MCAA

Mechanical Contractors Association of America

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MCAA ESG Resource Guide 2024

HELPING YOU LEAD A SUSTAINABLE BUSINESS, TODAY AND TOMORROW

The MCAA Manufacturer / Supplier Council has created this ESG Resource Guide to help you differentiate your business and prepare for long-term success in an evolving environment.

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MSCA
Mechanical Service Contractors of America

PCA
Plumbing Contractors of America

NCPWB
National Certified Pipe Welding Bureau

MANUFACTURER / SUPPLIER COUNCIL
MCAA
Adding Value to Your Supply Chain

JRGF
John R. Gentille Foundation

AEC
Association Executives Council

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Why ESG, Why Now?

Environmental, Social, and Governance, often referred to as ESG, is a rapidly developing topic that your business is likely hearing more about now than ever before. You may also hear other terms like Corporate Social Responsibility or Sustainability used to describe a company's responsible business priorities.

While ESG might seem intimidating and costly at first, it can provide huge benefits to your organization in the short and long terms. It is a business strategy that can help contractors maintain and/or get more business, foster employee loyalty, attract top talent and enhance long-term sustainability.

Many companies may be surprised to find out that the activities they are already doing for cost savings, customer/legal compliance, or goodwill fall squarely into the ESG space. This includes actions like measuring health and safety, implementing employee development programs, advising on environmental products and solutions and ensuring the proper policies like an employee code of conduct are in place. Your business may not be documenting it as an ESG practice, but through taking stock of what your company does for people and the environment, it can be simpler than expected to align with core ESG principles and learn how to advance them even further. By capitalizing on the good your firm is already doing for the world, or adopting new practices into your business plan, you can achieve a competitive advantage in a market that is placing more and more weight on ESG topics.

Why ESG matters

- **Differentiate your business and prepare for the future.**
  Manufacturers, distributors, contractors and others across the supply chain are being asked by owners, developers and government entities for ESG metrics like health and safety, carbon emissions, waste recycling, minority and women business enterprise participation, and more. This information may be used to ensure that they are satisfying legal requirements or meeting their ESG goals. This is no longer a niche request, and increasing regulation may lead to these metrics being required.

  Within the bidding stage, sustainability initiatives can be viewed as a long-term cost-saving tactic for the end user, often resulting in reduced operational costs over the long-term. For example, while energy-efficient buildings can lower energy consumption, ultimately it is the collective design, installation, maintenance and operation of its mechanical system that determines its true efficiency.

- **Win the war for talent and strengthen your reputation and brand.**
  Employees increasingly value working for companies that prioritize sustainability, social responsibility and ethical business practices. In a recent Deloitte survey, 69% of employees said they want their companies to invest in sustainability efforts, including reducing carbon, using renewable energy, and reducing waste. This sentiment was higher among surveyed employees between the ages of 18 and 34 years old, who showed a stronger interest in sustainability initiatives than respondents from older generations.

- **Prepare for increasing regulatory compliance.**
  Governments around the world are moving towards mandating companies share more information related to environmental and social sustainability. This includes rules like the European Union Corporate Sustainability Reporting Directive (CSRD) and proposed climate and human capital disclosure requirements from the U.S. Securities and Exchange Commission (SEC). These, along with other state and local regulations, may force large companies to report on or manage their ESG risks across their full value chain.

5 Steps to Start Your ESG Journey

1. **Establish a foundation.**

   o Conduct a thorough assessment of your current business operations, identifying key environmental, social and governance practices, risks and opportunities.
   o Use this information to begin to inform your sustainability strategy.
   o Secure buy-in and support from leadership.

   > **Pro tip:** Think about your company's impact on the environment, your employees, the surrounding community, and the economy. What are you already doing – i.e. tracking health and safety? What does your company want to achieve through ESG?

2. **Conduct benchmarking and engage key stakeholders.**

   o Conduct benchmarking and a gap analysis to understand performance against your peers and others in the industry to understand where you stand in terms of sustainability.
   o Identify and engage with key stakeholders including employees, customers, suppliers and community members to understand and validate where you have the greatest risks and opportunities.

   > **Pro tip:** Understand the sustainability goals of your customers and their customers. How can you advise to help them meet their goals, thus increasing the value you bring to the project? Where can your business have the greatest impact?

3. **Develop your strategic roadmap.**

   o Establish ESG governance, structure and policies.
   o Use information gained from stakeholder interviews to prioritize issues relevant to your business and develop a framework that aligns with your organizations values, industry standards and stakeholder expectations.
   o Integrate ESG considerations into your overall business strategy, ensuring that sustainability goals are aligned with your core business objectives.
   o Develop short- and long-term goals, targets and key performance indicators to measure impact.
   o Determine which new and emerging ESG-related regulations and reporting standards may be relevant to your company or your customers and plan to assure compliance and capitalize on opportunities.

   > **Pro tip:** Start small. Every organization is at a different place on their ESG journey.
   >
   > Set SMART goals:
   >
   > - **S**pecific
   > - **M**easurable
   > - **A**chievable
   > - **R**elevant
   > - **T**ime-bound

4. **Collect and share data.**

   o Implement systems and SOPs for collecting relevant ESG data and monitor current and future regulations.
   o Work with your legal advisors to decide where and how to disclose information and establish a transparent reporting process to communicate ESG performance to key stakeholders.

   > **Pro tip:** Proactively tracking and reporting ESG metrics can set you apart in a competitive field, especially when bidding work for federal government entities, major corporations and higher education institutions.

5. **Train and communicate.**

   o Provide training to employees to raise awareness and educate on ESG principles.
   o Develop internal and external communications strategies.
   o Commit to continuous improvement and adapt to changes in regulations, stakeholder expectations and industry best practices.

   > **Pro tip:** Stay informed of regulatory changes, new technologies and sustainable construction trends.
   >
   > **Share your story in a way that is authentic to your business!**

ESG Good / Better / Best matrix

Environmental	Metric	Good	Better (Good and …)	Best (Better and …)
Energy use	Electric (KWH) Nat gas (M3)	• Know how much electric and natural gas is consumed per year • Documented via spreadsheets and updated annually • Compliant with EPA GHG inventory & accounting • Plans to reduce energy and therefore emissions i.e. annual energy audits • LED; energy efficiency etc • Have bills	• Publicly disclose • GRI compliant • Internal annual targets to reduce	• Energy management platform to track all electric and natural gas use • Publicly disclose • GRI compliant • Public targets to reduce • 3rd party validation
Fuel	Fleet MTCO2 MT reduction	• Aware of employee mileage and gas use • Aware of their scope 1 & 2 emissions • Documented via spreadsheets and updated annually • Compliant with EPA GHG inventory & accounting	• Publicly disclose • GRI compliant • Internal annual targets to reduce	• Publicly disclose • GRI compliant • 3rd party validation • Public targets to reduce
Water Consumption	Water use (M3) M3 reduction	• Know how much water is consumed per year • Documented via spreadsheets and updated annually • Have bills	• Publicly disclose • GRI compliant • Internal annual targets to reduce	• Publicly disclose • GRI compliant • Public targets to reduce • 3rd party validation
Hazardous Waste Management	KG KG reduction	• Know how much hazardous waste is consumed per year • Documented via spreadsheets and updated annually • Have bills	• Publicly disclose • GRI compliant • Internal annual targets to reduce	• Publicly disclose • GRI compliant • 3rd party validation • Public targets to reduce
Environmental Policies	Yes / No	• Company has policies in place	• More stringent policies • Company-wide emissions reductions targets • Employees training on policies and targets	• Policies follow SBTi emissions reductions targets • Executives bonus structure tied to goals
Sustainable Purchasing	Yes / No	• Basic knowledge and awareness	• Develop standards and procurement procedure	• Implementing standardized processes and communicating to end users

SOCIAL	Metric	Good	Better (Good and …)	Best (Better and …)
Diversity, Equity, and Inclusion	Actions and policies	• Basic awareness of employee demographics and existence of basic (legally mandated) policies to ensure equity for the nine protected characteristics (EEOC, etc.)	• Year over year tracking of targeted list of employee demographics with awareness of benchmarking against industry averages • Various Employee Resource Groups successfully integrated into company infrastructure (given funding, resources, opportunities to engage, etc.)	• Integrated and openly communicated internal goals regarding tracked employee demographic metrics with the intent to attract and retain more diverse talent • Interests of all social demographics integrated throughout policy framework across all applicable organizations within the company (i.e. not only do you have a DEI policy, but does the employee handbook include the necessary considerations for diverse cultural/religious factors when discussing time off? Are policies regarding employee rights communicated in all primary languages used by employees? etc.) • Mandatory training on relevant DEI topics extended to all employees in management role or higher
Equitable Compensation	Actions and policies	• *Pay in line with industry standards for each role* • Equal pay/promotion opportunities	• Salary grid and bonus scheme benchmarked against industry standards communicated to all employees	• *Bonuses and raises available to all employees in alignment with company performance* • Employee stock option open to employees beyond just executives
Employee Benefits, Upskilling and Advancement	Actions and policies	• *Comprehensive health & wellness benefit plans available to all employees.* • Yearly performance reviews performed and communicated to employees.	• *Tuition reimbursement programs/CPEs/* • Company paid training available to all employees regardless of job classification, flexible work arrangements available, etc.	• *Internal mobility promoting employee growth (including promoting from within)* • *Integrated measures to support parenthood and long-term employee retention post parental leave* • Internal leadership development programs designed to remove barriers to employee. management and equip employees to move into leadership roles, etc
Employee Engagement Initiatives	Actions and policies	• *Employee Satisfaction Surveys, wide variety of employee resource groups or employee affiliation groups, opportunities for employees to engage with management and leadership on topics that interest them* • *Company-wide townhall style meetings to keep employees apprised of direction/initiatives/changes/performance* • Employee performance recognition/celebration (lunches, dinners, awards, competitions, etc.), family/community days, team building activities		

Employee Safety	Actions and policies LTI TRIR	• *Regular tracking and monitoring of safety metrics* • *Comprehensive Environmental health and safety management system aligned to or modeled after ISO Protocols* • *Effective health and safety training program in place* • *All required PPE provided, and safety measures in place i.e., lockout/tagout* • *DART* • *Incident Rate* • workforce hours expended	• *Annual safety audits at each operational site* • *External health & safety certifications* • *Consistent safety tracking against previous years and industry benchmarks with openly communicated targets for improvement* • *System for reporting safety concerns* • Safety talks prior to meetings • LTI Frequency Rate • LTI Severity Rate • Reduction in TRIR	• Onsite medical personnel at all times • Annual physical/checkup required of all employees and provided onsite • Strict non-retaliation protocols to protect employees who report safety concerns • All health and safety protocols (including training measures) extend to third party contractors and any other visitors to the facility
External Stakeholder Human Rights and Supplier Relationships	Actions and policies	• Compliance with all global Anti-Human Trafficking/slavery and corruption/bribery laws, conflict minerals policy, supplier code of conduct, etc.	• *Onsite audits of suppliers on social issues* • *Specific procedures / protocols for what criteria or social misconduct must eliminate a potential supplier from consideration* • Continuous monitoring of existing suppliers (news and identified persons) for involvement in social or ethical misconduct	• *Policies/procedures in place to prioritize diverse suppliers and suppliers who support equity and inclusion initiatives.* • *Remediation procedures in place to hold partners accountable for the freedom of enslaved or trafficked individuals when such a situation is discovered within the supply chain.* • ESG principles integrated into supplier contracts
Fair and Ethical Business Dealings // Corruption, Bribery, Compliance with Global Trade Regulations, etc.	Actions and policies	• Code of Conduct • Employee Handbook • Anti-Bribery & Corruption protocols in place internally and externally • Compliant with global trade regulations and operating laws in all applicable countries/regions	• Comprehensive compliance training provided to employees and business partners. • Conflict of Interest policy and training for employees • Vetting of partners and potential partners for ethical concerns	• Continuous monitoring of third-party relationships for corruption related concerns (particularly with respect to relationships with foreign governments) • Sophisticated reporting mechanism in place to allow employees/partners to report any ethical concerns • Comprehensive whistleblower protection program in place.

GOVERNANCE	Metric	Good	Better (Good and …)	Best (Better and …)
Executive ESG Responsibilities	Actions and policies	• Board and Executive Leadership made aware of direction, goals, and current performance metrics of the Sustainability Program	• Board and Executive Leadership take an active role in steering/guiding the direction of the Sustainability Program and direct key sustainability goals and targets for the company	• Adopt a long-term approach to continuously monitor and mitigate impacts and implement across entire scope of the company • Align with third party verifiers and applicable regulatory requirements • ESG/Sustainability performance tied to Board member and Executive leadership review and or compensation
Data Privacy and Protection	Actions and policies	• *Compliance with GDPR and all local regulations.* • *Employee badge/password access* • *CCTV* • *VPN* • *Anti-malware software* • Visitor agreements	• *IP enforcement* • *Non-compete/NDA agreements* • *Restricted employee access* • Double authentication	• Internal risk assessments/security audit: Hire an ethical hacker to break into the system to determine any weak points and potential security threats; adjust accordingly
Compliance with Environmental and Social Laws and Regulations	Actions and policies	• Meet basic requirements of env/safety compliance requirements. (ICP, COC, Env. Mgmt. plan, etc.)	• Conduct internal audits to determine current company standing	• *Have a comprehensive report of ESG standing with third-party accreditation* • Taking preventative measures to disclose and comply even when not directly required to do so

Resources

Sample ESG reports and commitments

- [Bechtel Impact Report](#)
- Ferguson: [Building Momentum, Sustainably](#)
- [Sloan Sustainability Report](#)
- Stanley Black and Decker: [Focused on Impact](#)
- Trane: [Ambition. Action. Impact.](#)
- [Turner Construction](#)
- [Victaulic Sustainability Report](#)
- [Watts Sustainability Report](#)
- [Whiting-Turner](#)

Sample ESG policies

- [Skanska Environmental, Health and Safety Policy](#)
- [Bechtel Sustainability Policy](#)
- [MMC Privacy Policy](#)

Glossary of key ESG terms

BIODIVERSITY: The practice of protecting and preserving the wealth and variety of species, habitats, ecosystems, and genetic diversity on the planet.

CIRCULAR ECONOMY: Includes measures taken to retain the value of products, materials, and resources and redirect them back to use for as long as possible with the lowest carbon and resource footprint possible, such that fewer raw materials and resources are extracted and waste generation is prevented.

COMMUNITY DEVELOPMENT: Includes a plan that details actions to minimize, mitigate, or compensate for adverse social and/or economic impacts, and/or to identify opportunities or actions to enhance positive impacts of a project on the community.

CUSTOMER PRIVACY: The right of the customer to privacy and personal refuge. Examples: the obligation to observe confidentiality; the protection of data; the protection of information or data from misuse or theft; the use of information or data for their original intended purpose only, unless specifically agreed otherwise

DIVERSITY, EQUITY, AND INCLUSION: Addresses a company's ability to ensure that its culture and hiring and promotion practices embrace the building of a diverse and inclusive workforce that reflects the makeup of local talent pools and its customer base. It addresses the issues of discriminatory practices on the bases of race, gender, ethnicity, religion, sexual orientation, and other factors.

EMPLOYEE HEALTH & SAFETY: Addresses a company's ability to create and maintain a safe and healthy workplace environment that is free of injuries, fatalities, and illness (both chronic and acute). It is traditionally accomplished through implementing safety management plans, developing training requirements for employees and contractors, and conducting regular audits of their own practices as well as those of their subcontractors. The category further captures how companies ensure physical and mental health of workforce through technology, training, corporate culture, regulatory compliance, monitoring and testing, and personal protective equipment.

ENERGY MANAGEMENT: addresses environmental impacts associated with energy consumption. It addresses the company's management of energy in manufacturing and/or for provision of products and services derived from utility providers (grid energy) not owned or controlled by the company.

ENVIRONMENTAL AND SOCIAL LAWS AND REGULATIONS: relate to all types of environmental issues applicable to the organization.

1. Environmental issues can include those such as emissions, effluents, and waste, as well as material use, energy, water, and biodiversity.
2. Environmental laws and regulations can include binding voluntary agreements that are made with regulatory authorities and developed as a substitute for implementing a new regulation.
3. Voluntary agreements can be applicable if the organization directly joins the agreement, or if public agencies make the agreement applicable to organizations in their territory through legislation or regulation.

FOSSIL FUEL: A generic term for organic material (from decayed plants and animals) that has been exposed to heat and pressure from the earth's crust for hundreds of millions of years and converted into oil, coal, or natural gasses.

GOVERNANCE: Refers to the system by which an organization is directed and controlled in the interests of shareholders and other stakeholders. Governance involves a set of relationships between an organization's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organization are set, progress against performance is monitored, and results are evaluated.

GREENHOUSE GAS EMISSIONS: Gases that trap heat in the atmosphere are called greenhouse gases.

GHG PROTOCOL: Establishes global standardized frameworks to measure and manage GHG emissions. The most widely recognized accounting standard for greenhouse gas emissions.

- Scope 1 refers to all direct emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles.)
- Scope 2 refers to indirect emissions from consumption of purchased electricity, heat, or steam.

- Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope emissions could include the extraction and production of purchased materials and fuels, transport related activities in vehicles not owned or controlled by the reporting entity, electricity related activities e.g., transmission and distribution losses, outsourced activities, and waste disposal.

GREENWASHING: Promoting a product, service or company as more environmentally friendly than it truly is through false or misleading advertising of environmental benefits.

GLOBAL REPORTING INITIATIVE (GRI): An international independent standards organization that helps businesses, governments and other organizations understand and communicate their impacts on issues related to climate change, human rights and corruption.

HAZARDOUS WASTE MANAGEMENT: Addresses environmental issues associated with hazardous and non-hazardous waste generated by companies. It addresses a company's management of solid wastes in manufacturing, agriculture, and other industrial processes. It covers treatment, handling, storage, disposal, and regulatory compliance.

HUMAN RIGHTS: Rights inherent to all human beings, which include, at a minimum, the rights set out in the United Nations (UN) International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.

PRODUCT QUALITY & SAFETY: Addresses issues involving unintended characteristics of products sold or services provided that may create health or safety risks to end-users. It addresses a company's ability to offer manufactured products and/or services that meet customer expectations with respect to their health and safety characteristics. It includes, but is not limited to, issues involving liability, management of recalls and market withdrawals, product testing, and chemicals/content/ingredient management in products.

MATERIALITY: A measure of the importance of specific topics and information during the investment analysis process. In ESG investing, materiality helps identify the most important or relevant ESG information to consider when screening and selecting an investment.

NET ZERO: A target of completely negating the amount of greenhouse gases produced by human activity. This can be achieved by reducing GHG emissions and implementing methods of absorbing carbon dioxide from the atmosphere.

SCIENCE-BASED TARGETS INITIATIVE (SBTI): Promotes best practices in emissions reductions and net-zero targets in line with climate science and in support of the Paris Agreement goals.

THE SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB): A non-profit organization whose goal is to develop sustainability accounting standards.

TRANSITION PLAN: A time-bound action plan that clearly outlines how an organization will achieve its strategy to pivot its existing assets, operations, and entire business model towards a trajectory that aligns with the latest and most ambitious climate science recommendations, ie halving greenhouse gas (GHG) emissions by 2030 and reaching net-zero by 2050 at the latest, limiting global warming to 1.5°C.

VALUE CHAIN EMISSIONS: GHG emissions from the upstream and downstream activities are associated with the full scope of operations (value chain) of the reporting company.

Sources

ESG Terms You Need to Know - Persefoni

EPA: Glossary | US EPA

GRI: GRI Standards Glossary 2022.pdf

TCFD: E02 - Glossary & Abbreviations.pdf (tcfdhub.org)

SASB: Materiality Finder

SASB: SASB-Conceptual-Framework.pdf

CDP: List of Sustainability Definitions - CDP

esg-glossary-2.pdf (breckinridge-fs.s3.amazonaws.com)

IPCC Glossary

Appendix

Reporting frameworks

ESG reports are among the fastest growing voluntary disclosures in history. There are various frameworks and standards that companies can use to help develop their ESG strategy and transparently share information on their greatest risks and opportunities.

- The Sustainability Accounting Standards Board (SASB)

  The SASB Standards are designed to surface the sustainability factors most likely to affect the financial condition or operating performance of companies in a given industry. The Standards are well-suited to serve as a valuable input to a company's identification of sustainability-related risks and opportunities. The SASB Standards group sustainability topics into five "sustainability dimensions": the environment, human capital, social capital, business model and innovation, and leadership and governance.

- International Sustainability Standards Board

  The ISSB has issued a comprehensive set of sustainability-related financial and climate disclosure requirements that build on other reporting initiatives. This is intended to streamline and simplify the highly fragmented ESG reporting process. The Taskforce for Climate-Related Financial Disclosures (TCFD) transitioned to ISSB in 2024.

- Global Reporting Initiative (GRI)

  The GRI Standards enable any organization – large or small, private or public – to understand and report on their impacts on the economy, environment and people in a comparable and credible way, thereby increasing transparency on their contribution to sustainable development.

- United Nations Sustainable Development Goals (UN SDGs)

  The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

ESG raters and rankers

ESG ratings measure a company's exposure to (industry-specific) sustainability risks and how well it manages them. Many stakeholders rely on publicly disclosed information when assessing a company's ESG profile. However, in some cases, the ESG information may be requested privately, such as in a commercial context. Some investors and other stakeholders may rely on ESG ratings, which can be based on a company's responses to the rater's questionnaire.

As of 2020, research conducted by KPMG, revealed at least 150 global rating agencies, each with their own criteria and methodology. A few notable agencies are explained below.

- CDP: CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.
- MSCI: MSCI's ESG ratings are designed to measure a company's resilience to financially material environmental, societal and governance risks.

- [ISS](#): ISS ESG solutions cover corporate and country ESG research and ratings enabling its clients to identify material social and environmental risks and opportunities.
- [Sustainalytics](#): Morningstar Sustainalytics provides high-quality, analytical environmental, social and governance (ESG) research, ratings and data to institutional investors and companies.
- [EcoVadis](#): The EcoVadis sustainability assessment methodology is an evaluation of how well a company has integrated the principles of Sustainability/CSR into their business and management system.