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**Contek Solutions**



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## **Environmental ... and Social ... and ... Governance ... Oh! MY!**

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Environmental, social and governance (ESG) in the oil and gas industry emerged as an issue about ten years ago. Even though ESG has been around for decades, its presence hasn't been felt until recently in the United States. Its impact is now being felt across all types of enterprises and, increasingly, in the oil and gas sector. This simple three letter packs a powerful punch as it has emerged as an economic driver and an all-encompassing approach to managing a company's risk. All this while furthering a company's ongoing economic success. Whether or not the correlation is one of direct cause and effect, share prices of companies performing in the top third on ESG metrics compared with their industry peers have appreciated **250%** or better during the last 25 years, according to Calvert Investment Management Inc. ([www.calvert.com](http://www.calvert.com)).

Specifically, Environmental, social and governance (ESG) are criteria and a set of standards for a company's operations that socially conscious companies use to ensure responsible operations. (***See graphic below***). Social criteria examine how a company manages relationships with its employees, suppliers, customers and the communities where it operates.



Climate impact and greenhouse gas (GHG) emissions, energy efficiency, air and water pollution, water scarcity, biodiversity, and site restoration.



Human rights, local community impact and employment, child labour, working conditions, health and safety, and anti-corruption.



Alignment of interests, executive compensation, board independence and composition, and other shareholder rights.

## Principles of Responsible Investing

Institutional investors, have a stated duty to act in the best long-term interests of their beneficiaries. In this role, they believe that ESG issues can affect the performance of investment portfolios. They also recognize that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, they commit to the following principles stating that investors will do the following:

### Responsible Investing



Incorporate ESG issues into investment analysis and decision-making processes

Be active owners and incorporate ESG issues into our ownership policies and practices

Seek appropriate disclosure on ESG issues by the entities in which we invest

Promote acceptance and implementation of the Principles within the investment industry

Work together to enhance effectiveness in implementing the Principles

Report on activities and progress towards implementing the Principles

## ESG Checklist

One method to ensure that investments into portfolio companies is responsible to validate that the items on the checklist below is completed prior to exit. By implementing methods at the outset, the portfolio company can use these items as a guidepost during the life of the investment to ensure a favorable outcome.

Environment	Social	Governance
Management commitment <input type="checkbox"/>	Community awareness <input type="checkbox"/>	Board visibility into operations <input type="checkbox"/>
Due diligence <input type="checkbox"/>	Community involvement <input type="checkbox"/>	Management communication <input type="checkbox"/>
Remediation <input type="checkbox"/>	Community partnering <input type="checkbox"/>	Monitor communication <input type="checkbox"/>
Strategies <input type="checkbox"/>	Community safety and health <input type="checkbox"/>	Mutual trust <input type="checkbox"/>
Land use (Roads, site placement and design) <input type="checkbox"/>	Employee safety and health <input type="checkbox"/>	Management team intangible <input type="checkbox"/>
Permitting and reporting (air, water, waste) <input type="checkbox"/>	Contractor safety and health <input type="checkbox"/>	Senior management aligned <input type="checkbox"/>
Water availability, use/reuse, recycling, and waste <input type="checkbox"/>	Handling disputes	Risk Management <input type="checkbox"/>
Regulatory compliance <input type="checkbox"/>	<b>Social:</b>	Audit <input type="checkbox"/>
Special considerations:	<b>Domestic:</b> City council, hospitals, residents, fire department, police department, emergency responders, etc.	Conflict of Interest <input type="checkbox"/>
1. Endangered species considered <input type="checkbox"/>	<b>International:</b> human labor laws, public transparency, production sharing, obligations and agreements, using indigenous labor	Foreign Corrupt Practice Act (FCPA) addressed as appropriate (for international company exposures) <input type="checkbox"/>
2. Ancient burial grounds <input type="checkbox"/>		
3. Archeological discoveries <input type="checkbox"/>		
4. Protected areas <input type="checkbox"/>		



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