

ESG report - step by step

Step 1: ESG strategy

The ESG strategy is planning the company's development based on three basic pillars - E (environmental), i.e., environmental issues, S (social) - social issues and G - (governance) - corporate governance issues. When developing an ESG strategy, remember that its effectiveness requires compliance with the company's long-term business strategy!

When building a company's ESG strategy, you can use:

- Sustainable Development Goals (SDGs) – a set of 17 goals set by the United Nations to promote peace and prosperity in the world and its inhabitants.
- SASB standards that highlight ESG challenges relevant to 77 different industries; and the SASB Severity Map - a tool for determining the financial significance of ESG issues.
- United Nations Guiding Principles on Business and Human Rights.

Step 2: Impact research

Developing an ESG strategy starts with determining your company's impact on people and the planet. The aim is to identify areas of activity that involve a serious risk of impact on people and the planet.

It is worth dividing risks into three categories: environment, communities and employees. Each pillar should consist of indicators based on datasets that assess geographic, industry and commodity risk. A combination of quantitative and qualitative data from publicly available datasets can be used to assign a score to each risk.

This information is then used to determine the likelihood and severity of each risk at an overall score.

Step 3: Assessment of materiality

A materiality assessment helps you determine your ESG priorities for your business. We start by defining the stakeholders – they can be investors, suppliers, service providers, local community, etc. For each stakeholder group, we should define the ESG indicators that will be particularly important for it.

What ESG metrics are important to stakeholders? By answering this question, we will find out which ESG issues should be prioritised in order to meet stakeholder expectations and even exceed them! The response will also help you tailor your communication to efficiently deliver information on topics that are most important to your specific target groups.

Step 4: Starting point

If we don't know where we're starting from, it's hard to measure our progress. That is why it is so important to take initial measurements to describe the current state of the company and assess the relative maturity of ESG across the organisation. At this stage, it is worth collecting information on the competition's ESG activities.

Step 5: Set ESG goals

Goals may include maintaining good performance, improving weak areas, and optimising performance or overall performance. ESG goals are not universal – they should be adapted to a specific business and the company's impact on the environment. It is helpful to set an ambitious goal with sub-goals that are measurable, easier and faster to achieve.

Some goals may include industry certifications such as B Corp certification. Others may include moving the business to LEED-certified buildings or achieving sustainability goals.

Environmental goals

Environmental goals will generally focus on reducing total carbon emissions, reducing waste and water use. They can also focus on the transition to sustainable energy and supply chain management and increasing efficiency.

Social goals

Social goals may include closing wage gaps, better employee benefits, better working conditions and a safer working environment. Other social goals include improving the living conditions of the local community, supporting social causes and ethical sourcing of raw materials.

Governance goals

These goals include transparency of the board structure, diversity and decision-making. It is also data storage, security, good accounting practices, financial transparency and business ethics.

Step 6: Create an ESG plan

This is where you create your ESG development plan. What can you do right now? What is included in the annual, five-year or ten-year plan? Breaking down big ESG goals into a plan of achievable steps with realistic goals will greatly increase the likelihood of implementation.

Step 7: Implement the ESG plan and measure key metrics

After defining the current state of the company and preparing the roadmap, it's time to start implementing ESG goals. Key Performance Indicators (KPIs) need to be defined to evaluate progress. Successful ESG strategies set measurable goals. It is worth getting acquainted with the proposed new European Sustainability Reporting Standards.

In order to successfully implement the previously developed ESG strategy, it is necessary to identify the place of data collection that we will report. Data resides at all levels of the organisation. Why? ESG is a very broad set of issues: from labour and governance issues to climate change, deforestation, water and waste management, to the supply chain. After appointing persons responsible for specific indicators, we can develop/choose the system in which we will report.

Various international institutions such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) and the International Integrated Reporting Framework (IRF) provide templates for ESG reporting.

In order to standardise the integrated reporting framework, the EU adopted the CSRD Directive and commissioned the development of European Sustainability Reporting Standards (ESRS), which will consist of over 100 new indicators.

Regular monitoring and updates are essential. Using a centralised management system or KPI tracking software will make it easier to assess important sustainability metrics.

Step 8: Publish Regular ESG Reports

Using the aforementioned frameworks and external assessment tools, plan an annual performance report for key stakeholders. In the first report, it is important to highlight the policies and programs that are already in place and to assess progress.

Reports can include organisation- or industry-specific metrics, as well as an assessment of commitment and progress on key sustainability indicators.

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