# ESG Policy – General Pointers

An Environmental, Social, Governance (ESG) Policy is more than a document. Effective ESG implementation is a dynamic and continuous process initiated and supported by management, and involves engagement between the company, its workers, local communities directly affected by the company’s operations and, where appropriate, other stakeholders. A good ESG Policy is appropriate to the nature and scale of a company’s ESG risks and impacts can lead to improved financial, social, and environmental outcomes.

## Why companies should address this topic

### Risk for the business

Failure to implement robust ESG practices could lead to a numerous risks including:

* + - Fines and penalties
    - Loss of license to operate
    - Excessive expenditure in managing ESG risks and impacts
    - Higher staff turnover
    - Reputational damage
    - Reduced access to markets, clients, and investors

## General Advice

### ESG policy corresponds with the level of the ESG risks and impacts

Consider whether the ESG policy corresponds with the level of ESG risks and impacts associated with the company’s activities, contractors, and relevant supply chains.

The best ESG policy is not the most complex or comprehensive one in terms of documents and reports but the one which allows a company to identify and manage ESG risks and impacts and improve performance over time efficiently and effectively.

### ESG development vs. ESG implementation

There is a significant difference between developing an ESG Policy (i.e., documenting the policy and management plans) and implementing ESG (i.e. following the documented policies, management plans and continuous identification of areas for improvement).

Bear in mind that some companies may not have a fully documented ESG management system, but still manage their key risks relatively effectively. In this case all that is required is to strengthen the management plans. By contrast, some companies may have very robust written ESG management system that has not been effectively implemented.

### Continuous improvement

One of the key objectives of a management system is the continuous improvement of the company’s ESG performance. Therefore, it is important for companies to understand what the key ESG factors are and prioritize them when it comes to defining KPIs and, more broadly, establish a company-level strategy. ESG should not be seen as a ‘tick-box’ exercise as this will lead to a sub-optimal use of human and financial resources and may not improve the company’s performance overtime or may do it in an inefficient manner. To achieve continuous improvement, ESG should always be able to evolve as the company and/or the circumstances change.

**[Company Name]**

**Environmental, Social, and Governance (ESG) Policy**

[Month, Year]

**About [Company Name]**

[Include a general description of the Company and business in terms of focus, operations, and goals]

**The importance of ESG to [Company Name]**

ESG is embedded in [Company Name]’s (“the Company”) corporate culture and is an integral part of our business. Our ESG Policy (“Policy”) is a living document which supports our aim to achieve profitability, growth, the conservation of energy, and protection of natural resources, while acting in an ethical and integral way.

This policy defines the framework for sustainability along all three dimensions of ESG at [Portfolio Company Name] and provides a governing platform for workstreams to create long lasting value for our business, environment, and society.

Sustainable development means taking responsibility for the impact our actions have in the financial, environmental, and social dimensions. Through this and with this we acknowledge that our actions affect our natural resources, our employees, our customers, our society, our business partners, and our communities. To this end, we encourage the involvement of all stakeholders and ensure that our policy is well communicated, implemented, monitored, and reviewed periodically.

**Driving Value through ESG Commitments**

In carrying out our mandate of promoting sustainable development, the Company will effectively and equitably manage environmental and social (E&S) risks and impacts, and improve outcomes of all its activities. This policy presents the commitments of the Company and articulates the principles and standards to which the Company will hold itself accountable. Through this policy, the Company will require that all activities – including strategy and planning activities – commit to the following environmental and social objectives. The Company pledges to define and communicate the top three ESG strategic priorities at the beginning of each performance year across the staff-body and to include these visibly and noticeably as part of the greater strategic efforts set out.

We will conduct business operations in accordance with assessments of all environmental, health and social legislation and risks, including efficiency in resource usage, prevention of pollution, and ensuring community health, safety, and security. In so doing, we will develop and implement management programs to address any ESG-related risks – both of direct and indirect nature – relevant to our business.

***Risks are considered based on the following three dimensions:***

* ***Scope – relates to the extent of impacts and includes the physical footprint of operations, supply chains, associated facilities etc.***
* ***Type – relates to evident environment, social and labor impacts***
* ***Future proofing – are there emerging or potential issues that will have an impact on the company (increased GHGs regulation, changes to labor laws or energy/water pricing etc.)?***

**Environmental Objectives and Risks**

[List of examples below. To be amended as relevant and applicable to the Company]

|  |  |  |
| --- | --- | --- |
| Objective | Associated Risk(s) | Mitigation Strategy |
| Avoid, and where impossible, mitigate adverse impacts to people and the environment | … | … |
| Foster environmental responsibility by increasing employee awareness of the environmental control system and objectives and ensure commitment to environmental work through education and training | … | … |
| Continuously work to reduce consumption of electricity, water, and heat in the organization | … | … |
| Ensure appropriate access to safe water, sanitation, and hygiene for all employees | … | … |
| Complying with applicable laws and regulatory environment | … | … |
| Encouraging our employees to make continuous improvement proposals that may affect the environmental areas in a positive direction | … | … |

**Social Objectives and Risks**

[List of examples below. To be amended as relevant and applicable to the Company]

|  |  |  |
| --- | --- | --- |
| Objective | Associated Risk(s) | Mitigation Strategy |
| Adoption of fair business practices | … | … |
| Promoting human rights |  |  |
| Ensuring fair working conditions |  |  |
| Talent development and retention |  |  |
| Encouraging gender diversity |  |  |
| Constructive engagement with all internal and external stakeholders |  |  |

**Governance Objectives and Risks**

[List of examples below. To be amended as relevant and applicable to the Company]

|  |  |  |
| --- | --- | --- |
| Objective | Associated Risk(s) | Mitigation Strategy |
| Commitment to implementing high quality corporate governance | … | … |
| Transparency and disclosure |  |  |
| Promoting good practices for anti-corruption |  |  |
| Considering whistleblower policies, procedures, and practices |  |  |
| Ensure board structure and roles act independently and in the best interest of the company |  |  |

[How will these commitments – that apply to your business – drive opportunities and value to your Company?]

***Ways in which commitments may drive value to your business include:***

* ***Cost saving – e.g., adoption of resource efficiency measures and improving employee working conditions OHS***
* ***Increased revenues – e.g., accessing new markets that demand higher ESG performance and developing products that optimize resource use.***
* ***Reduced risk – e.g., better relationships with stakeholders***
* ***Enhancing labor productivity – e.g., better HR management, reduced staff turnover etc.***
* ***Improved access to capital and investment – e.g., better governance and evidence of good ESG practices***

As part of the Company’s overarching commitment to ESG and in addition to the ESG commitments outlined, [Company Name] is particularly dedicated to fostering understanding of ESG, the policy, and the Company’s commitments across all employees. Under this Policy, the Company pledges to have regular staff-wide meetings and/or townhalls to discuss commitments to ground this understanding.

**Compliance and Reporting**

* We comply with principles of applicable civil, environmental, and social laws, and pledge not to accept or offer bribes including requiring our employees to pledge to do the same and hold them accountable to the same ethical conduct that the Company holds itself to [Reference or cross link Ethical Conduct Code, if applicable].
* We are transparent, ethical, and accountable to the principles and commitments set out in this Policy, including adhering to the principles of good corporate governance across our business operations.
* We comply with [name the (international) laws and regulations you comply to related to the ESG framework as it pertains to your Company and business].
* Furthermore, the Company is devoted to engaging all its stakeholders in ESG-related matters. We aim to do so by opening communication channels for the receipt of feedback on the one hand. One the other hand, we aim to provide our stakeholders with reasonable access to all information necessary to monitor and evaluate [Company Name]’s compliance with ESG commitments and this Policy. This information will be available in form of annual reports and timely updates during designated stakeholder meetings such as board meetings.

**Appendix**

The Policy is not an alone standing document, with the depth of the ESG commitments outlined anchored in further-reaching, independent policies and process across [Company Name]. These are referenced and included in the subsequent pages as appendices to the Policy.

However, the nature and number of these may change periodically with final reference to be made to these policies as alone standing documents rather than the versions included in the appendices below.

[Include other policies or documents – at least in reference – which relate to the ESG Policy outlined. For example policies on whistleblowing, data privacy and security or environmental issues.]