislation, it's a must-do.

But what if you want to translate your green ambitions into something tangible? Into a certificate of proof that you're complying with the latest standards. That demonstrates that you're aligned to meet the climate agreements as established in Paris, 2015.

Especially for companies that are listed on a stock exchange, or those that are looking for external capital, it can be very advantageous to obtain such a certificate. There is a high demand for green investments. And there's a lot of capital available, for profitable investments.

### Certifications




As with solutions, certificates come in many forms. The most common ones are **Ecovadis**<sup>VIII</sup>, **MCSI**<sup>IX</sup> and The **Dow Jones Sustainability index**<sup>X</sup>. Basic application is very straightforward. After paying a small fee and filling out a questionnaire, your company will be rated. That ranges from silver, gold, platinum to a number. The rating can be used for sales and marketing purposes, for investment purposes and to convert your sustainability efforts into something tangible for internal and external stakeholders.

We experience that, as soon as a certificate is obtained, people become competitive. In the next year they want to improve last year's score. Next to that, year after year, the criteria are becoming tougher to achieve. This ensures continuous efforts in becoming more sustainable.



## Calculations

Noteworthy to mention here, is your choice for a scope. The **Green House Gas protocol**<sup>xi</sup> describes how to measure Scope 1, 2 and 3 emissions. The broader the scope, and the lower the emissions in a broad scope, the higher your score is. As a reference:

 Scope 1	 Scope 2	 Scope 3
Direct emissions as incurred during operations (production).	Indirect emissions as generated to make operations possible. Like purchased goods and components, waste management, employee commutes and other categories.	The emissions generated in the rest of the supply chain, for example in the use of your products by your customers.

## Overview and next chapter:

Earlier we detailed what sustainability comprises. In this chapter this concept is explored further by bringing in external factors such as customer and investor demands as well as legislation. In the next chapter we'll zoom in on the social side of things: people sustainability.



## 4 People sustainability

As outlined earlier in this whitepaper, sustainability encompasses multiple topics. We have been a strong advocate for moving towards sustainable ecological practices and a circular system of resources usage. But, sustainability is not only the story of an enduring and hopefully even thriving planet, it is also the story of its inhabitants. Among them, of course its people. Our challenge to move to a circular and clean economy, reliant on renewable resources, inevitably comes with the question of distribution of its burden and its benefits: the ecological challenge, at the core, is also a social challenge. Empowering people during and beyond these challenging times has several components where our IT solutions can play a role. Software solutions are, however, never the end goal, but a means of acting and implementing people sustainability practices to contribute to the following goals.



### 4.1 No poverty, decent work and economic growth

1948 saw the drafting and proclamation Universal Declaration of Human Rights drafted. It is regarded as the global standard for human rights and treatment across nations and peoples and has been implemented in numerous bills and legislation since. Article 23.3 of the declaration states that workers have the right to fair remuneration for a dignified existence. But when is remuneration considered fair?

Fair remuneration can be drawn from industry or regional benchmarks. Obviously, these should be monitored and adjusted for local costs of living and inflation. Remuneration should reflect the contribution of the employee and be anchored in transparent job profiles with clear reward structures. These measures will provide security and predictability of income. Clear reward policies will contribute to equality and combat practices of favoritism. Perceived fairness of reward will influence job satisfaction substantially.

As organizations become increasingly globalized, there is a growing need to ensure that labor and economic conditions are being monitored appropriately. Benchmarking compensation levels against industry standards, can ensure fair wages that reflect the employee's skills and qualifications. Engaging with trade unions or other employee representation bodies regularly, can help organizations stay up to date with changing industry practices in terms of rewards. This helps promote economic growth as people with sufficient disposable income are more likely to save or invest, which contributes towards improving economic stability.

Decent work also needs to be viewed in light of decent working conditions: regular and decent working hours in safe and non-hazardous environments with maintained equipment and procedures. These topics are outlined in paragraphs below.

### 4.2 Good health and well-being

To keep employees healthy and happy, organizations need to strive for a workplace that is physically and psychologically safe. This means providing suitable and well-maintained tools and equipment and monitored environmental factors. Clear training and instructions for the operation of tools and equipment, emergency procedures and incident management should always be available.

Physical and emotional well-being can be promoted through other means such as benefits packages that include health and lifestyle options and encourage people to practice healthy behaviors. These are not a substitute for preventive measures like regular check-ins and check-ups with employees to gain visibility in any onsetting or ongoing (mental) health issues. Especially for employees working in environments that are physically demanding with exposure to extreme temperatures, noise, toxins or that involve heavy physical labor.



Physical and mental well-being are key for performance; healthy employees perform better, for longer. There is a strong responsibility for organizations to ensure employees keep on doing so in a sustainable way. Many organizations refer to themselves as families. It seems only natural to support members of that family in keeping them healthy.

#### **4.3 Quality education**

Education is a strong contributor to social mobility; it can open doors or provide opportunities that might not have been available without. Education often starts through a formal public or private system. Organizations can supplement this with internships or apprenticeships to augment the formal learning with practical experiences. Organizations benefit from the fresh insights of their new members, in many cases resulting in lasting collaboration, reducing the need to recruit new talent.

Education is not limited to these experiences. Personal and professional development is a continuous process. It could be in the shape of training courses, e-learning and job coaching. Evidence shows people learn more on the job; through task performance and peer interaction. Developing learning communities is a great way to have people across the organization learn from each other in a less hierarchical fashion. Talent development is an effective retention strategy. It shows investment in personal growth and provides pathways to senior roles within the organization heightening the employee's sense of visibility, belonging and engagement which boosts job satisfaction.

#### **4.4 Reduced inequality**

There are several ways in which organizations can create a more equitable workplace. By introducing initiatives such as mentoring and career development programs that provide support and guidance to employees regardless of their background or experience level. It is also important to ensure that employees are treated equally regardless of race, gender, sexual orientation or other characteristics unrelated to job performance. Implementing clear policies against discrimination and setting up options to report violations in a safe setting, is essential.

Furthermore, organizations should strive to create opportunities for visibility and representation within the workplace for those who may feel marginalized. This can be done through initiatives such as employee networks or affinity groups which give members a platform to voice their opinions and experiences without fear of judgement.

#### **4.5 Peace, justice and strong institutions**

Building a workplace that reflects peace and inclusiveness and upholds justice through strong institutions within the organization and at local level requires a multifaceted approach.

The first step should be developing and communicating a clear code of ethics that outlines the organization's values, principles, and expectations for employee behavior. Providing clear guidance can help ensure that employees act with integrity and comply with laws and regulations.

Organizations can also promote peace, justice, and strong institutions by investing in transparency and accountability. This involves ensuring that the organization's decision-making processes are transparent, and that employees are held accountable for their actions. By promoting transparency and accountability, organizations can build trust with employees and other stakeholders, and demonstrate their commitment to upholding ethical standards.

### **Overview and next chapter:**




In this chapter we shortly highlighted several best practices that will help people operate in a safe, diverse and equitable environment. In the next chapter we'll connect the dots from this and previous chapters and translate into solutions.

# 5 Opportunities

In [chapter 2](#), on business trends, we signaled an increased attention for equality and for the environment around us. In the chapter thereafter we looked a little bit further into what legislation and reporting requirements are coming our way. That's a lot to contemplate and a lot of business benefits are waiting around the corner. But where to start? It's very likely that you don't have the luxury to completely start from scratch. But you do want to do something. Either driven by personal motives, or because you, just like us, see opportunities.

## Insights

Reading this whitepaper helps to gain insights on where the market's heading. It becomes clear that a more sustainable way of living is created by a combination of reducing our material and energy consumption as well as technical innovation. To focus on the topics that are right for your company, we'd like to introduce three concepts, along the ESG road:

 Environment	 Social	 Governance
The circular economies diagram and the road to being carbon neutral.	Equality and governance.	Financial risk management.

## 5.1 Environment: the road to carbon neutrality

Remember, the way to eat an elephant is to take one bite at a time. What seems a giant undertaking at the beginning can be simplified by cutting the big endeavor into smaller steps.

### The road to carbon neutrality

#1

Measure your company's impact and normalize that to CO2 equivalents.

#2

Identify and handle the biggest emitters.  
And implement solutions that reduce or remove that contribution.

#3

Use renewable energy where possible to further reduce impact.

#4

Finally, compensate for left over emissions.

## #1: Measure your company's impact and normalize that to CO2 equivalents.

Deploying step #1 in a bigger than average company, in an automated, repeatable way, can be quite a hassle. There are tools on the market (such as SAP's Sustainability Control Tower) to automatically collect inputs from ERP systems. And to convert them into ESG related information. The generated reports meet IFRS and CSRD reporting guidelines, so that your accountant can sign them off without problems. This is an opportunity, in that sense that it takes away the hassle from your accounting department to collect this information from different sources.

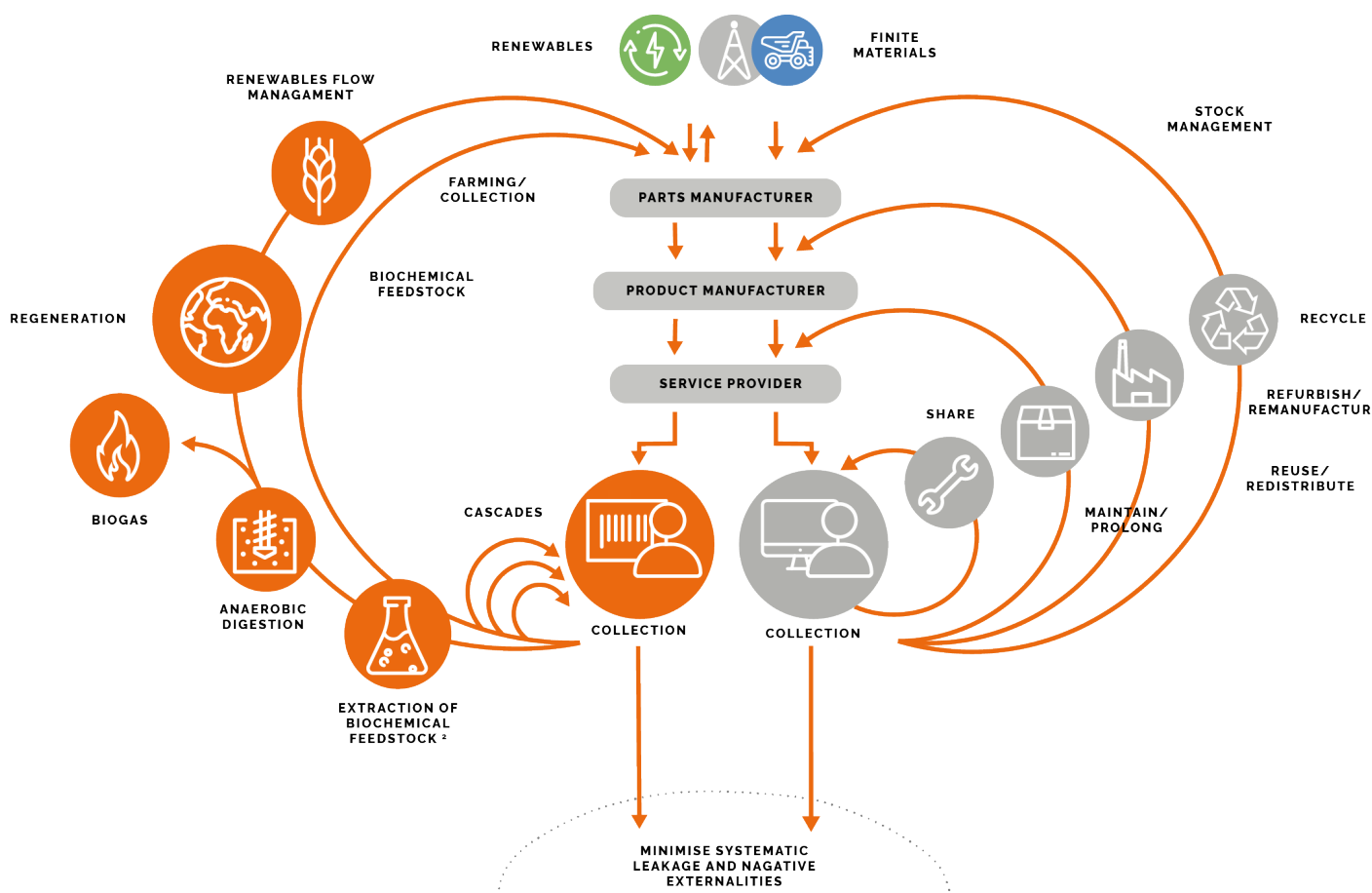
## #2: Identify emitters and the Circular economies diagram

The approach is to choose one or multiple solutions to lower your emissions. The circular economies diagram is very helpful to determine an approach. This diagram is a visual representation of how materials flow through our hands. And are converted, by different steps in the supply chain, from raw energy into a final product.

When moving from inside (the central axis) to the outside of the picture, the positive effect is reduced. As an example, "Maintain/prolong" is deemed to deliver a somewhat smaller contribution than "share" because it requires MRO materials. This is a very thin line and open for discussion. But from a sustainability perspective, it's better to refurbish than to recycle.

## The Circular economies diagram

Translate your findings into actual projects



McCoy has developed, based on SAP software, several solutions that contribute to the reduction of emissions. The table lists multiple solutions in columns and links those to the goals you want to pursue. A static overview is shown in [paragraph 5.4](#). A dynamic overview can be found on the [sustainability expertise page](#) on the McCoy & Partners website.

## 5.2 Social: what about equality and diversity

Benefits of implementing wider people sustainability practices as mentioned in [chapter 4](#) are manifold. Research shows that implementing these practices strongly reduce employee turnover and (long-term) illness, boost job satisfaction and aligns employees more with the organizational goals. The initial costs of implementation and maintenance of some of the practices may indeed cause costs to rise, but the mid- to long-term returns are substantial.

Developing proper policies in the 6 areas below, and institutionalizing those into your organization, contribute to establishing:

1. No poverty
2. Good health and well-being
3. Quality education
4. Reduced inequality
5. Decent work and economic growth
6. Peace, justice and strong institutions

## 6 area's to develop proper policies in:

### Improved employee engagement

Companies that invest in people sustainability practices, such as training and development, diversity and inclusion, and work-life balance, tend to have higher levels of employee engagement. Engaged employees are more committed to their work and are more likely to stay with the company.

### Increased productivity and reduced absenteeism

Investing in people sustainability can also lead to increased productivity. When employees are well-trained, motivated, and supported, they are more likely to perform at a high level and contribute to the company's success.

### Enhanced reputation

Companies that prioritize people sustainability can also enhance their reputation and brand image. This can be a valuable asset in attracting and retaining customers, as well as attracting and retaining talented employees.

### Live and work together

Companies are small societies. A group of people with the same mindset, culture and values. The employees, play a part within the company, but also outside it.

Companies are interested in their place within this social construct. Especially in an era where the borders between social life and work are fading. Topics of interest are inclusiveness, gender equality and diversity. How can they embed themselves in the communities, thereby increasing their reach and impact, while maintaining a proper work-life balance?

### Financial benefits

There is also evidence that investing in people sustainability can have a direct impact on company profits. Companies with strong overall sustainability practices show higher profit margins compared to those with weaker practices.

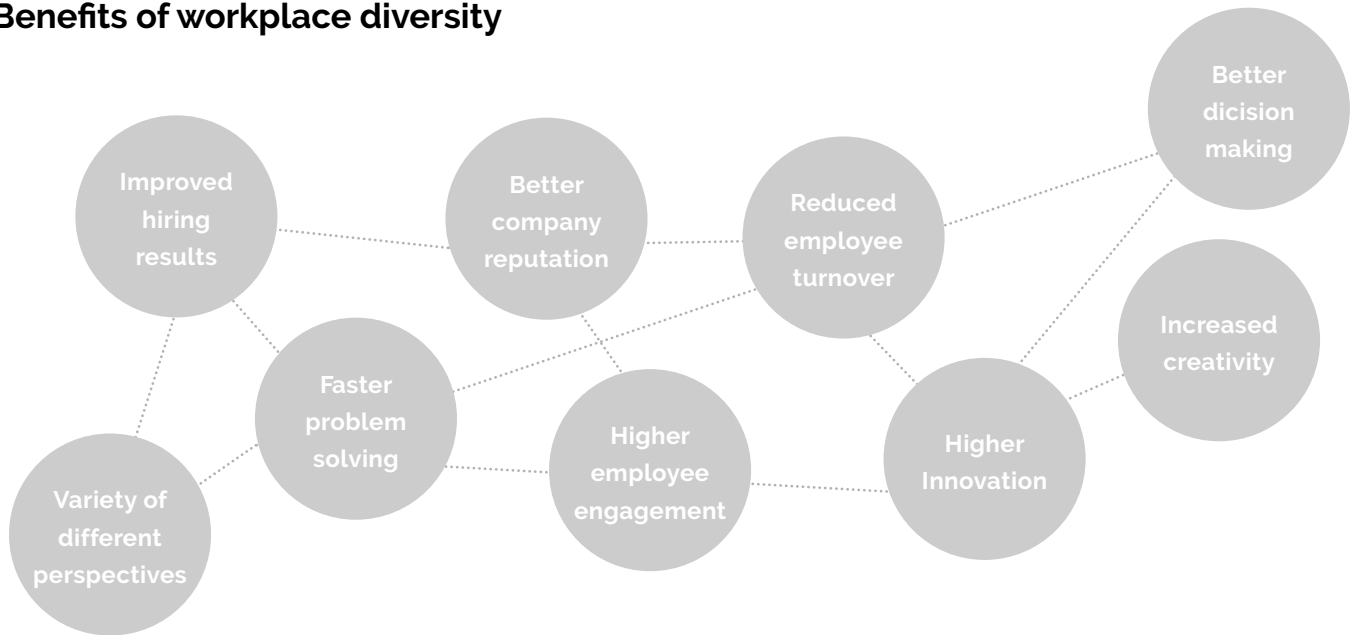
### It means a handful of things

Equality and diversity in a workplace mean that each member of staff is treated fairly and the same, irrespective of their age, race, gender, cultural background, skills, beliefs, sexual orientation, career experiences and more.

The aims of equality and diversity are simple: to ensure that everyone has access to the same opportunities and the same, fair treatment.



## Benefits of workplace diversity



As a result, in such an organization:

- Diversity sparks greater innovation.
- Diversity makes it easier to recruit top talent.
- Diversity improves team performance.
- Diversity can improve a brand's image.
- Diversity and inclusion boost employee engagement.
- Diverse leadership expands an organization's customer base.
- Diverse project teams collaborate more effectively.
- Diverse teams get better answers.
- Customers respond to diversity.

### 5.3 Governance and Financial risk management

The concept of governance describes the process of decision making. And the process by which decisions are implemented (or not implemented). Governance can be used in several contexts and scales such as corporate, international, national and local governance.

In the context of governance in the face of ongoing global change, increasing attention is being paid to financial risk management, to diversity and inclusiveness as well as to (financial) equality.

#### How to map and mitigate risks

What happens if energy prices quadruple? What happens if there's a flood in a region near your factory?

What risks are you running to be personally held accountable for your company's emissions or lack of mitigation?

Is there a chance that public opinion turns to your disadvantage?

Climate risk is an issue facing all businesses – no matter the location, sector or product. It has evolved from a purely 'ethical' 'environmental' issue to have mainstream recognition as a material financial risk across physical, economic transition and litigation dimensions.

Those financial harms include "transition risks" stemming from shifts in innovation, technology, and competitive landscape as well as "physical risks", such as more severe wildfires to more frequent flooding.

Climate finance is needed for mitigation because large scale investments are required to significantly reduce emissions. Climate finance is equally important for adaptation, as significant financial resources are needed to adapt to the adverse effects and reduce the impacts of a changing climate.

## Choosing the right governance model




Empowers your organization. People feel appreciated and know that their company culture allows them to deploy initiatives. They're not waiting for upstream directions but determine their own course.

A good governance model also makes it easier to identify financial risks. With that it becomes easier to also manage these risks. After all, it's not corporate strategy or rules, it's the company's culture which is supported by all stakeholders.

Good governance is **open, transparent, accountable and inclusive**. It does not discriminate or favor groups of people. Everybody's equal. And everyone contributes to the realization of the strategy. With a good governance model, everybody receives a fair pay. And there's a diverse leadership team.

## 5.4 ESG and IT solutions

As already introduced in the previous paragraphs, McCoy & Partners have developed propositions, using standard SAP. These categories consider the trends, the ESG approach and legislation. The table below contains a summary of the above propositions and how they're linked to the categories. As the world around us is constantly changing, so is this table. You can find the latest status on our [Expertise page](#).

Solution	 Environment			 Social	 Governance		McCoy BU
	Reduce emissions	Reduce material consumption	Reuse / Refurbish	Promote equality	Process optimization	Risk reduction	
Repair / Refurbishment / Upgrading	X	X	X				SCM/SCE
Harvesting		X					SCM
Returns Flows		X					SCM/SCE
Collaboration <small>(Transportation)</small>	X	X			X		SCE
Intercompany / Local Sourcing	X				X		SCM
Empties Management / Returnable Packaging		X					SCE
Forecast to Stock <small>(Customer Specific Packaging Sizes (VAS))</small>		X			X		SCM / SCP
Waste management		X			X		SCM/SCE
Circularity cradle-to-cradle		X					SCM
Product design		X			X		SCP
SFSF reporting				X			HRx
Supplier Performance	X				X	X	Procurement
Profitability and performance MGT					X	X	Finance
Sustainability control tower	X			X	X		BI
Risk analysis / Management					X	X	Finance
Travel expenses/ Reporting	X			X	X		HRx



## 5.5 Cooperation with third parties

McCoy & Partners is specialized in providing SAP services from a business background. We deliver knowledge on logistics, finance, production, procurement, human resources and reporting. Our experience allows us to advise on the best support for sustainable company processes, using SAP.

We work together with a sustainability partner to offer the same customer experience in the area of Environment, Sustainability and Governance (ESG). Our partner advises and assists in setting up and delivering a companywide sustainable strategy.



## 6 Conclusion

During one of my first classes in macroeconomics, I learned that companies are intrinsically focused on continuity. That's the underlying reason to grow, to invest and to make profit. A factual, tangible ESG policy legitimizes that fundamental principle of continuity.

### Reasons for a sustainable strategy

Next to the very valid principle of business continuity, our customers mention these reasons for a sustainable strategy:

“Sustainability and equality become more and more important in vendor selection processes or during contract negotiations with their customers.

“Listed companies and soon all larger companies face legal obligations to report on their climate ambitions. Companies want to be ahead of the curve and be prepared for what's coming.

“Consumers are wary of greenwashing. A company's green ambition must be tangible or otherwise it negatively affects your brand values and consumer perception.

“The American government passed the Inflation Reduction Act. The European Parliament passed the New Industrial Green Deal. With both laws, many billions of subsidies become available for green and sustainable investments.

“Sustainable companies are not only attractive for investors, but also for employees. With the ongoing war on talent, this can be an element of distinction to your competitors.

“Investors demand sustainable strategies in their decision to be part of companies.

### What to focus on

Sustainable strategies for companies adhere to all of the above. It's all about the principle of less is more. A sustainable world is achieved by using fewer natural resources, an inclusive world is achieved by reducing inequality and by creating a level playing field. But it's also about more. More diversity, more innovation, more social coherence. **More Than It!** With a focus on a sustainable, diverse and inclusive world.

### Less is more

"Less" offers "More" opportunities to prepare for the future world that we want to live in. McCoy & Partners is ready to do more! To grow diversity in companies and communities. To deploy more best practices and to deliver more inspiration. We hope that you, after reading this whitepaper are also prepared for "More", by doing "Less". Start now! Be an early adopter and get ahead of the curve.



## Endnotes

- I Research of Erica Chenoweth, a political scientist at Harvard University: <https://www.bbc.com/future/article/20190513-it-only-takes-35-of-people-to-change-the-world>
- II United Nations Sustainable Development Goals - <https://sdgs.un.org/goals>
- III CSRD regulations and stipulations - [https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting\\_en](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en)
- IV Non-Financial Reporting Directive: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095>
- V Emission Trading System - [https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets\\_en](https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets_en)
- VI Carbon Border Adjustment Mechanism - [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_21\\_3661](https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_3661)
- VII Lieferkettengesetz - <https://www.bmas.de/DE/Service/Gesetze-und-Gesetzesvorhaben/Gesetz-Unternehmerische-Sorgfaltspflichten-Lieferketten/gesetz-unternehmerische-sorgfaltspflichten-lieferketten.html>
- VIII Ecovadis - <https://ecovadis.com/solutions/ratings/>
- IX MCSI - <https://www.msci.com/our-solutions/indexes/esg-indexes>
- X Dow Jones Sustainability Index - <https://www.spglobal.com/spdji/en/landing/investment-themes/esg/>
- XI Green House Gas Protocol - <https://ghgprotocol.org>







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