ESG Glossary

This glossary consists of information regarding Environmental, Social, and Governance Laws (ESG) that will aid businesses that have recently entered the market.

Environmental

Environmental issues may include corporate climate policies, energy use, waste, pollution, natural resources, and conservation. ESG considerations can also help evaluate any environmental risks a company might face.

Greenwashing

Greenwashing occurs when an organisation intentionally or (unintentionally) make misleading claims about its sustainability practices or its environment impact in order to appear more environmentally friendly

1) Green Labelling : Misuse of terms E.g "Green", " Sustainable", "Eco-Friendly" without providing standards, practices, and evidence

2) Green Lighting : Highlighting specific green features to divert attention from poor environmental practices elsewhere in the company's operations

Real-Life Example: Innocent Drinks, United Kingdom

Innocent Drinks, owned by Coca-Cola, engaged in Greenwashing through insincere TV adverts. Despite using single-use plastic, the company projected an eco-friendly image in cartoon ads featuring animals singing songs about recycling. The Advertising Standards Authority (ASA) intervened and banned the ads after being reported by Plastic Rebellion.

Waste Management

Waste Management involves the reusing of products, parts, and materials, instead of needlessly disposing of them

1) Zero-to-landfill : Waste prevention encourages redesigning resource life cycles so that all products are repurposed and/or reused

2) Waste Segregation : Sorting and separation of waste types to facilitate recycling and correct onward disposal

Real-Life Example LVEC, United Kingdom

LVEC's commitment to Waste Management through Waste Segregation, Recycling
1) Colour-coded bins implemented to reduce waste management and improve recycling
2) Axil HazPod™ - UN-approved 1100 litre hazardous waste bin to increase capacity on-site
3) General Waste sent to Material Recovery Facility (MRF), residual waste sent for Refuse-derived fuel (RDF)

Product Lifecycle

1) Designing for Longevity: Sustainable designs which are durable reduces the carbon, water and waste footprints of product design

2) Biomimicry Design: Designs which seek innovation from nature to maintain longevity. E.g VELCRO

3) Materials: Materials used must be ethical and responsibly sourced. E.g Cotton, Hemp, Limp

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Social

Examines an organisation's policies and actions that impact individuals and the society. Broad subject topics include inequality, working conditions, human rights and supply chain transparency.

Community Engagement

Community Engagement refers to how the company engages with the communities in which it operates. Companies can foster community ties through collaborative projects, local engagement, or by offering services that address local needs, building a loyal customer base and improving brand image.

Diversity and Inclusivity

Diversity, equity, & inclusion (DE&I) is about more than policies, programmes, or headcounts. The presence of differences within a given setting is referred to as diversity. The practice of ensuring that systems and programs are unbiased, fair, and deliver similar outcomes for all people is known as equity. This can lead to which can lead to more innovative solutions and a broader market appeal.

Fair trade

Fair trade is a movement aimed at achieving fair prices, improved working conditions, and sustainable practices for producers in developing countries. It focuses on ethical production, ensuring workers receive fair wages, and investing profits back into community projects. This can be ensured by choosing fair trade suppliers, which helps set a precedent for ethical business practices and can be a strong part of the company's value proposition.

Human Rights

Human rights are defined as moral principles or norms that set certain standards of human behavior, recognised as inalienable and fundamental rights entitled to every person simply because they are a human being. These rights are inherent to all human beings, irrespective of nationality, sex, national or ethnic origin, color, religion, language, or any other status. Efforts and actions undertaken to uphold human rights standards in business practices include :

Conflict Zones and High-Risk Areas: Policies and practices to prevent supporting conflicts or abuses in high-risk areas. This should be done by ensureing companies operations and partnerships do not indirectly support such regions, which is vital for maintaining ethical standards and consumer trust.

Supply Chain Accountability: Ensuring that suppliers and partners adhere to human rights standards, including labor rights and avoiding child or forced labor. Companies should implement this by vetting suppliers for ethical practices, possibly through certifications, and by building direct, transparent relationships with their supply chain.

Non-Discrimination Practices: Ensuring equality and non-discrimination in hiring,promotion, and throughout the company.

Social Compliance Audit

An evaluation conducted to ensure that a company's business partners or suppliers adhere to socially responsible practices, typically focusing on labor rights, working conditions, and child labor laws. Companies can conduct internal reviews or partner with third parties for audits to ensure adherence .

Wage equality

Pay equity is also known as equal pay for work of equal value. That means if two different jobs contribute equal value to their employer's operations then the employees in those positions should receive equal pay. It is important since companies that prioritise and demonstrate a commitment to wage equality often build a positive corporate reputation.

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Governance

The logistics of running a business whilst looking at its ethical behaviour and its activities within the market.

Good governance appeals to investors as it is a signal of strong processes and relations by which the business is operated, which can help streamline your business growth

Accounting Practices

- Accounting practice is the process and activity of recording the day-to-day financial operations of a business entity.
- It is necessary to produce the legally required annual financial statements of a company.

1) Project Planning = This can show how cutbacks in equipment can lead to short-term improvement in company profits.

2) Shareholder Responsibility = Businesses also are required to release detailed financial information to shareholders - shareholders rely on the financial statements to make the most intelligent decisions.

3) Income Management = Accounting data shows managers about the income of their company - this data informs them on when and if they can hire new employees, acquire more equipment or take on more debt.

Board Structure

- Includes determining the board size, diversity of backgrounds, gender, tenure, independence, and commitment to service.
- The board of directors must be composed of diverse relevant business experiences, strong characteristics, and objectivity to represent the demands of the stakeholders.

Business Ethics

- Refers to the standards for morally right and wrong conduct in business
- Some include honesty, leadership, integrity, respect, responsibility, loyalty, law-abiding, and environmental concerns.
- This should appear in business plans, in company mission statements, and in all other company documents.

Financial Reporting Standards

- Financial reporting standards provide principles for preparing financial reports and determine the types and amounts of information that must be provided to users of financial statements, including investors and creditors, so that they may make informed decisions.
- Financial reporting requires policy choices and estimates.
- Financial statements must be prepared at least annually, and include comparative information from the previous period,
- Financial statements should certain presentation requirements including a classified statement of financial position (balance sheet).

Ownership Structure

- Refers to who owns the respective company and impacts decision making (expressed as a % of the stock of shares)
- There is public and private ownership.
- Companies with private structures can control who buys and sells shares whereas companies with public ownership can have public investors buy and sell shares in an open market.

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