

# ESG

## Environment, Social, Governance

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### Want to know more about ESG?

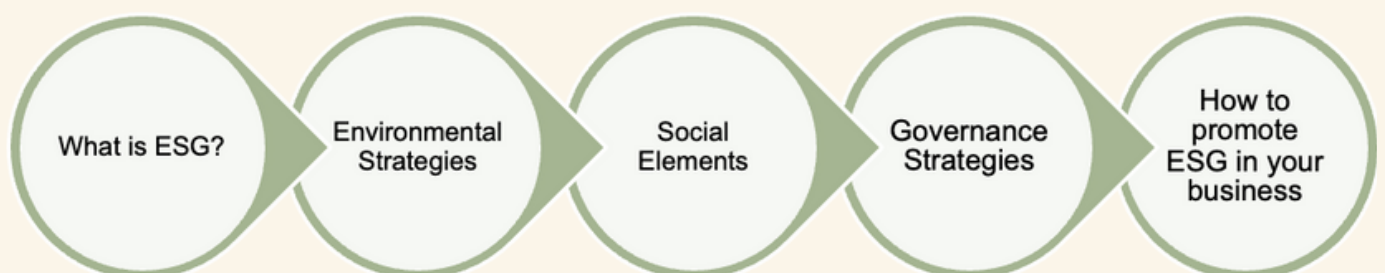
This leaflet provides an in-depth introduction to ESG and effective sustainability measures.

### Are you a small business?

As a small business, meaningful sustainability strategies can help you unlock new potentials for your business.



### Contents:



# WHAT IS ESG?

ESG stands for environment, social and governance. These are called pillars in the ESG frameworks and represent the 3 main topic areas that companies are expected to consider as part of their core business. The goal of ESG is to capture all the non-financial risks and opportunities inherent to a company's day to day activities.

## Environment

The 'E' considers a company's use of natural resources and the impact of their operations on the environment, both in their direct productions and across their supply chains.

## Social

The 'S' considers how companies account for the management of employees, customers, suppliers and the wider community in their business strategy.

## Government

The 'G' refers to the internal systems of practices, controls, and procedures your company adopts in order to govern itself, make effective decisions, comply with the law, and meet the needs of external stakeholders.

## Why is ESG important?

Incorporating ESG into your organisation could help your company's reputation as it indicates you have a transparent plan that focuses on helping the environment, supporting diversity opportunities, and ensuring ethical business decisions.

## Why should SMEs consider investing in energy efficiency?

- Increases profitability
- Reduces carbon footprint
- Reduces energy bills

According to the department of Energy and Climate Change, installing energy efficiency measures may reduce energy bills by up to 25% of SMEs.

# ENVIRONMENT

The E in ESG stands for Environment. What do we mean when we say environmental strategies in business?

## Attract Investors

According to a study by Harvard Business Review, companies that prioritise sustainability have lower cost of capital and attract more investors.

The net-zero targets set by the UK government mean that being aware of your environmental footprint will allow you to attract potential investors and quickly address investor concerns.



## Attract Consumers

A study by NielsenIQ showed that 78% of consumers in the UK say a sustainable lifestyle is important to them.

Kingsmill experienced a substantial increase in daily sales after deciding to inform their consumers of their cuts carbon emissions cuts. By adhering to what your consumer base is looking for, you can benefit from increased sales.

Sources:

1. Harvard Business Review: The Business Case for Sustainability. Available [here](#).
2. NielsenIQ: Sustainability- the new consumer spending outlook. Available [here](#).

## Gain Competitive Advantage

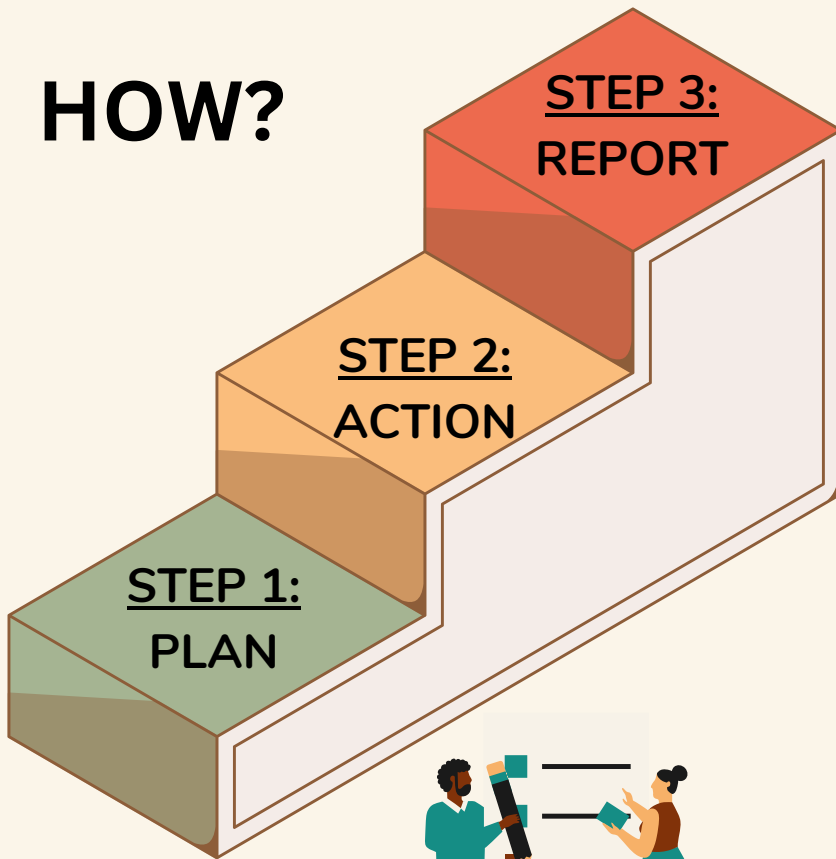
Looking towards the future and prioritizing sustainability at the early stages of your company's growth sets the company apart from similar businesses and gives you a competitive advantage in the market.



## Reduce Costs

Even though environment sustainability sounds like an expensive concept only attainable for big businesses, it can act as an efficient cost cutting tool for small businesses. By implementing sustainable practices, businesses can streamline operations and discover cost saving opportunities.

# HOW?



## Environmental Reporting and Transparency:

This is a very important step in this whole process :

- Publishing regular reports on environmental performance.
- Be transparent about your efforts, achievements, and areas for improvement



## Conduct a Sustainability Assessment:

- Evaluate the current environmental impact of your business operations.
- Identify areas where improvements can be made

## Set Clear Environmental Goals:

- Establish specific, measurable, achievable, relevant, and time-bound (SMART) environmental goals.
- Ensure alignment with broader corporate objectives.

## Employee Engagement:

- Educate and involve employees in environmental initiatives.
- Encourage a culture of sustainability within the organisation.



## Energy Efficiency:

- Implement energy-saving measures such as using energy-efficient appliances, lighting, and HVAC systems.
- Invest in renewable energy sources like solar or wind power.

## Supply Chain Sustainability:

- Work with suppliers who follow environmentally friendly practices.
- Assess and improve the sustainability of the entire supply chain.

## Waste Reduction and Recycling:

- Reduce, reuse, and recycle materials wherever possible.
- Implement waste reduction programs to minimise landfill waste.

# SOCIAL

The S in ESG is key to creating a better work environment that is more attractive

## Strategies:

**S**urvey and communicate: Make sure your employees' and customers' concerns are heard through regular surveys about customer service and work environment.

**O**rganise, educate and up skill workers: This could be done through an employee volunteering program. or providing mentorship opportunities.

**C**ompany ethics: create a code of conduct and business values which everyone must follow to foster a positive social environment.

**I**nclusion and diversity: policies preventing discrimination, providing fair/equal pay and promoting a positive work culture.

**A**pproachable management: willingness to react to feedback is a key feature of the social element.

**L**ife-work balance: offer flexible working conditions which help improve life-work balance and allow the firm to hire a wider range of employees.

All these strategies would improve business image, especially in the local community, and attract more employees and customers due to a positive work environment. While these policies may be costly, these benefits show in the long run it'll be worthwhile.

### Report on management and Labour management

1. Run two surveys a year for Employees to track general happiness and know what to improve on to create a better work environment and reduce staff turnover
2. Surveys for customers to ask about their general experience and whether they think they were treated fairly/unfairly

### Diversity, Equality and Inclusion (DEI) Actions

1. No-discrimination policy – respect people no matter race, sex, sexual orientation, religion or nationality
2. Introduce special offers for the elderly or children as a way to attract more customers

### Diversity, Equality and Inclusion (DEI) Actions

- 1 . The business could partner with charities that are focused on battling key issues in the local community. They could ask customers to add +5p on top of their sum to go towards charity OR introduce banks where people could drop change towards charities of their choice on display
- 2 . Consider an employee volunteering programme where employees take paid time off to volunteer during work hours for charities chosen by them
- 3 . Specifically for the food industry, the business could give any excess food that would otherwise go to waste to a food bank

By implementing these policies you create a positive reputation and a good image within the local community, which is extremely important for small businesses.

# GOVERNANCE

The G in ESG refers to the organizational structures and processes of a company

Corporate governance strategies focus on the interactions among three key decision-making bodies: shareholders, board of directors, and management.

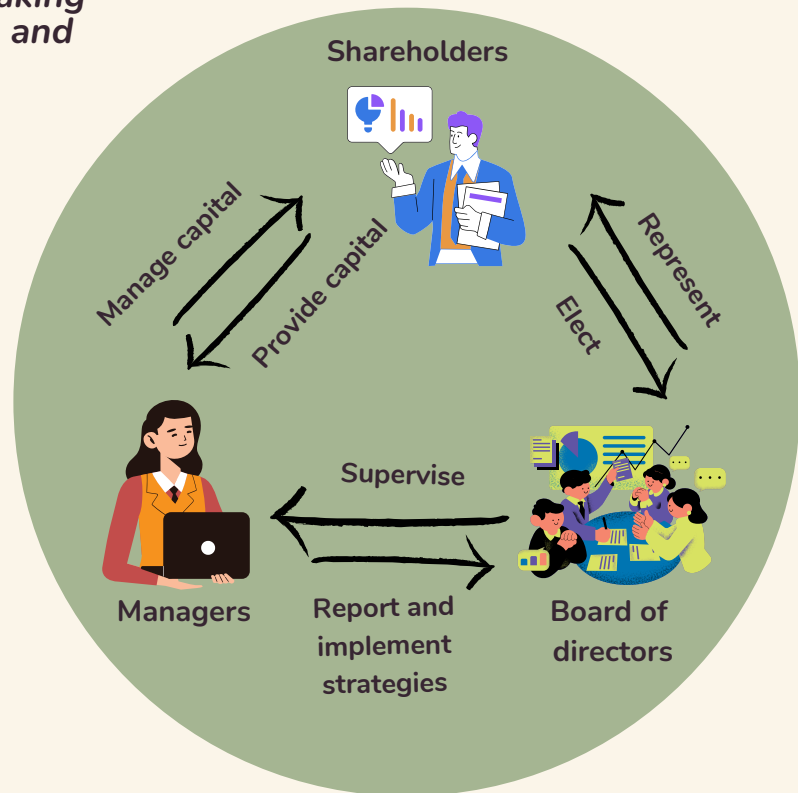
## Why Consider Corporate Governance Processes?

1) Reduce overreliance on key personnel

2) Efficient distribution of workload

3) Appear more attractive to investors

4) Reduce and mitigate risks and conflict



## Corporate Governance Strategies for Different Stages of SME Evolution



**Stage 1  
Start-Up  
Business**

(<50 employees)

Identify core functions and required teams.

Develop basic understanding of regulatory requirements and compliance.

Clearly establish roles and responsibilities of founder(s).

Establish basic bookkeeping, cash flow management, and tax functions.



**Stage 2  
Active  
Growth**

(50-75 employees)

Fill core positions.

Develop formal statement of basic business principles and key policies.

Identify basic business risks, including key-person risks.

Disclose financial information to founder(s), shareholders and directors.



**Stage 3  
Organizational  
Development**

(76-150 employees)

Establish detailed code of ethics and business conduct.

Formulate objectives and key performance indicators.

Ensure all business units have clear authority, reporting lines, and guidelines.

Ensure data security and encryption for sensitive information.



**Stage 4  
Business  
Expansion**

(151-250 employees)

Incorporate governance provisions in the articles of association and bylaws.

Establish a board of directors with diverse skills. Board procedures should ensure effective meetings and encourage input from all directors.

Ensure financial statements are audited by an auditing firm.

Produce periodic and annual financial and performance reports.

# AGENT STRATEGIES

We have broken the process down into 4 simple steps...

## Here is how to become an AGENT of ESG



### ANALYSE

Analyse how your business impacts your consumers, the suppliers, the community and the environment around you. Analyse how your business is currently affected by the three ESG elements. Note down areas of significant strategic importance to your business and seek where you can make improvements.



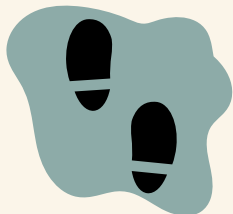
### GOALS

Set explicit future goals on these areas of improvements. This should include both short term quarterly goals and long term goals.



### EVALUATE

Evaluate your cost/savings implications and construct a realistic budget to address the issues you have uncovered. This can change over time but start small and review as you make progress.



### NEXT STEPS

Actively take the first steps in implementing the strategies you have constructed after reviewing your budget. Does this mean changing your suppliers? Improving workers pay? Revising your distribution network? Reviewing potential biases or barriers for employees to succeed in the workplace?



### TRACK

Track your progress against the short and long term goals you have initially set for yourself. This will enable you to determine whether you are on course to meet your objectives and, if not, to adjust them. To promote openness and trust, you should also update your clients and investors on your progress—or lack thereof.

Certifications to help you progress as an AGENT of ESG...

B Corp Certification ensures that companies meet high standards in both social and environmental performance, covering aspects from supply chain and input materials to charitable giving and employee benefits.

B CORP



Going through the certification process for PlanetMark or BCorp can be an excellent starting point to structure the approach to sustainability and is appreciated by consumers and investors too.

PlanetMark



PlanetMark helps businesses reduce their carbon footprint, maximize profitability, streamline operations, and get closer to becoming net-zero. Improved branding generates new business opportunities and boosts consumer loyalty for certified businesses.