International Labour Organization

# ESG Leadership Essentials

A sustainability training course for enterprises



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# About the training course

The business case for sustainability is incontrovertible. Where enterprises embrace sustainability, their performance increases. Not only are they more resilient, but these enterprises also access new markets whilst retaining access to existing ones and increase their funding opportunities. Sustainability has also become unavoidable. Pressure from regulators, consumers and others grows for enterprises to adopt ESG (Environmental, Social, and Governance) standards, whilst investors increasingly look for companies that know and manage their ESG risks.

This course equips enterprises with the knowledge, tools and experience to make ESG work for their company. Participants will receive the latest information and advice on ESG, while fifteen exercises give participants hands-on experience of bringing ESG to life. At the end of the course, participants take home a set of handouts featuring practical tools and templates, which can be used directly at their companies.

> Sustainability unlocks opportunities. Set your members up for success.

After participating in this training course, enterprises will:

- Understand the concept of ESG, including key terms and current trends.
- Recognize the business case for embracing ESG and understand its relevance to their company.
- Have the confidence and know-how to develop a company-wide ESG strategy.
- Have the skills to accurately report and disclose company ESG performance.
- Be aware of new opportunities for sustainable funding and how to make the most of these.

The ESG Leadership Essentials training course is designed for Employer and Business Membership Organizations (EBMOs) to deliver to their members. It is relevant to enterprises of all sizes across all sectors and world regions. This training course is designed around flexible modules. EBMOs can deliver the entire training course over two full days or pick and mix modules most relevant to them and their members. Each module can be adapted by the EBMO to suit the national, sector and industry context of training participants, as well as the ESG maturity of participating companies.

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# Abbreviations and acronyms

| | |
|---|---|
| **AI** | Artificial Intelligence |
| **CEO** | Chief Executive Officer |
| **CFO** | Chief Financial Officer |
| **CSR** | Corporate Social Responsibility |
| **DEI** | Diversity, Equality and Inclusion |
| **EBMO** | Employer and Business Membership Organization |
| **EIF** | European Investment Fund |
| **ESG** | Environmental, Social, and Governance |
| **EU** | European Union |
| **GDP** | Gross Domestic Product |
| **HDI** | Human Development Index |
| **ILO** | International Labour Organization |
| **ILS** | International Labour Standard |
| **OECD** | Organisation for Economic Co-operation and Development |
| **R&D** | Research and Development |
| **SDGs** | Sustainable Development Goal |
| **SME(s)** | Small and Medium-sized Enterprises |
| **$tCO_2e$** | Tonnes of carbon dioxide equivalent |
| **UN** | United Nations |
| **WEF** | World Economic Forum |

# Information for trainers

This training course for enterprises on how to make the most of Environmental, Social, Governance (ESG) standards has been developed by the ILO LEADER (Leading Employers in Action for Social and Environmental Responsibility) Programme. It is designed to be delivered by Employer and Business Membership Organizations (EBMOs) to their members. This chapter provides background information to the training course as well as tips on preparing for the training workshop.

## Why EBMOs?

There are many different organizations offering sustainability training to enterprises, from management consultancies to dedicated ESG consultancies and universities. In many countries the provision of sustainability training takes place in a congested marketplace. So why should EBMOs venture into this space?

### EBMOs are well-placed to support enterprises

EBMOs are particularly well-placed to support enterprises to navigate ESG challenges and opportunities.

- **Reach among smaller and national enterprises**

  EBMOs are able to reach the entire business community, from small enterprises to large multinationals, across all regions and sectors. They have the ability to communicate solutions to business leaders in a language they can understand and action. While many existing ESG training courses target larger, often multinational, enterprises, EBMOs can fill the gap in the market when it comes to training smaller and/or national companies on sustainability.

- **Trusted partner**

  EBMOs, especially those with a non-profit status, are a trusted partner for enterprises. As the voice for business, the EBMO has long-term relationships with its members, unlike other training providers. The EBMO understands the enterprise's context and needs and is able to provide tailored support. This gives the EBMO a strong competitive advantage.

- **Technical understanding of ESG**

  EBMOs understand how social, economic, political, and environmental issues relate to sustainability in both individual enterprises and the wider ecosystem they operate in. EBMOs also have a deep understanding of the international frameworks that underpin sustainability, often having been directly involved in the corresponding negotiations.

- **Global expertise**

  EBMOs not only have their own expertise on the full range of sustainability issues, but their international networks also mean that they can mobilise and convene international technical experts where necessary. This includes a unique and direct channel to the ILO's expertise.

## EBMOs benefit from ESG services to members

A 2025 survey by the ILO LEADER Programme of 90 EBMOs in 65 countries shows that more than half (58 per cent) of EBMOs worldwide already offer member services or activities specifically related to ESG, with four out of five EBMOs surveyed predicting demand will increase.

Since launching ESG services for their members, EBMOs report:

- Greater member engagement (56 per cent).
- Increased participation in policy discussions (46 per cent).
- Increased profile and influence (46 per cent).
- The setting up of new partnerships (42 per cent).
- Membership growth (23 per cent).
- An increase in grants or funding (23 per cent).

## ILO support for EBMOs scales impact

With so many training courses out there on sustainability and ESG, why should EBMOs choose to deliver this one?

Firstly, the ILO, among all other UN organizations, is *the* expert on EBMO needs. This training course is based on an EBMO needs analysis carried out by the ILO LEADER Programme. It is designed to deliver exactly what EBMOs are looking for.

Importantly, International Labour Standards form the basis for many of the considerations for social critieria (the S in ESG). The ILS are extensively referenced and used by companies when making ESG disclosures, in particular the core labour standards mentioned in the Declaration on the Fundamental Principles and Rights at Work. These focus on freedom of association and collective bargaining, forced labour, child labour, discrimination, and occupational safety and health.

Secondly, this training course is backed by more than 20 ILO LEADER Programme products on ESG, all specifically designed for EBMOs. The products effectively build and refine EBMO ESG capacity. They include business case templates, research briefs, videos, all materials required to deliver a national ESG business award, a guide on setting up and running ESG advisory services, and much more. These products allow EBMOs to build (or improve) an entire sustainability programme, of which this training course can be a part.

Thirdly, ESG can act as an umbrella initiative for services the EBMO offers already, many of which are supported by the ILO. For example, many EBMOs offer services on industrial relations, DEI, preventing and addressing child labour, and more. These are all in the scope of ESG and are also covered by ILS and ILO initiatives and expertise.

Finally, the ILO provides further support and technical expertise through its regional employer specialists. These can be contacted directly with any further questions.



The ILO LEADER Programme's products can be found in the ILO Leader Programme's online resource hub. A simple online map matches the EBMO's ESG goals and maturity levels with the right products. Individual products are also referenced throughout this manual for trainers looking for additional information.

## Course objectives

This training course will enable EBMO members to:

- **Understand the concept of ESG**, including key terms and current trends.
- **Recognize the business case** for embracing ESG at enterprise level.
- **Develop and implement a company-wide ESG strategy.**
- **Report and disclose company ESG performance.**
- Identify opportunities for, and access, **sustainable funding.**

It is recommended that this course be certified by EBMOs, with participants receiving certification upon successfully completing all course objectives. This will help to motivate training participants and add credibility to course completion.

## How to use the training manual

The training manual and accompanying resources adopt a global perspective. The manual and resources are designed to be **adapted by the EBMO to fit their national context**, as well as, ideally, the sector and/or enterprise context of the training participants.

**Adaptation notes:** The manual contains **notes for trainers** in *italics*. These notes, among other things, suggest areas for adapting the manual and other resources to fit the national, sectoral, or company contexts. Exercises are also in italics. Suggestions for adaptation in the slideshows are highlighted in yellow, with additional notes for trainers in italics in the note pages.

**Course structure:** The course is structured around **modules**. If delivered in full, the course would take two full days. Trainer(s) have the flexibility to deliver the entire course or select and mix specific modules most relevant to the audience (more on this below).

**Exercises and activities:** The manual proposes **15 exercises** designed to enhance learning. Trainers may not need to use all the exercises. It is up to the trainer to pick the most appropriate exercises for their audience and adapt these as they see fit.

**Summarize and wrap-up:** At the end of every module some time has been allocated for the trainer to summarize key learnings, ask participants if there are any questions or comments, and then close the module.

## Background information

As already mentioned, the ILO LEADER Programme has produced a suite of ESG products targeted at EBMOs. These include:

- Briefs demonstrating the business case for ESG to enterprises and the government.
- A short video that promotes this training course, and another one on the business case for sustainability.
- Business and EBMO sustainability success stories.
- Research briefs on governance standards, sustainability terminology, and a policy tracker.

All these products provide useful background information to the course and can help in preparing for delivery. The products are available in the ILO Leader Programme's online resource hub.

To effectively prepare for this course, trainers should also research the latest relevant global and national reports as well as guidelines issued by national stock exchanges. These materials provide essential insights into the latest ESG trends, regulatory and market requirements.

## Target audience

The training course is suitable for enterprises of all sizes and sectors except for micro-enterprises of ten or fewer staff. While the course is designed for participants from different enterprises, it can also be adapted for participants who all work for the same employer or in the same sector.

Two formats are offered:

1. A comprehensive two-day session for staff directly involved in ESG strategy development and implementation (e.g., Chief Sustainability Officers, ESG Managers, HR Directors, Compliance Officers, Risk Managers).
2. A shorter, introductory training for senior executives (e.g., CEOs, high-level managers) providing a strategic ESG overview. This could focus on Module 2 (What is ESG?) and module 3 (The business case for ESG).



The ILO LEADER Programme's brief **ESG for businesses of all sizes: The importance of ESG for SMEs** examines ESG adoption challenges across different business sizes, with a focus on SMEs. It provides recommendations to EBMOs on how to adapt their ESG services and communications to different business sizes. The brief can be found in the ILO LEADER Programme's online resource hub.

## Duration and format

The training course has been designed to be delivered flexibly, with trainers able to pick and mix modules. The full training programme is designed to span two full days if all modules are covered, though the duration may vary depending on participants' familiarity with the content and the level of additional national, sectoral, or enterprise-specific information that trainers choose to incorporate.

When designing the agenda for the training course, please bear in mind that:

- **Module 1 (Introductions)** introduces participants to the topic, each other, and the rules of the training course. It can be delivered at the start of the training course regardless of which other modules are being delivered.
- **Module 2 (What is ESG?)** and **module 3 (The business case for ESG)** have been designed so they can also be delivered together, either online or offline, as a short, stand-alone introduction to ESG. A draft programme for an introductory training, for example for CEOs, can be found further down.
- **Module 4 (How to develop an ESG strategy), module 5 (How to deliver an ESG strategy) and module 6 (ESG reporting and disclosure)** are designed to be delivered together and in person. These are the most practical modules of the training course and feature most exercises. Many of the exercises are based on a fictional company case study and use the results of previous exercises. Delivering these modules should take approximately 8:30 hours (excluding breaks) and could therefore be programmed over two half-days.
- **Module 7 (Sustainable funding)** mostly uses a lecture-based format and can also be delivered as a short standalone training, either online or offline.

Each module begins with an estimated timeline, providing guidance on both the module's overall duration and the suggested timing for each section.

## Training programmes

Below are draft training programmes that can be amended by EBMOs to suit their needs. The first programme covers the full, two-day training course. The second programme proposes an introductory half-day training course in the shape of a breakfast for CEOs.

**Example of structuring the ESG training programme, two full days agenda**

| Day 1 | |
|---|---|
| **8:30-10:30** | **Module 1. Introductions (30 minutes)**<br>1.1 Training course aims, programme, and timetable (5 minutes)<br>1.2 Ground rules (5 minutes)<br>1.3 Getting to know each other (15 minutes)<br>1.4 Why your EBMO supports its members on ESG (5 minutes)<br><br>**Module 2. What is ESG? (40 minutes)**<br>2.1 ESG and its components (5 minutes)<br>2.2 What makes ESG different? (25 minutes)<br>2.3 The ESG process (5 minutes)<br>Summarize and wrap-up (5 minutes)<br><br>**Module 3. The business case for ESG (45 minutes)**<br>3.1 ESG is on the rise (5 minutes)<br>3.2 ESG business benefits (40 minutes) |
| **10:30-10:50** | Break |
| **10:50-12:40** | **Module 3 continued. The business case for ESG? (35 minutes)**<br>3.3 ESG risks (30 minutes)<br>Summarize and wrap-up (5 minutes)<br><br>**Module 4. How to develop an ESG strategy (75 minutes)**<br>4.1 Assess ESG performance, risks and opportunities (75 minutes) |
| **12:40-13:40** | Lunch |
| **13:40-15:30** | **Module 4 continued. How to develop and ESG strategy (110 minutes)**<br>4.2 Engage stakeholders (75 minutes)<br>4.3 Determine materiality (35 minutes) |
| **15:30-15:45** | Break |
| **15:45-17:00** | **Module 4 continued. How to develop an ESG strategy (75 minutes)**<br>4.4 Prioritize and mitigate ESG risks (75 minutes) |

| Day 2 | |
|---|---|
| 8:30-10:10 | **Module 4 continued. How to develop and ESG strategy (55 minutes)**<br>4.5 Write the ESG strategy (50 minutes)<br>Summarize and wrap-up (5 minutes)<br><br>**Module 5. How to implement the ESG strategy (45 minutes)**<br>5.1 Define and assign roles and responsibilities (35 minutes)<br>5.2 Assess company policies and plug gaps (5 minutes)<br>5.3 Communicate the ESG strategy internally (5 minutes) |
| **10:10-10:30** | Break |
| **10:30-12:10** | **Module 5 continued. How to implement the ESG strategy (75 minutes)**<br>5.4 Monitor ESG performance (70 minutes)<br>Summarize and wrap-up (5 minutes)<br><br>**Module 6. ESG reporting and disclosure (25 minutes)**<br>6.1 What is ESG disclosure? (5 minutes)<br>6.2 Recognized reporting standards (20 minutes) |
| **12:10-13:10** | Lunch |
| **13:10-15:10** | **Module 6 continued. ESG reporting and disclosure (120 minutes)**<br>6.3 Seek external verification (5 minutes)<br>6.4 Communicate progress (110 minutes)<br>Summarize and wrap-up (5 minutes) |
| **15:10-15:30** | Break |
| **15:30-17:00** | **Module 7. Sustainable funding (85 minutes)**<br>7.1 Grants and subsidies for sustainable enterprises (5 minutes)<br>7.2 Sustainable loans (5 minutes)<br>7.3 Sustainable finance: Shares and bonds (50 minutes)<br>7.4 Investors increasingly look for sustainability (10 minutes)<br>Summarize and wrap-up module (5 minutes)<br>Summarize and wrap-up training (10 minutes) |

**Example of structuring an introductory ESG training programme, half-day agenda**

| CEO Breakfast | |
|---|---|
| **8:30-9:45** | **Welcome (10 minutes)**<br>The EBMO Director-General welcomes participants and sets the tone<br><br>**Module 1. Introductions (25 minutes)**<br>1.1 Training course aims, programme, and timetable (5 minutes)<br>1.2 Ground rules (5 minutes)<br>1.3 Getting to know each other (15 minutes) (the proposed exercise in the manual could be replaced by a short speed networking session)<br>1.4 Why your EBMO supports its members on ESG (5 minutes)<br><br>**Module 2. What is ESG? (40 minutes)**<br>2.1 ESG and its components (5 minutes)<br>2.2 What makes ESG different? (25 minutes)<br>2.3 The ESG process (5 minutes)<br>Summarize and wrap-up (5 minutes) |
| **9:45-10:00** | Break |
| **10:00-11:30** | **Module 3. The business case for ESG (80 minutes)**<br>3.1 ESG is on the rise (5 minutes)<br>3.2 ESG business benefits (40 minutes)<br>3.3 ESG risks (30 minutes)<br>Summarize and wrap-up (5 minutes)<br><br>**Close (10 minutes)**<br>The EBMO Director-General thanks participants, informs them of additional ESG training courses offered by the EBMO, and closes the training |

## Group size

The size of the group can impact the pace of the training. Larger groups generally require more time to ensure effective learning, while smaller groups may progress more quickly. For the best training experience, a group size of 20-25 participants is recommended. If the group is larger, having two or more trainers can help manage the session more effectively.

# Course materials

The training course is composed of the following materials:

**1.** This training manual

**2.** A slide deck for each module

**3.** Handouts for training participants (see Annex 2).

- Handout 1 - Case Study: Fictional company Safari Foods
- Handout 2 - Enterprise assessment tool
- Handout 3 - ESG stakeholder mapping template
- Handout 4 - ESG stakeholder prioritization template
- Handout 5 - ESG materiality matrix template
- Handout 6 - ESG risk heat matrix template
- Handout 7 - Bow tie analysis template
- Handout 8 - ESG strategy template
- Handout 9 - ESG report template

**4.** Fifteen exercises for participants to enhance learning and provide hands-on experience of ESG in practice.

- Draft answers to exercises 11 and 13 (see Annex 3)

**5.** One pre- and two post-training questionnaires to monitor the difference the course made to participants and their company (see Annex 4).

# Preparing for the training course

This section outlines the preparatory work that should take place before the training happens.

## Promote the training course

At least one month prior to the course, the EBMO should actively promote it to relevant businesses. This can be achieved through, for example, newsletters, WhatsApp group messages, and social media posts. The ILO LEADER Programme has produced a video, a flyer and customizable social media cards that can help EBMOs to promote the course. These are available in the ILO Leader Programme's online resource hub.

## Contact participants beforehand

One to two weeks before the course, trainers should contact registered participants to introduce themselves and explain the aims of the course. Participants should be asked to fill in and return the pre-training questionnaire.

## Explore the venue

For in-person training, trainers should ideally visit the venue beforehand and check all necessary equipment, such as slide projectors, is available. Trainers should also check internet connections and distance to power sockets.

Materials needed for the exercises in the training course, in addition to Handouts, are:

- Post-it notes
- Flip charts or whiteboard
- Marker pens

Trainers should consider the best arrangement for the audience, such as round table settings as opposed to a classroom layout, and the possibility of break-out groups inside or outside the main room. Additionally, they should note the locations of bathrooms and emergency exits.

## Get to know the audience

To make the training effective and worthwhile, it is crucial to tailor the content to the knowledge, experience and expectations of the participants. This involves assessing the participants' existing knowledge and experience of ESG. The pre-training questionnaires will help gauge the audience's familiarity with the topic, allowing trainers to adapt the training material accordingly.

Some enterprises may have already trained their staff on sustainability. In such cases, trainers should find out what was covered. Other enterprises may have already dealt with specific sustainability incidents such as accusations of greenwashing in the media. Trainers should learn about these incidents and how they were dealt with by the company.

Trainers should also consider the participants' roles and positions within their organizations. If participants are from the same enterprise but occupy different hierarchical positions, with some being more senior than others, this may affect their engagement with the training. For example, if ESG Managers are being trained and their CEO is present, this may influence how the audience interacts with the trainer, depending on the national and/or enterprise culture.

If it is not possible to find out more about the participants beforehand, trainers should spend a few minutes at the beginning of the training course to explore their knowledge and background. However, it is normally possible to obtain, at a minimum, a list of participants that includes their role and position.

## Adapt the training to the context

This training manual targets a global audience. Trainers should incorporate country-specific information where relevant and available (suggestions are included in the manual). If all the training participants work in the same sector, the training could also be adapted to include sector-specific content, such as case studies from enterprises within that sector.

When training participants from the same company, the material can be further customized to fit the enterprise context. For example, if time allows, the training could specifically review the sustainability efforts of that enterprise. Additionally, inviting an enterprise representative to discuss and outline the importance of embracing ESG for the company can provide valuable context and motivate the training participants.

## Online training

If training online, the EBMO can start by selecting reliable platforms such as Zoom, Microsoft Teams, or Google Meet for video conferencing. The chosen platform should support essential features like breakout rooms for group discussions and screen sharing for presentations. To boost participant engagement, the EBMO can include polls, Q&A sessions, , videos, audio tracks, and more. Trainers should provide participants with clear joining instructions ahead of time and include a brief orientation at the beginning of the session to introduce the platform's features.

## Next step: ESG advisory services

In addition to providing sustainability training to their members, EBMOs increasingly provide tailored ESG advisory (or consultancy) services to companies. This can be a natural next step for enterprises that are interested in additional support following participation in the training course. It can also present an opportunity for income generation for the EBMO.

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"We rolled out our ESG training course for FKE members and the Kenyan market in October 2022, with the design based on information gathered through the ILO ESG Pulse Check and member focus groups. The ESG courses have become immensely popular, especially those that include site visits to businesses leading the way. By May 2025, a total of 123 companies had participated. Several of these companies wished to take things a step further and we are now providing them with tailored consultancy services. The ESG training courses not only created demand for sustainability consultancy services but also contributed to covering the costs of our first consultancies."

Eric Munyobi
Manager Consulting & Training Services
Federation of Kenya Employers (FKE)

The ILO LEADER Programme has produced a comprehensive guide that advises EBMOs on how to set up and run ESG services for members. *How to set up successful ESG advisory services: A practical guide for employer and business membership organizations on driving sustainability* (once again available in the ILO Leader Programme's online resource hub) supports EBMOs in enhancing their members' sustainability performance while simultaneously generating additional income for the EBMO. The guide has a strong focus on working with small and medium-sized enterprises (SMEs) and is designed to be used directly in interactions with members.

The guide is aligned with this training manual and offers practical, step-by-step advice on:

- **How EBMOs can set up paid ESG advisory services for their members.** The guide covers basic topics from understanding market demand for ESG services to designing and pricing these services, and finally, to launching and tracking performance.
- **How EBMOs can help companies develop and implement effective ESG strategies**, from conducting materiality assessments and engaging with stakeholders to bringing the strategy to life through people, policies and practices.
- **How to support businesses to report and disclose their ESG performance.** This includes an overview of the main reporting frameworks used by the private sector, practical tips for writing and communicating the company's ESG performance and celebrating success.
- **How to assist member companies in accessing sustainable funding.** Sustainability pays, including through easier access to funding. This guide takes EBMOs through the basic options for sustainable funding open to their members.

The guide offers a flexible menu of options for services and delivery methods from which the EBMO can pick and choose. Each chapter features practical steps, actions and templates that EBMOs can adapt to their specific contexts and the company they are working with. Whether the EBMO is just starting out or looking to enhance its existing ESG services, this guide provides the tools and knowledge that underpin success.

Module

1

# Introductions

| Total module time | 30 minutes |
|---|---|
| **1.1 Training course aims, programme, and timetable** | 5 minutes |
| **1.2 Ground rules** | 5 minutes |
| **1.3 Getting to know each other** | 15 minutes |
| **1.4 Why your EBMO supports its members on ESG** | 5 minutes |

The learning objectives of this module are for participants to:

1. **Know the aims of the training course, as well as topics covered and the daily timetable.**
2. **Understand and respect the ground rules of the training course.**
3. **Get to know each other.**
4. **Feel able to share and learn in an environment of trust.**
5. **Feel motivated to participate actively.**

*This introductory section can be used at the beginning of the training course, regardless of which modules trainers are covering.*

## 1.1. Training course aims, programme, and timetable

*The trainers should share the aims of the course with participants. If the full course material is not being used, the trainer should adjust the aims accordingly. Learning objectives for each module are provided at the start of each module.*

This training course helps enterprises to:

- **Understand the concept of ESG**, including its key terms and current trends.
- **Recognize the business case** for embracing ESG at enterprise level.
- **Develop and implement a company-wide ESG strategy.**
- **Report and disclose company ESG performance.**
- Understand and access **sustainable finance.**

*The trainer should introduce the overall training programme and the daily timetable (reference PowerPoint slides). The trainer should amend the slides according to (1) the modules being delivered and (2) whether the training sessions are offered full days or half days.*

## 1.2. Ground rules

The trainers should introduce themselves and set the ground rules of the training course:

- Explain that the classroom is a safe, confidential and respectful environment where everyone should feel free to speak and share their own experiences. Emphasize that information shared by participants must remain confidential and not be shared outside the training.
- Mobile phones should be set to silent, and participants should refrain from texting or reading of messages during the training.
- No laptops should be used if the training is taking place in person.
- Encourage everyone to start and end on time.
- Be respectful of other participants and facilitators and avoid interrupting.

*Consider picking a participant to oversee time keeping, and another to monitor phone and laptop use.*

## 1.3. Getting to know each other

**Exercise 1** **Icebreaker: The ESG Trivia Challenge.**

| | |
|---|---|
| **Learning objectives:** | For the participants to get to know each other and create a positive and energetic tone in the classroom. |
| **Duration:** | 15 minutes |
| **Instructions:** | Ask each participant to briefly introduce themselves, specifically mentioning their name, job title, and enterprise name (unless staff are being trained from the same enterprise).<br>Then do the rapid fire ESG Trivial Challenge as a group. The multiple-choice questions below aim to spark conversation and friendly competition. The correct answers are indicated by a tick.<br>This exercise can be an effective ice breaker at the start of an in-person as well as an online training workshop. |

**1.** What is the primary greenhouse gas responsible for global warming? ('E' in ESG)

- **a.** Methane
- ☑ **b.** Carbon dioxide
- **c.** Nitrogen
- **d.** Oxygen

**2.** What is the purpose of a "blind recruitment" process? ('S' in ESG)

- ☑ **a.** To remove identifying details from applications and reduce bias
- **b.** To hire candidates without interviews
- **c.** To prioritize senior employees over new hires
- **d.** To avoid assessing qualifications during hiring

**3.** In corporate governance, what does the term "whistleblower" refer to? ('G' in ESG)

- ☑ **a.** A person who alerts authorities to unethical behaviour
- **b.** A company's environmental audit report
- **c.** A policy document for board members
- **d.** A financial metric used in ESG reporting

**4.** What does the term "greenwashing" refer to in ESG discussions? ('E' in ESG)

- **a.** Investing only in renewable energy
- **b.** Government regulations for sustainability
- ☑ **c.** When a company makes false or misleading statements about the positive environmental impact
- **d.** A company's effort to achieve net-zero emissions

## 1.4 Why your EBMO supports its members on ESG

As we will see later in this training course in more depth, a growing body of evidence shows that embracing sustainability is good for business. The positive benefits include:

- Reduced costs.
- New and more investors and consumers.
- Better company reputation.
- Improved talent recruitment and retention.
- Better risk management.
- Strong community relationships.

Of course, there is also increased regulatory pressure to comply with ESG expectations, as well as a moral imperative. However, the positive effects of ESG on the bottom line are undeniable.

This is why the *(insert name EBMO)*, together with the ILO, has developed this training for its members. It is just one of the initiatives to support enterprises to fully achieve the business benefits of sustainability. *(Promote any other relevant initiatives if appropriate).*

*The trainer could share a motivating statement or video from the EBMO's Chief Executive Officer/Director General, or this could be delivered in person. If training staff from the same enterprise, the motivational message could also come from the enterprise Chief Executive Officer/Director-General or a senior executive.*

Module

2

# What is ESG?

| Total module time | 40 minutes |
|---|---|
| **2.1 ESG and its components** | 5 minutes |
| **2.2 What makes ESG different?** | 25 minutes |
| **2.3 The ESG process** | 5 minutes |
| **Summarize and wrap-up the module** | 5 minutes |

The learning objectives of this module are for participants to:

- **Understand the components of ESG, in other words the 'E', the 'S' and the 'G'.**
- **Understand how ESG differs from other ethical and sustainability business initiatives and what makes it unique.**
- **Gain a basic understanding of the ESG process at enterprise level.**

*Module 2 and module 3 (The business case for ESG) have been designed so they can also be delivered together, either online or offline, as a short, stand-alone introduction to ESG.*

## 2.1 ESG and its components

The term 'ESG' refers to a collection of business performance criteria on how the company is managing its social and environmental impact. ESG performance is widely used by:

- **Investors** to evaluate a company's sustainability performance and financial potential.
- **Financial institutions** such as banks to allocate sustainable loans.
- **Governments** to guide and implement regulation on sustainability and human rights.

### ESG components

ESG is made of three separate components. The 'E' stands for 'environmental', the 'S' for 'social' and the 'G' for 'governance'. Each component covers different performance criteria, delivered through different company policies, practices and initiatives.

#### Environmental (E)

The environmental criteria focus on **conservation of the natural world**. Nature comprises all living plants, animals, and fungi, and their interactions with non-living elements such as air, water, soil, and climate. The world's entire economy is dependent on nature, with over half of global GDP being moderately to highly dependent on nature.[1]

Environmental criteria focus on, among other things:

- Energy use
- Waste management
- Pollution prevention and management
- Biodiversity conservation
- Treatment of animals
- Climate change
- Deforestation
- Water scarcity

[1] World Economic Forum, Nature Risk Rising : Why the Crisis Engulfing Nature Matters for Business and the Economy, 2020.

### Social (S)

This standard is about **people and relationships**. This includes the company's relationships with its employees, suppliers, customers, and the communities where it operates. It includes factors like respect for human rights, labour practices, diversity, equality and inclusion (DEI), health and safety, and community engagement. The social component of ESG is often divided into the following categories.

**Human and labour rights**

- Decent working conditions
- Social protection
- Employee relations
- Occupational safety and health
- Forced labour and human trafficking
- Child labour

**Diversity, equality, and inclusion**

- Gender equality
- Equal opportunities

**Workplace**

- Workplace culture
- Privacy and data security

**Conflicts and politics**

- Engagement in high-risk areas
- Political risk
- Social inequalities

**Stakeholder impact**

- Community engagement
- Philanthropy
- Consumer safety
- Product accessibility

### Governance (G)

These are standards for **running a company** covering, for example:

- Executive pay
- Audits
- Internal controls
- Shareholder rights
- Effectiveness of the board of directors
- Risk management
- Transparency and corruption.

### Additional information

While environmental and social standards are relatively straightforward to grasp, understanding governance standards can be more challenging. The ILO LEADER Programme has produced a brief entitled **The "G" in ESG for EBMOs**, which clarifies governance within ESG, focusing on leadership, decision-making, and accountability. It includes case studies and best practices. The brief can be found in the ILO LEADER Programme's online resource hub.

## 2.2 What makes ESG different?

There are many responsible business conduct initiatives other than ESG that training participants are likely to have worked with or heard of. While these are linked to ESG, they are also different. Some of the most common ones include the Sustainable Development Goals (SDGs), Responsible Business Conduct (RBC), Corporate Social Responsibility (CSR), Business and Human Rights (BHR) and Socially Responsible Investing (SRI).

| **Exercise 2** | **Differences and similarities: ESG and other sustainable business conduct initiatives.** |
|---|---|
| **Learning objectives:** | For the participants to understand how ESG is similar and different to existing initiatives on ethical and sustainable business conduct. At a more basic level, this exercise should encourage participants to pool their knowledge on ESG and other ethical and sustainable business conduct initiatives. |
| **Duration:** | 20 minutes |
| **Instructions:** | Split the participants into five groups. Ask each group to compare ESG to one of the initiatives below (SDGs, RBC, CSR, BHR, SRI). Ask each group to come up with at least one similarity and one difference. After ten minutes, ask a spokesperson for each group to briefly report back to the entire group. Write down all answers and use the information below to debrief the participants.<br><br>If the training is online, this exercise could be adapted. The trainer could ask the group as a whole which ethical and sustainable business conduct initiatives they know and how these are similar and different to ESG. |

### ESG and other initiatives: Similarities and differences

- **Sustainable Development Goals (SDGs)**

  The SDGs are global goals set by the UN to address pressing environmental, social, and economic challenges. While both the SDG and ESG frameworks focus on sustainability, they serve somewhat different but overlapping purposes and audiences. The SDGs are predominantly used by governments, nonprofits and communities for policy-making and national level tracking. ESG frameworks are used for enterprise performance evaluations, risk management and investment decisions. Saying this, many businesses use the SDGs to inform their ESG strategy and mention them in their ESG reporting to show alignment with global priorities.

- **Responsible Business Conduct (RBC)**

  RBC is a practical framework that enables enterprises to implement the SDGs. It helps companies to avoid and address the negative consequences of their operations and contribute to sustainable development. RBC is often used in enterprise policies, compliance and risk management and tied to regulatory frameworks. The aim is generally to go above and beyond regulatory requirements. Unlike ESG, CSR is not driven by the expectations of investors and other stakeholders and does not involve a measurable sustainability assessment. RBC can be operationalized through various approaches, including CSR and BHR.

- **Corporate Social Responsibility (CSR)**

  CSR focuses on a company's voluntary initiatives to manage its societal and environmental impact. CSR has an internal focus and an emphasis on changing organizational culture. It often includes evaluating the company's performance on economic, environmental, and social goals using the "Triple Bottom Line" approach. This expands traditional business success metrics to categories that are commonly referred to as the three "P's": People, planet, and profit.

- **Business and Human Rights (BHR)**

  Together with CSR, BHR contributes to bringing RBC to life. BHR refers to the set of principles adopted in 2011 in the UN Guiding Principles on Business and Human Rights (UNGPS). These define the different duties and responsibilities of governments and enterprises. BHR rests on three pillars: The State's duty (obligation) to protect human rights, the corporate responsibility (expectation) to respect human rights, and access to remedy for those whose rights have been infringed.

- **Socially Responsible Investment (SRI)**

  Socially Responsible Investment (SRI) builds on RBC and sustainability principles. It is an investment strategy that incorporates environmental, social and governance considerations alongside financial ones. The objective is to generate competitive financial returns while contributing to positive societal and environmental outcomes.

  Both SRI and ESG promote ethical investing and are frameworks used by investors. However, while SRI focuses on excluding unethical investments (such as investments in tobacco and weapons) and actively investing in companies that promote responsible practices, ESG is about evaluating companies' sustainability performance. In addition, ESG involves a wider group of stakeholders than just investors. SRI is the precursor to ESG investing (more information on sustainable investments can be found in Module 7).

## ESG is unique

To summarize, compared to other private-sector focused sustainability and ethical behaviour initiatives, ESG is unique in that:

- It serves as an **enterprise and investment assessment framework** rather than a policy initiative, a set of principles or ethical guidelines.
- It is **stakeholder driven**, with input from investors to consumers, the local community and beyond.
- It includes **systematic evaluation and monitoring of sustainability performance**. ESG relies on measurable data and scoring systems.
- It has a strong focus on the identification, prevention and mitigation of **risks** and making the most of **opportunities** for sustainable growth.



The glossary in Annex 1 has an overview of different business sustainability terms and initiatives.

The ILO LEADER Programme has produced a short brief for EBMOs and enterprises called **Navigating the ESG Alphabet Soup** which sheds light on the terminology surrounding ESG and other business sustainability initiatives. The brief can be accessed by visiting the ILO LEADER Programme's online resource hub.

## 2.3 The ESG process

*This section provides a brief introduction to modules 5 and 6, which go into much more depth on how to develop and implement an enterprise ESG strategy, and how to report and disclose ESG performance. For participants who are also joining training on module 5 and 6, this section could be shortened.*

The process of assessing and communicating sustainability performance at enterprise level helps to make ESG unique. There are three basic stages in a company's ESG journey – **strategy development, strategy implementation, and reporting and disclosure**. Once the business has communicated its ESG performance to relevant stakeholders, it uses the available information to revisit its ESG strategy, thereby going back to the first stage, ESG strategy development, and starting the cycle again with a view to continuous improvement.

### Measuring ESG performance

Measuring sustainability performance is an ESG cornerstone. ESG performance assessment is based on clear metrics that have been measured consistently over time. These metrics are usually set in out in the **ESG strategy, developed through consultation with key stakeholders such as staff, consumers, investors and the local community**.

Examples of basic, commonly used metrics are below.

- **Environmental metrics**
  - Energy consumption (MWh)
  - Greenhouse Gas (GHG) emissions ($tCO_2e$[2])
  - Water consumption ($m^3$)
  - Amount of waste produced (e.g. in kgs)
- **Social metrics**
  - Workforce size and composition (e.g. total number of employees, with disaggregation by key demographics such as gender)
  - Employee training and development (e.g. average training hours per employee)
  - Health and safety performance (e.g. annual number of workplace accidents)
- **Governance metrics**
  - Board composition and diversity (e.g. current percentage of female board members and change over time)
  - Risk management (e.g. annual number of risk assessments conducted)
  - Data protection (e.g. number of incidents where unauthorized access to company data took place)

[2] Tonnes of carbon dioxide equivalent.




## Recognized reporting standards

Recognized ESG reporting standards can help to structure how a company measures and reports its ESG performance. Adopting an existing, recognized reporting standard can **streamline the ESG reporting process, improve data accuracy, and enhance credibility with stakeholders**. However, it can also be **burdensome and costly** and may not be necessary in the case of smaller companies.

Examples of commonly used **voluntary** reporting standards by the private sector are below.

- **Global Reporting Initiative (GRI)**

  The GRI provides general and sector standards for overall sustainability reporting and is one of the most widely used reporting frameworks.

- **IFRS Sustainability Disclosure Standards**

  IFRS standards are designed for financial markets and focus on ESG risks and opportunities that are financially material to companies.

- **International Organization for Standardization (ISO)**

  ISO's approach to standards is more operational. Global ISO standards like ISO 14001 (environmental management) and ISO 26000 (social responsibility) are technical in nature and focus on management systems, processes, and performance improvement.

In addition to voluntary reporting standards, increasing numbers of companies are subject to mandatory reporting standards. These can be issued by national stock exchanges or national or regional governments.

*Please briefly mention any voluntary or mandatory reporting standards affecting the participants and their enterprises.*

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Summarize and wrap up the module (5 minutes)

Module

3

# The business case for ESG

| Total module time | 80 minutes |
|---|---|
| **3.1 ESG is on the rise** | 5 minutes |
| **3.2 ESG business benefits** | 40 minutes |
| **3.3 ESG risks** | 30 minutes |
| **Summarize and wrap-up** | 5 minutes |

The learning objectives of Module 3 are for participants to understand:

- **Why ESG is increasingly in the spotlight.**
- **Which stakeholders are pushing for its adoption.**
- **The business benefits of embracing ESG.**
- **Which ESG risks are most urgent.**

*This chapter explores the business case for ESG from a global perspective. Trainers should add information relevant to the national, sector and enterprise context.*

*Module 3 and module 2 (What is ESG?) have been designed so they can also be delivered together, either online or offline, as a short, stand-alone introduction to ESG.*

## 3.1 ESG is on the rise

More and more businesses are embracing ESG, and they are not alone. Stakeholders from **investors to governments to staff and consumers** are pushing for greater adoption of ESG by businesses and other organizations. These stakeholders are interested not only in businesses' social and environmental impacts but also in how ESG issues affect the enterprise's financial performance and prospects.

The overwhelming perception among EBMOs is that demand for ESG services is and will continue to grow. According to a 2025 survey by the ILO LEADER Programme of 90 EBMOs in 65 countries:

- Eight out of 10 EBMOs report that member demand for ESG services has risen in the past five years.
- Four out of five EBMOs expect demand for ESG services to grow in the next one to three years.

The global push toward sustainability is driven by urgent challenges like **limate change and rising inequality.** Enterprises in many countries are now required by law to report on their sustainability policies, practices and performance. Company supply chains are increasingly in focus, with more and more legislative measures requiring companies to identify, prevent, mitigate and account for their social and environmental impacts including those of their indirect suppliers. In addition, investors are now more inclined to allocate capital to businesses that demonstrate strong ESG practices as this is linked to better overall performance.

These trends have made ESG considerations central to business strategy and operations. ESG considerations are no longer optional; they are integral to business success.

## 3.2 ESG business benefits

A growing body of evidence shows that sustainable business models have significant positive impact, including on the financial bottom line. This section takes a closer look at why and how ESG benefits businesses.

> Businesses that embrace ESG increase social and environmental impact as well as financial performance.

**To demonstrate the business case for embracing ESG, trainers can play this short, animated ILO LEADER Programme video (3 minutes).**

**Additional information**

The GRI has produced this two-minute video featuring an interview with South African SME Tipp Focus on how adopting ESG standards has benefited the company.

**Exercise 3** **The business benefits of ESG.**

| | |
|---|---|
| **Learning objectives:** | For participants to become aware of the business case for ESG. |
| **Duration:** | 20 minutes |
| **Instructions:** | Trainers should ask participants to write on separate post-it notes what, in their view, are the three most positive impacts on business performance of embracing ESG. Ask them to put the post-it notes on a wall/white board. Look at the post it notes together and categorize the results into groups, if possible. Trainers should compare to the list of benefits below and mention any benefits that were missed by participants before going into each benefit in more detail.<br><br>If the training takes place online, this exercise could be changed to a group discussion. |

There are many benefits of embracing ESG. Enterprises that embrace ESG:

- Reduce costs.
- Improve risk management.
- Win consumers.
- Improve company reputation.
- Avoid compliance costs.
- Access finance and funding.
- Attract and keep top talent.
- Drive innovation.
- Build strong community and government relations.

Each benefit is explored in more detail below.

*Where possible, trainers should replace the evidence outlined under each business benefit below with evidence relevant to the national, sector and/or enterprise context.*

## a. Reduce costs

ESG strategies lead to cost savings and more financial stability through operational efficiencies. For example, Australian EBMO Business Chamber Queensland helps businesses to reduce costs by 22 per cent through its ecoBiz sustainability programme. This helps SMEs to audit their resource use, manage carbon emissions and save on costs, all while reducing waste, water and energy consumption.

**Additional information**

For more information on Business Chamber Queensland sustainability programmes and their impact please see the relevant case study in the ILO LEADER Programme's online resource hub.

## b. Improve risk management

ESG practices include identifying and managing risks related to environmental, social, and governance factors. This not only helps to reduce costs, as we've already seen, but also ensures the company's resilience and business continuity in the longer term. We will take a closer look at ESG risks in just a moment.

## c. Win consumers

Consumers increasingly prefer sustainable products and companies. Consumers, particularly younger people (who are both current and future consumers), increasingly support brands that share their values and actively contribute to societal and environmental well-being. Company investment in ESG initiatives can therefore open new markets and customer segments.

- One study found that a majority (85 per cent) of consumers in 17 countries has already shifted purchase behaviour towards being more sustainable, with the shift being more significant for younger generations.[3]
- Consumers are willing to pay more for sustainable products. A study encompassing 31 countries, found that four-fifths (80 per cent) of consumers say they are willing to pay nearly 10 per cent more for sustainable produced or sourced goods.[4]

*Please mention any additional market research relevant to training participants.*

## d. Improve company reputation

Strong sustainability performance builds and maintains company reputation in several different ways.[5]

- **Customer loyalty**
  Consumers are more loyal to brands that demonstrate responsibility and sustainability. A company's dedication to ethical practices beyond profit also increases consumers' trust.
- **Brand differentiation**
  Strong ESG performance differentiates a company from its competitors, making it stand out from the crowd.
- **First mover advantage**
  Where a company is the first to embrace ESG, or do something new around ESG, it gains a competitive edge.

[3] Simon-Kucher, Global Sustainability Study 2021, 2021.

[4] PwC, Consumers Willing to Pay 9.7% Sustainability Premium, Even as Cost-of-Living and Inflationary Concerns Weigh: PwC 2024 Voice of the Consumer Survey, 15 May 2024.

[5] See for example Global Partner Solutions' "How ESG Benefits a Company's Reputation and Brand Image".

## e. Avoid compliance costs

More governments and regulatory bodies are imposing stricter regulations on environmental protection, social responsibility, and corporate governance. There is also a global trend to standardize and make sustainability reporting mandatory.

New regulations increasingly include supply chains, meaning that they affect companies of all sizes around the globe. While reporting requirements for SMEs can be less onerous, pressure is mounting.

Proactive compliance by adopting ESG standards avoids penalties and legal issues. Importantly, it also prevents loss of market access. Below are examples of new ESG-related regulations.

- Three major stock exchanges in China (the Shanghai, Shenzhen, and Beijing Stock Exchanges) are introducing new sustainability reporting guidelines. Large, listed companies will be required to report on ESG in their operations and supply chains, with the first reports expected in 2026.[6]
- In 2023 the European Commission's Corporate Sustainability Reporting Directive (CSRD) came into force. It broadens who must report, standardizes reporting, and expands the scope of reporting to include the value chain. All large and listed companies, including SMEs and non-European Union (EU) companies with substantial activity in the EU, need to report in accordance with the European Sustainability Reporting Standards (ESRS). The directive is being phased in and will apply across the board from 2028.
- In 2024 the Council of the European Union adopted the Corporate Sustainability Due Diligence Directive (CSDDD), which requires companies to conduct human rights and environmental due diligence to address adverse impacts of their actions, including in their supply chains worldwide. The new rules are expected to come into force in 2027.

## f. Access finance and other funding

Adopting sustainable practices can come at a cost, especially at the start of the ESG journey when the company is transitioning to (more) sustainable practices. Where companies do not have their own funds available, they can raise funds from other sources. The good news is that sustainable businesses often have more options when it comes to accessing funding and finance compared to other enterprises.

- **Investors look for ESG performance...**
  Demand for strong company ESG performance from both financial investors and lenders is growing. This is partly because of regulatory pressure but also because more data regularly becomes available showing the positive impact of ESG on business performance. Bloomberg expects ESG market assets held by investors (such as stocks and bonds) to surpass USD 40 trillion by 2030 and comprise over 25 per cent of the projected USD 140 trillion assets under management.[7]
- **...and so do lenders.**
  Corporate loan trends follow a similar trajectory to those seen in investment. Companies that integrate ESG are more likely to obtain loans and potentially at a better rate from banks and other lending institutions. The sustainable loan market showed robust growth in 2024, reaching EUR 907 billion (approximately USD 1.024 trillion) globally – an increase of 17 per cent compared to 2023.[8]
- **Government grants, subsidies and other support**
  Many governments (including national, regional and municipal) offer incentives for businesses to become more sustainable. This can include tax breaks, grants, loan guarantees and free technical advice.

*Module 6 will cover sustainable funding and finance in more detail.*

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[6] White and Case, ESG in APAC: 3 Trends to Watch in 2024, 7 March 2024.

[7] Bloomberg, 8 February 2024, Global Assets Predicted to Hit $40 Trillion by 2030, Despite Challenging Environment.

[8] BBVA Corporate and Investment Banking, February 2025, Green and Sustainability-Linked Loans.

## g. Attract and keep top talent

Companies with strong ESG commitments are more attractive to top talent who seek meaningful and responsible employment, positively impacting the bottom line. The social component of ESG, which focuses on company culture, community engagement, and DEI, is particularly influential when it comes to recruiting and retaining talent. The following examples show that company action on DEI, let alone all aspects of ESG, leads to significant positive business outcomes.

- ILO research on 12,000 employees across 75 countries shows that company action on DEI improves retention, reduces absenteeism, and leads to higher levels of employee productivity, engagement, and creativity.[9]
- In 2019, the ILO surveyed almost 13,000 businesses in 70 countries. Of those companies that track the impact of gender diversity initiatives promoting women in management, nearly 74 per cent report a profit increase of between 5 and 20 per cent.[10]
- A Deloitte study of employees in the US found that 80 per cent felt that inclusion is important when choosing an employer and that 23 per cent had already left an organization to work for a more inclusive employer.[11]

## h. Drive innovation

Adopting ESG standards leads to an organizational culture where employees think creatively about reducing waste, improving efficiency, community impact, and developing new products and services that align with the company's sustainability goals. Research on China's listed companies, for example, shows that strong company ESG performance positively influences green innovation.[12]

## i. Build strong community and government relations

Incorporating ESG principles into business strategies builds stronger communities, which in turn impact the bottom line. For instance, companies with environmental sustainability initiatives help to reduce pollution, manage waste responsibly, increase the use of renewable energy and conserve natural resources, among other things. Other businesses are involved in education and training programmes, improving healthcare provision, building infrastructure or emergency relief. All these initiatives contribute to healthier and more sustainable communities.

This a collaborative environment where companies can operate more smoothly and efficiently, reducing the risks associated with regulatory changes and community opposition. Businesses are better positioned to influence policy development that aligns with their strategic goals and can ensure that regulations are favourable and predictable. Supportive government relations can also facilitate, for example, faster permitting processes, access to incentives, and better infrastructure support.

*Please consider including a short case study of a relevant enterprise that has experienced the above benefits after adopting ESG standards. If a case study is included, this is likely to increase the amount of time it takes to deliver this module.*

9 ILO, 2022, Transforming Enterprises Through Diversity and Inclusion.

10 ILO, 2019, Women in Business and Management: The Business Case for Change.

11 Deloitte, 2017, Unleashing the Power of Inclusion: Attracting and Engaging the Evolving Workforce.

12 Liping Wu, Xingchen Yi, Kai Hu, Oleksii Lyulyov, Tetyana Pimonenko "The Effect of ESG Performance on Corporate Green Innovation", Business Process Management Journal, 3 June 2024.

**Additional information**

The ILO LEADER Programme has produced a short brief setting out the business case for ESG. The brief is targeted at enterprises and can be adapted by EBMOs to suit their specific context. The brief is entitled **Sustainable business, resilient future: How ESG leads to business success** and can be found in the ILO LEADER Programme's online resource hub.

## 3.3 ESG risks and opportunities

Identifying and managing environmental, social and governance risks is a big part of embracing ESG. This is what makes the company more resilient and financially successful in the long-term, which is why investors are especially interested in ESG risks.

ESG risks can stem from **internal factors** such as:

- The company's organizational culture
- Its operations
- Its supply chains
- Its geographic footprint (in other words, from the regions in which the company operates).

ESG risks can also stem from **external factors** such as:

- Regulations
- Market trends
- Stakeholder expectations
- Macroeconomic conditions (unemployment, economic downturns, supply chain disruptions and so on).

*This module introduces participants to ESG risks. The next module goes into detail on how to identify, prevent and mitigate ESG risks.*

### ESG risks and opportunities are linked

ESG risks and opportunities often go hand in hand. ESG risks must be identified and managed in order to reap the business benefits described above. For example, if rising energy bills and GHG emissions are risks, then installing solar panels using a cheap green loan becomes an opportunity. The solar panels reduce energy costs and add to the sustainability credentials of the company. Compared to competitors not embracing ESG, the company with solar panels has lower energy costs and better sustainability credentials, which in turn leads to business benefits such as improved reputation, more consumers, more investment, and so on.

> Addressing risks often leads to strategic advantages.

## ESG risks can lead to serious consequences

Where ESG risks are not identified, prevented and/or mitigated this can lead to serious consequences. Below are examples of risks for each ESG component and their potential impact.

- **Environmental risks**
  Risks such as extreme weather events, resource scarcity and pollution can lead to financial losses, supply chain issues, reputational damage, and more.
- **Social risks**
  These risks include poor labour practices, community relations, and customer satisfaction. Companies face labour-related ESG risks when they fail to uphold Fundamental Principles and Rights at Work. Failure to address social risks can lead to workforce disruptions, increased turnover costs, reputational harm, and legal challenges.
- **Governance risks**
  Governance risks arise from weaknesses in a company's internal policies, oversight, and ethical standards. Poor governance can lead to corruption, financial mismanagement, fraud, and regulatory non-compliance. These risks can damage the company's reputation and undermine its financial stability and operational effectiveness.

*Trainers may wish to include brief real-life examples of companies for which these risks materialized. Ideally the examples are relevant to the national, sectoral and enterprise context of the participants.*

## Global ESG risks

The World Economic Forum (WEF) publishes an annual global risks report. A "global risk" is defined as the possibility of an event or condition that, if it occurs, would negatively impact a significant proportion of global GDP, population or natural resources. Over the last two decades, **environmental risks have steadily** risen to become the greatest long-term concern. Societal risk such as **inequality** also rank high among today's leading concerns.

Below are the most important short- and longer term global risks identified by the WEF's 2025 Global Risks Report[13] in order of severity.

- **Global risks over the short term (2 years)**
  1. Misinformation and disinformation
  2. Extreme weather events
  3. State-based armed conflict (proxy/civil wars, coups, terrorism, etc.)
  4. Societal polarization
  5. Cyber espionage and warfare
  6. Pollution
  7. Inequality
  8. Involuntary migration or displacement
  9. Geoeconomic confrontation (sanctions, tariffs, etc.)
  10. Erosion of human rights and/or civic freedoms

[13] World Economic Forum, 2025, The Global Risks Report 2025.

- **Global risks over the long term (10 years)**

  1. Extreme weather events (e.g. floods and heatwaves which cause loss of human life, financial loss, ecosystem damage, and more).
  2. Biodiversity loss and ecosystem collapse
  3. Critical change to earth systems (long-term, potentially irreversible changes to critical planetary systems. For example, sea level rise from collapsing ice sheets, disruption of ocean and/or atmospheric currents, carbon release from thawing permafrost, etc.)
  4. Natural resource shortages
  5. Misinformation and disinformation
  6. Adverse outcomes of AI technologies
  7. Inequality
  8. Societal polarization
  9. Cyber espionage and warfare
  10. Pollution

## Sector-specific risks

Some ESG risks are more common in some sectors than in others. This is illustrated by a few examples below.

*If any of the example sectors below are to be covered in exercise 4, then trainers should refrain from mentioning these in their presentation.*

- **Energy**
  The energy sector is one of the most significant contributors to environmental problems and climate change controversies. Issues include high GHG emissions and environmental degradation, displacement of local communities, and health issues from energy projects.
- **Manufacturing**
  Manufacturing involves the production of goods, often with significant environmental and social impacts such as high consumption of water, energy and raw materials, worker health and safety risks, as well as air, water and soil pollution.
- **Retail**
  Retail has broad and direct impacts on consumers and communities, making social and environmental issues particularly salient.
- **Finance**
  Banks and other financial service providers face ESG risks due to their operating practices and their extensive influence on other sectors. Challenges include climate risk exposure from investments in carbon intensive industries and reputational damage from being associated with unethical companies.
- **Healthcare**
  Healthcare faces ESG risks related to ethical concerns in patient care and supply chain operations (e.g. rubber glove supply chains during COVID were found to use forced labour). Risks include breaches of patient data protection and worker safety risks such as exposure to infectious diseases and violence and harassment.

**Exercise 4** **National, sectoral and company ESG risks.**

| | |
|---|---|
| **Learning objectives:** | For participants to become aware of the most relevant ESG risks to their business. |
| **Duration:** | 20 minutes |
| **Instructions:** | This exercise is a short group discussion based around two questions.<br>1. Trainers ask participants which ESG risks are most relevant to their country and/or sector and/or company. Trainers write down the list of risks and add any risks that are missing. Trainers should have prepared a list of relevant national/sectoral/company ESG risks prior to the training.<br>2. Trainers should then ask participants if any of these risks also represent opportunities and have a short group discussion. |

The 2025 quote below by the Australian EBMO Business Chamber Queensland provides a good summary to close this module.

*The quote below could be replaced by a quote from a relevant senior staff member at the EBMO delivering the training.*

"One of the biggest business risks on the horizon is a changing climate. In Queensland, we've just had a cyclone. We currently have floods. We also have bushfires and droughts. That impacts our primary production, which is also our food bowl. But it also impacts our entire supply chain. We cannot move goods if supply chains are cut, so it affects trade too. And of course, this all impacts our workforce. But there are opportunities, not just risks, for businesses preparing for these changes. Rethinking your business model to deal with some of those climate risks might actually give you a leg up on your competitor."

Cara Westerman
General Manager, Business Sustainability
Business Chamber Queensland, Australia

Summarize and wrap up the module (5 minutes)

Module

4

# The business case for ESG

| Total module time | 315 minutes |
|---|---|
| **4.1 Assess ESG performance, risks and opportunities** | 75 minutes |
| **4.2 Engage stakeholders** | 75 minutes |
| **4.3 Determine materiality** | 35 minutes |
| **4.4 Prioritize and mitigate ESG risks** | 75 minutes |
| **4.5 Write the ESG strategy** | 50 minutes |
| **Summarize and wrap-up** | 5 minutes |

While earlier modules focused on building participants' knowledge of ESG, this module covers the **first practical stage in a company's ESG journey.** The sections in this module can be thought of as the basic steps a company can follow to develop its first ESG strategy. The order of the steps is suggestive and not descriptive. In practice, many of these steps are linked and likely to be carried out in parallel. Smaller businesses may require a lighter touch approach than larger businesses with a more complex set up.

The learning objectives of Module 4 are for participants to **understand the process, and gain practical experience in:**

- **Assessing ESG performance, risks and opportunities**
- **Engaging stakeholders**
- **Determining materiality**
- **Prioritizing and mitigating ESG risks**
- **Writing an ESG strategy**

*All exercises in this module focus on the case study of fictional company Safari Foods (see Handout 1 in Annex 2) and aim to give the participants practical experience of developing an ESG strategy. The case study can be adapted by trainers to suit the needs and context of training participants. Many exercises use the results of previous exercises therefore it may be easier to keep the same group composition for all exercises. If some exercises are skipped, this means that those that are carried out are likely to need amending.*

*This module is designed to be delivered together with module 5 (How to deliver an ESG strategy) and module 6 (ESG reporting and disclosure). These are the most practical modules of the training course and feature most exercises, making it preferable to deliver in person.*

## 4.1 Assess ESG performance, risks and opportunities

A business needs to have a basic understanding of its ESG performance and, ideally, understand ESG risks and opportunities, before it is able to start work on its ESG strategy. However, ESG assessment is iterative. Companies should start their ESG journey with the information they have and build on it.

In the last module we already looked at risks and opportunities. This section delves further into ESG performance assessment.

> Perfect data is not a prerequisite for meaningful change.

### The ESG Pulse Check

Assessing ESG performance can take time and effort. To speed up this process, the ILO LEADER Programme has designed a basic assessment tool for enterprises. The Enterprise ESG assessment tool (Handout 2) helps enterprises understand their strengths and weaknesses when it comes to ESG performance.

The ESG assessment tool is composed of 20 questions and takes about 20-30 minutes to complete, assuming the person(s) completing the survey has all the necessary information to hand. If the tool is used to self-assess ESG performance, the questions should be answered by a relevant staff member, such as a sustainability officer or a senior manager. It may take several staff members to complete the assessment as the questions cover all aspects of ESG. The tool can also be used by an ESG expert, such as an EBMO staff members, to assess the enterprise.

In addition to providing a snapshot of a company's ESG performance, the ESG Pulse Check results can also be used to inform an ESG baseline for the company, from which progress can be measured. This means the company completes the ESG Pulse Check at regular intervals.



**Exercise 5** **Assessing ESG performance, risks and opportunities.**

| | |
|---|---|
| **Learning objectives:** | To gain practical experience in assessing ESG performance and identifying ESG risks and opportunities. |
| **Duration:** | 60 minutes |
| **Instructions:** | **30 minutes** |

This exercise is essentially a SWOT (Strengths, Weaknesses Opportunities, Threats) analysis adapted to the ESG context. It assumes that participants have recently been trained in the last module on the business case for ESG. If this is not the case, summarize and present section 3.3 on ESG risks and opportunities before starting this exercise.

Trainers should split the participants into small groups. Hand each group one or more copies of the case study of fictional enterprise Safari Foods (Handout 1) as well as one or more copies of the Enterprise ESG assessment tool (Handout 2) which are available in Annex 2. The participants should imagine that they are ESG experts who help Safari Foods carry out its first ever ESG performance assessment and identify ESG risks and opportunities in the process.

***Part 1: ESG performance assessment***
Trainers should ask participants to read through both handouts and to:

- Identify at least one ESG strength for Safari Foods.

  *Example answers: 1. Safari Foods' high standard healthy and safety policy and practices. (2) The new warehouse is built with recycled materials and has solar panels . (3) the company provides local employment.*

- Identify at least one ESG weakness for Safari Foods.

  *Example answers: (1) Destroying surplus food. (2) Plastic packaging can cause pollution. (3) Under-representation of women, especially at senior levels, as well as gender segregation.*

**Exercise 5** *(cont.)* **Assessing ESG performance, risks and opportunities.**

***Part 2: Identifying risks and opportunities.***
In the last module, we looked at ESG risks and opportunities. Trainers should ask participants to:

- Come up with at least one potential ESG risk based on the case study. What questions could participants ask Safari Foods' senior management team about these risks?

  *Example questions: (1) SUPPLIER RISK - How does Safari Foods vet its suppliers? Does it consider ESG performance? (2) POLLUTION RISK - How is the plastic packaging disposed of by buyers? Who supplies the plastic packaging and do their operations comply with relevant regulations? (3) COMPLIANCE RISK - Food wholesalers must comply with strict food safety regulations. Does the new Head of Food Safety Compliance have the right background or is he being recruited because of the family connection?*

- In the last module, we also looked at the business case for ESG. Ask participants to come up with at least one ESG opportunity based on the case study.

  *Example answers: (1) Safari Foods sells its products under its own brand. Once the company is ready to communicate its ESG story, it can do so using its own packaging and directly reach its final consumers. This is likely to improve Safari Foods' brand image among consumers already asking for sustainability, giving the company a competitive edge.*
  *(2) Instead of sending surplus food to landfill, the company could donate it to the local community. This is likely to improve recruitment and retention, improve brand image, and potentially drive demand for its products. (3) The company could improve the gender balance as a whole and especially at more senior levels, including at board level. Research shows that this is likely to increase business performance.*

**30 minutes**

After the group work is complete, trainers should bring everyone back together and ask each group to briefly share their findings (3-4 minutes). Trainers should note all contributions, adding any that may have been missed and allowing time for group discussion.

## Benchmark ESG performance

Once the company has a basic idea of its ESG performance, it is time to find out how well it is doing compared to others. Benchmarking company ESG performance means to compare it to that of peers. It involves gathering information from public databases, company websites, and other reliable sources. Useful sources for benchmarking information include those mentioned below.

- **Your EBMO**
  Your EBMO *(insert EBMO name)* may have aggregated data on the ESG performance of its members. For example, some EBMOs use the ESG Rapid Assessment and Reporting Tool in a survey format to gather ESG data from members. In this case, the enterprise can compare its own ESG Pulse Check results to that of the wider group.

- **Key competitors**
  The company can identify its key competitors and check their websites for ESG performance. Many companies share at least some aspects of their ESG performance online.
- **Recognized reporting standards**
  Websites of recognized reporting standards often have benchmarking information. Examples include the Global Reporting Initiative (GRI) and the ISO standards.

  *Recognized reporting standards will be considered in more depth in Module 6 on ESG reporting and disclosure.*
- **ESG rating agencies**
  These agencies evaluate companies based on their ESG performance, examining aspects such as carbon footprints, labour practices, and corporate ethics. These agencies collect data from companies based on their public disclosures and surveys sent directly to companies. The data is then analysed and converted into ratings or scores, which provide valuable insights to stakeholders such as investors.

  Examples of commonly used ESG ratings agencies that provide (some) free ESG ratings at global level are:

  - MSCI
  - Morningstar Sustainalytics
  - CDP Climate, Water and Forest Scores

  *In addition to global ESG rating agencies, many countries have ESG ratings agencies working at a national level. Trainers should mention these where relevant.*
- **Certification standards**
  Any relevant certifications the company already has or may wish to acquire, such as MSC (Marine Stewardship Council) or FSC (Forest Steward Council).

  *Certification standards will be considered in more depth in the next module.*
- **Regulatory requirements**
  Any legal requirements at international level, including those stemming from the European Sustainability Reporting Standards (ESRS), should be considered in the benchmarking exercise, as should any national, sectoral or other requirements.

  *Trainers should outline any international, national, sector or other regulatory requirements that are relevant to the participants. This may add to the amount of time it takes to deliver this module.*

## 4.2 Engage stakeholders

Stakeholder engagement is the process of involving those people, groups or organizations that have an interest or stake in the company's operations, decisions, and overall impact. Put very simply, **it is impossible for the company to have a full overview of ESG risks and opportunities without consulting relevant stakeholders**. It is crucial to gain feedback from priority stakeholders on the company's ESG performance, policies and approach to ensure these are optimal. The ESG strategy should align with stakeholder expectations and lead to positive stakeholder engagement.

Gathering and analysing input from priority stakeholders will help the company to:

- **Make informed decisions**
  Incorporating the views of those directly affected by the company's ESG initiatives means that the company's sustainability approach will have the right vision while also being grounded in practicality.

- **Improve risk management**
  Proactively identifying and addressing ESG-related risks can prevent larger crises and financial repercussions and ensure regulatory compliance.
- **Improve its reputation**
  A company's reputation is heavily influenced by the quality of its stakeholder relationships. Positive relationships lead to a better brand image. Moreover, being transparent about ESG initiatives and performance will help the company to build trust among stakeholders, demonstrate a real commitment to ESG principles, and avoid accusations of greenwashing.
- **Ensure compliance**
  Open and honest communication with relevant stakeholders helps to ensure compliance with increasingly strict regulatory requirements.

> Priority stakeholders are often people, groups and organizations that most impact the company's ESG performance and/or are most impacted by it.

## Stakeholder engagement process

Engaging with stakeholders fundamentally involves three actions:

- **Mapping stakeholders**
- **Prioritizing stakeholders**
- **Consulting priority stakeholders**

Mapping and prioritizing stakeholders helps the company to identify those stakeholders it needs to consult in order to understand their interests, address concerns, and build stronger relationships, which are essential for long-term success. Once the information has been gathered, it needs to be analysed to identify ESG issues that are critical to priority stakeholders, as well as ESG strengths, weaknesses, risks and opportunities from all perspectives. This is the next step.

> A stakeholder engagement plan sets out when the company will communicate with, and seek input from, each priority stakeholder group.

The business is then ready to start work on a **stakeholder engagement plan**, which will also be included in the company's ESG strategy.

## Mapping stakeholders

It can be useful to split stakeholders into three different groups, especially in the case of larger, more complex businesses.

- **Internal stakeholders**
  People within the company such as employees, worker representatives, managers, health and safety leads, and board members.
- **Connected stakeholders**
  Those with an economic or contractual relationship with the company such as suppliers, partners, and advisors.
- **External stakeholders**
  Groups with diverse objectives such as the general public, government and the media, who can be influenced or otherwise impacted by the company's operations.

## Example of a stakeholder map




**Exercise 6** **Mapping ESG stakeholders.**

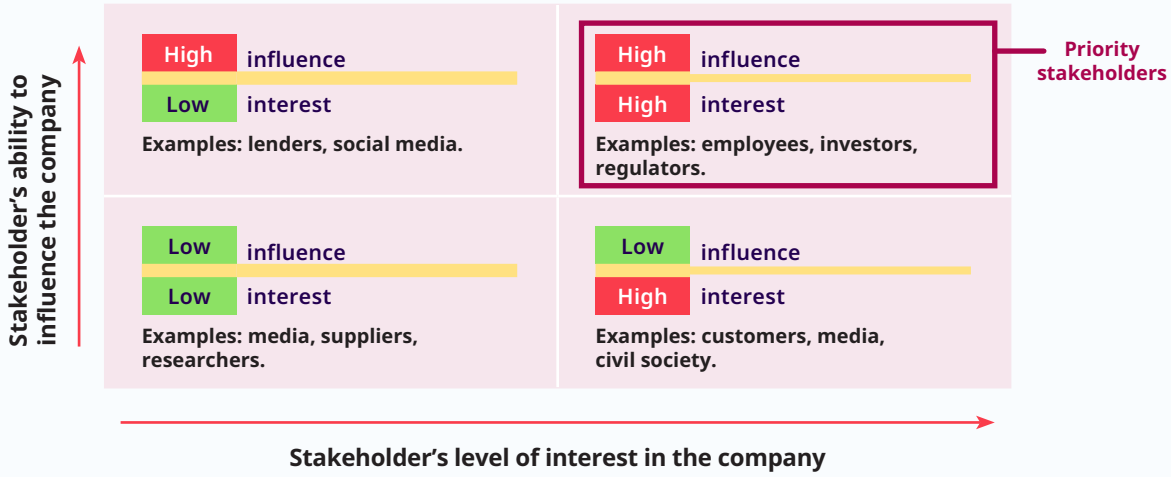
| | |
|---|---|
| **Learning objectives:** | To gain practical experience in mapping ESG stakeholders. |
| **Duration:** | 30 minutes |
| **Instructions:** | This exercise once again focuses on the case study of fictional company Safari Foods (Handout 1). Trainers should split the participants into small groups and hand each group one or more copies of the ESG stakeholder mapping template (Handout 3), available in Annex 2. The participants should once again imagine that they are ESG experts, this time helping Safari Foods to map its stakeholders.<br><br>Trainers should ask participants to read through both handouts and to propose at least three internal, connected and external stakeholders for Safari Foods. After 15 minutes, bring the group back together and ask every group to report the stakeholders they have identified. Trainers should copy the template on the flipchart and note all stakeholders. |

## Prioritizing stakeholders

Businesses, especially smaller businesses, may lack resources to engage with all relevant stakeholders. Identifying priority stakeholder by going from a long list to a short list can be useful. One way of doing this is by filling in a stakeholder prioritization matrix to assess and prioritize stakeholders based on the importance of the company's ESG impacts to the decision-making activities of these stakeholders.

## Stakeholder prioritization matrix

**Stakeholder prioritization matrix**




### Exercise 7 — Prioritizing ESG stakeholders.

| | |
|---|---|
| **Learning objectives:** | To gain practical experience of prioritizing ESG stakeholders. |
| **Duration:** | 30 minutes |
| **Instructions:** | This exercise once again focuses on the case study of fictional company Safari Foods (Handout 1). Trainers should split the participants into small groups and hand each group one or more copies of Handout 1 as well as one or more copies of the ESG stakeholder prioritizing matrix template (Handout 4), which are available in Annex 2. The participants should once again imagine that they are ESG experts, this time helping Safari Foods to prioritize its stakeholders.<br><br>Trainers should ask participants to read through both handouts, then refer back to the list of stakeholders they identified in the last exercise. They should place each stakeholder in one of the four squares of the matrix according to the stakeholder's ability to influence the company and their level of interest in the company. After 20 minutes, bring the group back together and ask every group to report where they have placed the stakeholders. Trainers should copy the template matrix on the flipchart and note the position of all stakeholders. |

## Consulting priority stakeholders

Stakeholder feedback can be gathered in various ways, from one-on-one conversations, surveys and focus groups to interactive workshops, open days, community events, and discussion panels. Below are examples of questions that EBMOs can ask stakeholders. The example questions aim to ensure that stakeholders feel heard while providing actionable information for the company's ESG strategy. It may be useful to introduce and explain the concept of ESG first.

**Overall expectations**

- What are your expectations of *(insert company name)* in terms of environmental, social, and governance practices?
- Are there any specific ESG initiatives that you think *(insert company name)* should pursue? Why?

**Material issues**

- Which specific ESG issues are most important to you?
- In your view, which specific ESG issues have the greatest impact on *(insert company name)*?

**Performance**

- How would you rate *(insert company name)*'s current ESG performance?
- Are there areas where you think the company should improve?

**Impact on stakeholders**

- How do *(insert company name)*'s operations, products, or services impact you/your community positively or negatively?

**Communications**

- What is the best way for *(insert company name)* to communicate its ESG progress to you? How frequently would you like updates?

*Consider including a short case study on a relevant enterprise that has successfully identified, prioritized and engaged its ESG stakeholders. This will increase the time it takes to deliver this module.*

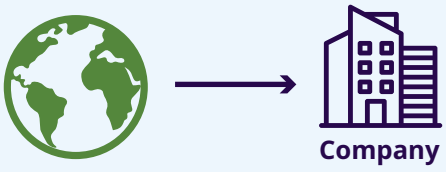
# 4.3 Determine materiality

A business is likely to have a long list of relevant ESG issues. Determining materiality is about deciding which ESG issues are most important and therefore should be included in the company's ESG strategy.

## Single vs double materiality

It is important to distinguish between single and double materiality. Recognized ESG reporting standards require companies to report on **double materiality**. This is also increasingly the case for SMEs. For ease of reference, many people use the term 'materiality' but what they really mean is double materiality. It is also sometimes called 'stakeholder materiality' as it is about how the company affects its (priority) stakeholders.

### Single materiality – How do external ESG issues impact the company?

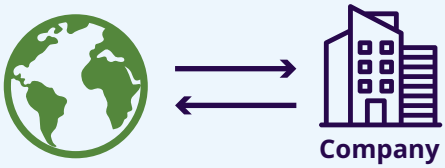


Single materiality effectively measures **financial materiality**. For example, when it comes to climate change, a company will ask:

- How does climate change affect the company's earnings, operations, physical assets, and other elements that contribute to enterprise value?

The primary audience for this type of information is **investors.**

### Double materiality – How do external ESG issues impact the company but also, how does the company impact these issues?




Double materiality recognizes that the external environment influences the company but also that the company influences the external environment. Double materiality measures **financial, environmental and social materiality**. For example, when it comes to climate change, a company will ask not one but two questions:

- How does climate change impact the company's earnings, physical assets, operations and more?
- How does the company impact climate change? This could be through GHG emissions, resource extraction (e.g. deforestation, mining), supply chain operations, and more.

The primary audiences for this type of information consist of **consumers, employees, civil society, investors and regulators.**

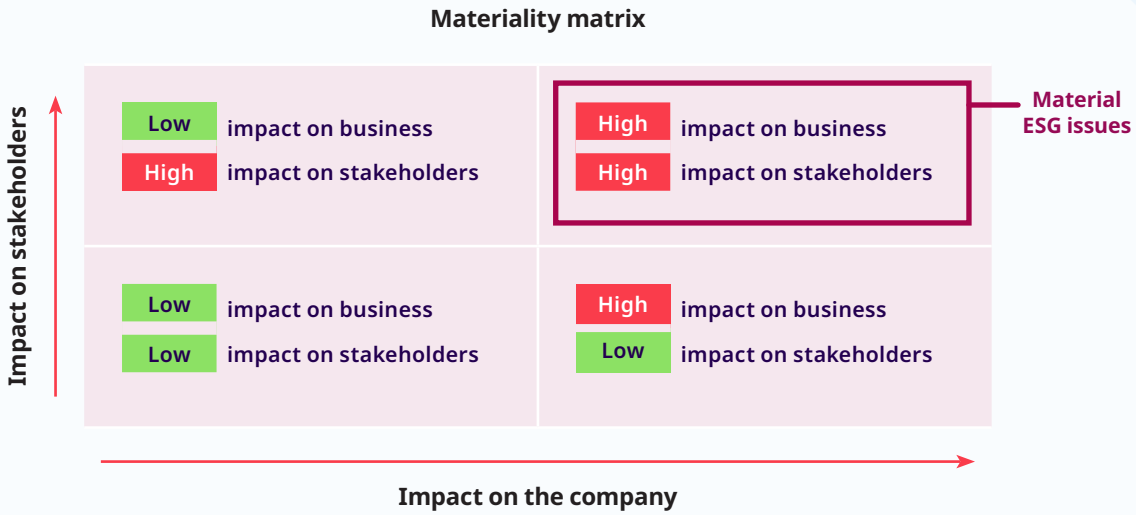
## Assessing materiality

Much of the information necessary to determine double materiality has already been gathered during previous steps in this module. At this point, the enterprise knows what its ESG strengths and weaknesses are, is aware of some of the key risks and opportunities and has a list of priority stakeholders. As a result, the enterprise has a **longlist** of company-relevant ESG issues. Recognized ESG frameworks, such as the Global Reporting Initiative (GRI) and ISO standards can also feed into the longlist.

*Recognized ESG reporting standards will be covered in more detail in Module 6 on ESG reporting and disclosure.*

To make the most of limited resources, the next step is for the business to create a **shortlist** of material issues. Material issues are those that have a high impact on the business as well as on priority stakeholders. A common way of identifying material issues is to populate a materiality matrix, which plots ESG issues relevant to the company based on their importance to stakeholders and their potential impact on the company (earnings, physical assets, operations and more). Once identified, material issues can be categorised as either environmental, social or governance issues.

## Materiality matrix




### Exercise 8 — Identifying material ESG issues.

| | |
|---|---|
| **Learning objectives:** | To gain practical experience of using the ESG materiality index. |
| **Duration:** | 30 minutes |
| **Instructions:** | This exercise once again focuses on the case study of fictional company Safari Foods (Handout 1). Trainers should split the participants into small groups and hand each group one or more copies of the ESG materiality matrix template (Handout 5), available in Annex 2. The participants should once again imagine that they are ESG experts, this time helping Safari Foods to identify its material ESG issues.<br><br>Trainers should ask participants to consider Safari Foods' ESG strengths, weaknesses, opportunities, risks and priority stakeholders and come up with a list of five ESG issues for the company. They should place each issue in one of the four squares of the matrix according to the impact of the ESG issue on the company and on its priority stakeholders. After 15 minutes, bring the group back together and ask every group to report where they have placed the issues and why. Trainers should copy the template matrix on the flipchart and note the position of ESG issues.<br><br>*Examples of ESG issues include:*<br>*Environmental issues - Carbon footprint, food waste, sustainable sourcing, packaging waste.*<br>*Social issues - DEI, recruitment, community impact.*<br>*Governance issues - Compliance with food safety standards, board diversity, supply chain management.* |

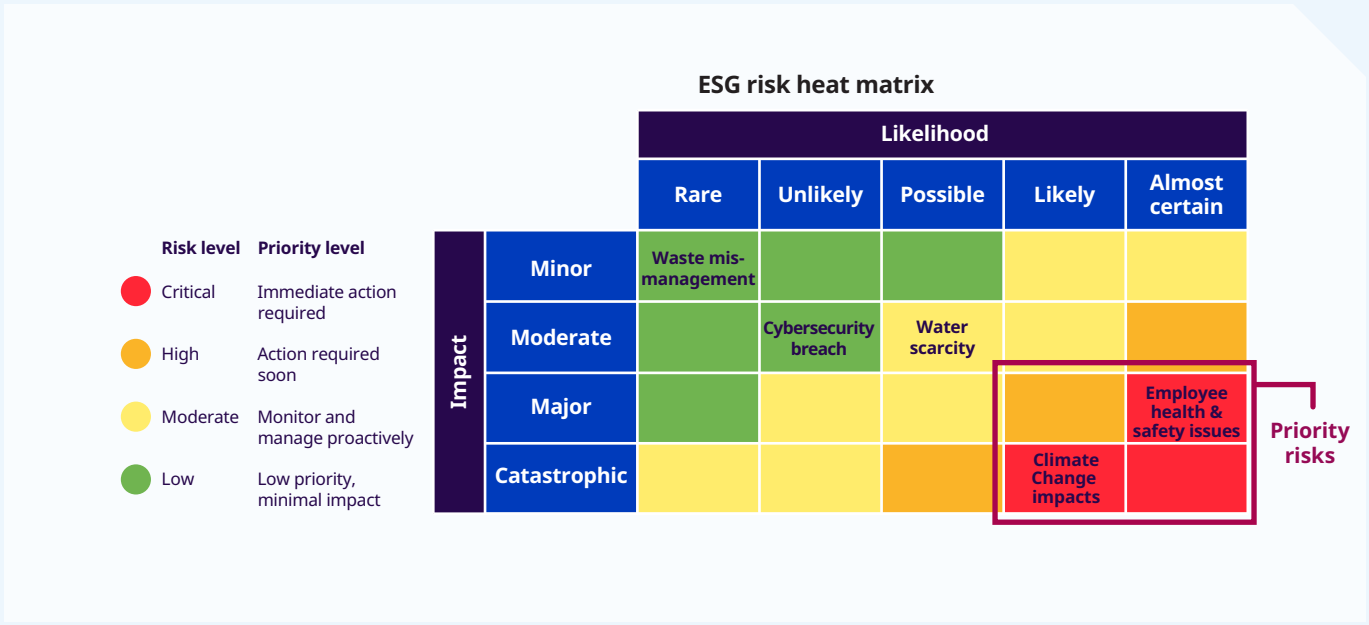
## 4.4 Prioritize and mitigate ESG risks

The enterprise has already identified a number of risks as part of its initial assessment. Once stakeholders have been consulted and material ESG issues are identified, the company can draw up a **longlist** of ESG risks and opportunities. Once the business knows which risks require attention most urgently, it can come up with mitigation strategy.

### Prioritizing risks

A risk heat matrix turns the longlist of ESG risks into a **shortlist** of priority risks. The first step in the risk assessment process is to rank risks based on two key factors: their probability of occurring and the potential impact if they do. The most urgent risks—marked in red or orange—should be prioritized for action as they pose the greatest threat to the organization. Some examples of risk prioritization are in the ESG risk heat matrix below.

### ESG risk heat matrix




Unlike materiality assessments, which consider the views of stakeholders when it comes to identifying key ESG issues, the heat matrix is an internal risk assessment tool. While materiality assessments pinpoint ESG issues, the heat matrix allows businesses to prioritize these by determining the level of associated risk. The heat matrix exercises is ideally done on a regular basis as well as after any relevant incidents or changes in the business environment.

**Exercise 9** **Using an ESG risk heat matrix.**

| | |
|---|---|
| **Learning objectives:** | To gain practical experience prioritizing ESG risks. |
| **Duration:** | 30 minutes |
| **Instructions:** | This exercise once again focuses on the case study of fictional company Safari Foods (Handout 1). Trainers should split the participants into small groups and hand each group one or more copies of the ESG risk heat matrix template (Handout 6), available in Annex 2. The participants should once again imagine that they are ESG experts, this time helping Safari Foods to prioritize its ESG risks.<br><br>Trainers should ask participants to go back to the list of risks they identified for Safari Foods at the start of the module. They should place each risk in the risk heat matrix according to its impact and likelihood. After 15 minutes, bring the group back together and ask every group to report where they have placed the risks and why. Trainers should copy the template ESG risk heat matrix on the flipchart and note the position of ESG issues. |

## Mitigate ESG risks

Once risks have been prioritized, strategies can be put in place to mitigate those risks that warrant attention. **Risk mitigation** refers to the strategies and actions a company takes to reduce the impact or likelihood of potential threats. Instead of simply reacting to risks when they occur, mitigation involves proactive planning to minimize vulnerabilities and enhance resilience.

Risk mitigation can either be:

- **Proactive:** A company anticipates the risks and develops preventative measures (for example, improving environmental standards or investing in cleaner technologies).
- **Reactive:** A company has contingency plans in place for when the risks materialize (for example, crisis management plan or, insurance).

There are four main ways to mitigate risks, with the impact and likelihood of the risk determining the best way forward.

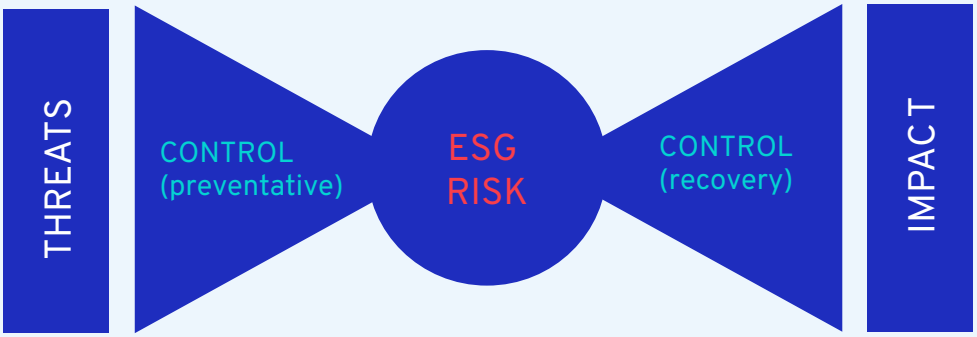
- **Accept**
  The company willingly and knowingly takes the risk in order to pursue an opportunity. For example, a manufacturer that uses high volumes of water in a region of moderate water scarcity may decide to keep this risk as relocating to a region with ample water supply is too costly, and the water scarcity is manageable.
- **Avoid**
  The company decides not to start or continue the activity that leads to the risk. For example, in a situation where a company discovers that a supplier uses child labour, the company decides to conduct due diligence. It determines that the risk of child labour is too high and therefore seeks alternative suppliers.

- **Transfer**
  The company shares the risk with another party, for example through a contractual agreement or insurance. For instance, a company may contract a certified waste management provider to handle its toxic waste. This ensures compliance with environmental regulations and shifts legal and operational responsibility for waste disposal to a third party.
- **Reduce**
  The company reduces the extent of exposure to the risk and/or the likelihood of its occurrence. For example, ensuring safe working conditions and practices at a factory diminishes the risk of harm to workers.

## Bow tie analysis

The bow tie analysis is a useful tool to help company's visualize risks and develop proactive mitigation strategies. It involves identifying threats, impacts, and control measures.

## ESG bow tie analysis

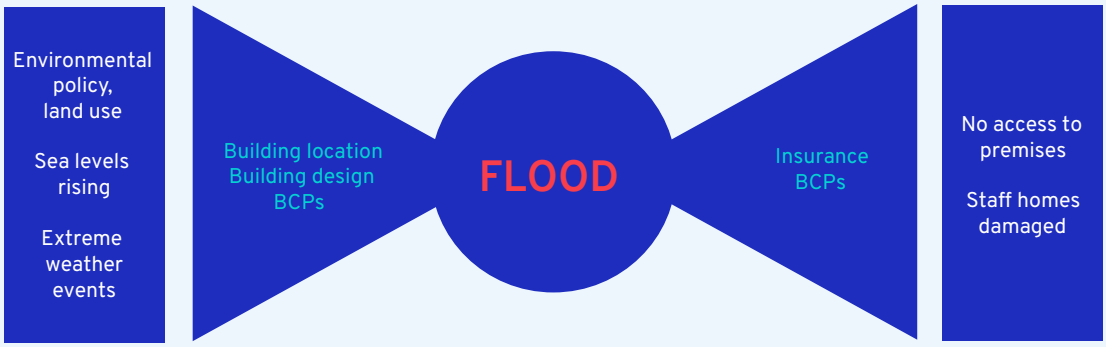



At the centre of the bow tie diagram is the ESG risk that can harm the business. On the left side are the threats or causes that could lead to the risk materializing, such as equipment failure, human error, or external events. **Preventive measures reduce the likelihood of the risk materializing.** These might include regular equipment maintenance, employee training, or risk monitoring systems.

On the right side of the diagram are the consequences (impact), which depict the potential outcomes if the risk does occur, such as financial losses, reputational damage, or regulatory fines. To address these outcomes, the analysis identifies **recovery measures to minimize the impact** of the risks. Examples include contingency plans, insurance coverage, or emergency response protocols.

## Bow tie analysis example: flood risk for a bank

A concrete example can help to understand how the bow tie analysis works in practice. A bank has identified floods as a major ESG risk to the businesses. Floods would, among other things, disrupt operations, which is what this example focuses on.




**ESG risk**

- Flood.

**Impact**

- Inability to access premises: flooded branches may disrupt daily operations.
- Staff homes impacted: employees may struggle to work due to personal property damage.

**Threats**

- Environmental policy and land use: poor urban planning, lack of zoning regulations, and deforestation increase flood risk.
- Rising sea levels: gradual climate change effects exacerbate the vulnerability of coastal regions.
- Extreme weather: sudden, intense weather events caused by climate change.

**Preventive control measures (before the event)**

- Building location: locate critical bank facilities outside high-risk flood zones.
- Building design: design new buildings and retrofit old buildings to withstand flooding e.g. in physical barriers, such as levees or raised building foundations.
- Business Continuity Plans (BCPs): develop robust operational procedures to ensure continuity during disruptions.

**Recovery control measures (after the event)**

- Insurance: use flood insurance to cover damages to buildings and assets.
- Business continuity plans: execute pre-prepared operational continuity strategies, such as remote working for staff, including at alternative office locations.

## Exercise 10 Using a bow tie analysis.

| | |
|---|---|
| **Learning objectives:** | To gain practical experience of preventing and mitigating ESG risks. |
| **Duration:** | 30 minutes |
| **Instructions:** | This exercise once again focuses on the case study of fictional company Safari Foods (Handout 1). Trainers should split the participants into small groups and hand each group one or more copies of the ESG bow tie analysis template (Handout 7), available in Annex 2. The participants should once again imagine that they are ESG experts, this time helping Safari Foods to manage its most urgent ESG risks.<br><br>Trainers should ask participants to go back to the list of priority risks they identified for Safari Foods during the last exercise (the ESG risk heat matrix). Ask them to use the bow tie analysis to mitigate the most urgent ESG risk they identified for Safari Foods. After 15 minutes, bring the group back together and ask every group to report and explain their risk mitigation strategies. Trainers should take notes. |

*Trainers may wish to consider presenting a case study of a relevant enterprise that has successfully identified, prevented and mitigated ESG risks. This would increase the time it takes to deliver this module.*

### Additional information

There are many different approaches to identifying, prioritizing, preventing and mitigating ESG risks. Larger, more complex businesses may be interested in more structured **risk management frameworks** like ISO 31000:2018 and COSO ERM.

A useful free resource for businesses of all sectors and sizes is COSO and World Business Council on Social Development (WBCSD) (2018) Applying enterprise risk management to environmental, social and governance-related risks.

Business for Nature has set out the dependencies and impacts on nature for numerous sectors, as well as associated risks and actions.

## 4.5 Write the ESG strategy

The company now has all the elements it needs to write its ESG strategy, which should contain the following basic sections.

- **A brief description of the company**
  This should include a description of the company's operations and stakeholders.
- **A statement on why the company is embracing ESG**
  This should include the company's ESG vision, or, in other words, an overview of what the company is aiming for when it comes to ESG. It should also clearly state that the company is strongly committed to achieving its ESG vision.
- **An overview of the company's ESG performance**
  This should include benchmarking information, a gap analysis, and information on any existing ESG initiatives the company already has in place. The information in the ESG performance section can be used as a baseline to compare future measures against.
- **An ESG action plan**
  The action plan sets out the company's ESG goals. These goals should be broken down into clear, specific, measurable targets with deadlines. The resources allocated to the plan should be specified.
- **Monitoring and metrics**
  The strategy should set out the basic metrics the company will use to monitor the achievement of the targets. If the company plans to carry out ESG reporting and disclosure according to a recognized standard, then the strategy should ideally list all metrics that will be tracked and at what frequency, as well as when reporting will take place.

  *The next module modules will look at metrics and recognized ESG reporting standards in more depth.*
- **A stakeholder engagement plan**
  This sets out how (newsletters, meetings, website, social media, etc.) and when (how regularly) the company is going to communicate with its priority stakeholders on ESG performance, progress, and initiatives. The plan should also set out how and when the company will gather input from stakeholders on its ESG performance and initiatives.
- **Review and improvement**
  The strategy should mention when it will be reviewed and adapted with a view to continuous improvement.
- **Ownership**
  The ESG strategy should set out which enterprise roles and/or functions are responsible for implementing and reviewing the strategy. These can include the CEO, the board of directors, the ESG team, and more (the next chapter on implementation looks into roles and ESG implementation in more detail).

## Exercise 11 Drafting an ESG strategy.

| | |
|---|---|
| **Learning objectives:** | To become familiar with the ILO LEADER Programme's ESG strategy template. |
| **Duration:** | 40 minutes |
| **Instructions:** | This exercise once again focuses on the case study of fictional company Safari Foods (Handout 1). Trainers should split the participants into small groups and hand each group at least one copy of the ESG strategy template (Handout 8) for every two participants. The participants should once again imagine that they are ESG experts, this time helping Safari Foods to write its first ESG strategy.<br><br>Trainers should ask participants to read through Handout 8, which features a draft ESG strategy for Safari Foods. The draft ESG strategy has gaps focusing on resources and stakeholder engagement (see grey cells in the corresponding tables in the handout). Ask participants to fill in the gaps. After 25 minutes, bring everyone back together and ask every group to share their proposals. Trainers should take notes. Example answers can be found in Annex 3 'Answers for trainers to exercises 11 and 13'.<br><br>The next module will look at the metrics section in Safari Foods' ESG strategy. |

### Additional information

The SME ESG Hub developed by the UN Global Compact Network for Malaysia and Brunei has many useful ESG resources and tools. This includes tools and resources for setting, assessing, and reporting sustainability targets linked to ESG indicators such as climate action, human rights, energy management, water, DEI, waste and anti-corruption policies.

The World Business Council for Sustainable Development (WBCSD) has produced guidance on how companies can help to halt and reverse nature loss. Their Roadmaps to Nature Positive include specific guidance on nature-related dependencies, impacts, risks, and opportunities for sectors including pharmaceuticals, construction, agri-food, forest products and energy.

The Capitals Coalition has produced case studies on how companies are identifying and assessing their nature-related issues.

Summarize and wrap up the module (10 minutes)

Module

5

# How to implement the ESG strategy

| Total module time | 120 minutes |
|---|---|
| **5.1 Define and assign roles and responsibilities** | 35 minutes |
| **5.2 Assess company policies and plug gaps** | 5 minutes |
| **5.3 Communicate the ESG strategy internally** | 5 minutes |
| **5.4 Monitor ESG performance** | 70 minutes |
| **Summarize and wrap-up** | 5 minutes |

While having the right ESG strategy in place is essential, it needs to be brought to life to lead to results. Enterprises must walk the talk, and this cannot be done without the right **governance framework** (the set of rules, practices and processes that define how a company is governed). The company needs to assess its corporate governance framework and determine how it can be (re)structured to allow for effective delivery.

The learning objectives of Module 5 are for participants to understand:

- **How to incorporate ESG criteria into roles and functions.**
- **Which company policies are needed to implement the ESG strategy.**
- **How to best communicate the ESG strategy internally.**
- **How to monitor ESG performance, with a focus on ESG metrics.**

*This module is designed to be delivered after module 4 and cannot be delivered as a standalone training course.*

## 5.1 Define and assign roles and responsibilities

**Responsibility for ESG strategy** delivery needs to be clearly assigned to the right person(s), in addition to assigning **responsibility for oversight** to the board or senior management. To make this happen, ESG responsibilities should be included in **job role descriptions** and **performance management targets**. The company may need to restructure, recruit, or upskill existing staff to enable implementation.

### Roles explicitly delivering ESG

Different companies design and assign ESG roles and responsibilities in different ways. Responsibility for ESG implementation can lie with one or more of the roles below.

- **Sustainability officer**

  The company can appoint or recruit an ESG specialist such as a Sustainability officer. The Sustainability officer is responsible for developing, implementing, and monitoring sustainability initiatives within the company. This role involves working closely with colleagues across teams and departments to ensure the company meets its sustainability goals.

- **Senior management or the business owner**

  A smaller company might not be able to hire an ESG specialist, so responsibility for ESG strategy implementation may lie with senior management or the business owner. This person should then ideally have similar responsibilities as the Sustainability Officer. Upskilling may be required, as well as potentially external support, possibly provided by the EBMO or ESG consultant.

- **ESG Team**

  Larger, more complex companies can put together a cross-functional team of employees to implement and deliver the ESG strategy. The responsibilities of the ESG team include gathering and analysing relevant data, coordinating action across departments or teams, reporting regularly to the board and engaging with stakeholders.

Suitable employees for these positions are passionate about sustainability, good at communicating, and in positions where they can bring about change. Below are examples of employees who could join such a team.

- **Executive sponsor**
  A senior leader or C-suite executive to provide strategic direction, ensure alignment with company goals, secure resources, and advocate for ESG at board level.
- **Sustainability manager**
  This is a dedicated ESG or sustainability professional who oversees the development, implementation, and tracking of ESG initiatives, and also coordinates the team.
- **Environmental specialist**
  This person is an expert in environmental management, which could cover energy efficiency, waste management, emissions, and compliance. The role focuses on reducing the company's environmental footprint, managing climate-related risks, and implementing sustainability initiatives.
- **HR representative**
  This could be a HR leader or DEI specialist who makes sure that social factors like employee engagement, workplace diversity, equity, and community engagement are addressed.
- **Finance representative**
  This could be the CFO, a financial controller, or a sustainability accounting specialist. This staff member aligns the ESG goals with financial planning, manages budgets for initiatives, and ensures transparent reporting on ESG-related expenditures.
- **Legal and compliance officer**
  This person could be a corporate lawyer or compliance officer who makes sure that the company's ESG strategy and practices meet regulations, best practices, relevant company policies, and any reporting and disclosure requirements.
- **Operations representative**
  This could be an operations manager or supply chain specialist who implements ESG practices in production, procurement, logistics, and waste management.
- **External advisors**
  Consultants or specialists in ESG (such as the EBMO) who provide expertise in ESG frameworks, industry benchmarks, regulatory trends, etc.

## Other roles and functions

To ensure the ESG strategy becomes part of the company's everyday operations, the company needs to assign clear ESG responsibilities to **all** relevant individuals and/or teams, not just those who are explicitly accountable for strategy delivery. These responsibilities can be included in role descriptions and performance management criteria. Relevant staff need to be set realistic targets and timelines. Examples of ESG-responsibilities for different roles and functions are below.

**Human Resources (HR)**

- Develop and roll out ESG training for all staff and specific staff groups.
- Incorporate ESG aspects in performance management.
- Review recruitment and training to ensure the company has the ESG talent it needs.

**Risk management**

- Include the ESG risks identified in the previous chapter in the company's risk assessment and management processes.

- Carry out ESG risk focused stress tests and scenario analyses to ensure the company can deal with any disruptions. Develop risk mitigation strategies.
- Include ESG in the due diligence processes for investments, mergers, and other transactions to identify potential ESG risks.

**Sales**

- Incorporate the company's ESG credentials into sales and marketing activities.
- Check that sustainability-related sales pitches cannot lead to accusations of greenwashing.
- Identify potentially new markets for the company's products which now have ESG credentials.



**Exercise 12** **ESG roles and responsibilities.**

| | |
|---|---|
| **Learning objectives:** | To become aware of how different job functions contribute to ESG performance. |
| **Duration:** | 20 minutes |
| **Instructions:** | This exercise is a short group discussion. Participants have already learned how HR, risk management and sales are relevant to ESG performance. Ask them to propose how other functions can contribute to delivering the ESG strategy. |

***Example answers***

***Finance***

- *Carry out cost-benefit analyses to identify the most cost-effective sustainability options.*
- *Identify and apply for sustainability related financial incentives such as tax credits and subsidies.*
- *Ensure accurate financial reporting and prevent fraud.*

***Information Technology (IT)***

- *Make sure technology used is energy efficient.*
- *Participate in technology recycling programmes.*
- *Identify, acquire and implement technology for managing and/or tracking ESG performance, such as a carbon calculators or energy management systems.*

***Marketing and communications***

- *Produce sustainable marketing and communications materials.*
- *Share internal updates on the company's ESG initiatives, progress, and commitment.*
- *Include information on the company's ESG credentials in communications for investors, customers, shareholders, and other external stakeholders.*

**Additional information**

The above description of ESG sustainability actions by function is based on that provided by the World Business Council for Sustainable Development (WBCSD). For additional sustainability actions by function, as well as online training, toolkits, case studies, and more on ESG please visit the WBCSD Academy.

### Top-level commitment and leadership are key

The ESG strategy needs **commitment and leadership from top-level management** to make it real. Without it, the strategy risks just remaining a document. It is crucial for the company to assign clear ESG responsibility at the board and/or senior management level to ensure commitment and oversight.

Top-level management should:

- **Set the tone**
  Make a clear commitment to ESG at the top, signalling its importance throughout the company.
- **Strategic direction**
  Integrate the ESG vision and goals into the overall business strategy and ensure alignment with long-term enterprise goals.
- **Resource allocation**
  Approve budgets and dedicate the necessary resources to carry out ESG initiatives effectively.
- **Oversight and accountability**
  Monitor progress against ESG targets, holding managers/management teams accountable, and ensuring compliance with relevant regulations.
- **Risk management**
  Actively identify, assess, and mitigate critical ESG-related risks that could impact the company's reputation or financial performance.
- **Stakeholder engagement**
  Make sure that the company engages with priority stakeholders to address concerns and gather input on ESG priorities.
- **Organizational culture**
  Promote an organizational culture that rewards ESG, including ethical behaviour, transparency, and responsible business practices.

## 5.2 Assess company policies and plug gaps

If the ESG strategy is the **roadmap** – where the company is headed and how it plans to get there – then the company's policies are the **rulebook** – how ESG principles are embedded in the company's ways of working. The company needs to review its existing policies to ensure these are aligned with the ESG strategy and identify and plug any gaps.

A company is likely to already have in place policies that fall under the ESG umbrella. However, company policies should reflect the material ESG issues as identified by the enterprise. Existing policies may need amending and new policies may need to be created. For example, if an ESG strategy has a goal to improve diversity yet the company has no DEI policy, then it is useful to develop one.

Below are examples of policies that fall under the ESG umbrella. Smaller companies may have this type of information in their Code of Conduct instead. Policies, practices and/or procedures relevant to the social component of ESG can also sometimes be found in the staff handbook or under Governance policies (this is the case for DEI policies, for example). Relevant practices may also exist without having been (fully) documented.

- **Environmental policies**

  Environmental management policy
  Waste management policy
  Energy efficiency policy
  Water conservation policy
  Emissions reduction policy
  Biodiversity and land use policy
  Climate change adaptation and mitigation policy
  Animal welfare policy

- **Social policies**

  Human rights policy
  Policy on forced labour
  Policy on child labour
  Policy on human trafficking
  Health and safety policy
  Diversity, equity, and inclusion (DEI) policy
  Anti-discrimination policy
  Anti-violence and harassment policies
  Employee training and development policy
  Accessibility policy
  Community service policy

- **Governance policies**

  Anti-corruption and bribery policy
  Conflict of interest policy
  Whistleblower policy
  Risk management policy
  Due diligence policy
  Compliance policy
  Data protection policy
  Procurement and contracting policy

For each of these policies, the enterprise should ask the following questions:

- Does our enterprise have the policy in place?
- If **yes**, do we need to review it? If so, do we need to modify it? How? What are the actions that need to be taken by whom, and by when?
- If **not**, does our enterprise need to develop the policy? What are the actions that need to be taken, by whom and by when?

## 5.3 Communicate the ESG strategy internally

The ESG strategy needs to be communicated to all priority stakeholders, such as employees, customers, investors, and community members. Communications should be in line with the stakeholder engagement plan set out in the ESG strategy (see module 4 for more on external communications).

At this stage, much of the communication is likely to be **internal** as staff need to understand how they can contribute to delivering the strategy. Below are a few examples of internal communications for a new ESG strategy.

- **Leadership-led announcements**
  Senior staff can introduce and endorse the ESG strategy through town hall events, video messages, or internal newsletters to reinforce its importance.
- **Training workshops**
  All staff should attend an introductory training on ESG to ensure the strategy becomes fully operational and the workforce is aligned on the strategy. The training should cover, at a minimum:
  - A basic introduction to ESG covering trends and key concepts.
  - Outline why ESG is important to the company.
  - Key aspects of the company's ESG strategy and how staff can contribute.

  It can be useful to provide more in-depth training and/or information to senior staff and staff in posts that are key to delivering the ESG strategy (see below for more). For example, Sustainability Managers and Facilities Managers would benefit from additional training on waste reduction and recycling.
- **Visual storytelling**
  The company can use infographics, dashboards, and short videos to make ESG commitments and progress easy to understand.
- **Employee-led initiatives**
  The company can encourage teams to propose ESG-related projects to foster a sense of ownership and participation. This can be done, for example, through an internal competition or sustainability challenge.

Internal communications should aim for the ESG strategy to feel **personal and actionable** to staff. In other words, employees should feel that it is relevant to their job, and they should feel able to play their part in delivery.

## 5.4 Monitor ESG performance

Monitoring progress not only highlights the company's ESG successes but also identifies areas for improvement and to further drive impact. A monitoring framework provides clarity and structure to ESG monitoring.

The **ESG monitoring framework is a document that sets out what, how and when** the company is going to measure its sustainability progress, and who is responsible and accountable. A basic monitoring framework has already been included in the ESG strategy in the last module. This can now be built on and expanded.

The company's ESG strategy has already set out some of the metrics, or Key Performance Indicators (KPIs), that will be used to track progress on material ESG issues. However, it may be useful to add additional metrics to provide a more complete picture of the company's sustainability performance. For companies implementing their first ESG strategy, it may be better to start with a small number of metrics and then build on this in future years.

KPIs should be aligned with the company's ESG targets. The company may be monitoring some of these metrics already for other purposes. Companies with sufficient resources can align their monitoring framework with recognized reporting standards, such as the GRI, ISO or ISSB standards (these are discussed in more detail in the next module), but a simplified format can also work, especially for smaller businesses.

## Examples of basic ESG metrics

The below set of ESG metrics that provide a snapshot of ESG performance over time. These metrics are often also part of recognized reporting frameworks (more on this in the next module).

**Environmental metrics**

- **Energy consumption**
  Total energy consumption (MWh) with a breakdown into renewable and non-renewable sources if possible.
- **Greenhouse Gas (GHG) emissions**
  Reporting of direct (from company owned or controlled sources) and energy-related indirect GHG emissions (resulting from the company's energy consumption). Both can be measured in $tCO_2e$.[14]
- **Water usage**
  Total water consumption ($m^3$) over the reporting period.
- **Waste generation and management**
  Amount of waste produced (e.g. in kilogrammes) and, where available, the share that is recycled or otherwise reused.

**Social metrics**

- **Workforce size and composition**
  The total number of employees, with disaggregation by key demographics (for example, gender) where possible.
- **Employee training and development**
  Indicators such as average training hours per employee or a description of how much has been invested in training.
- **Safety and health performance**
  Basic indicators such as the annual number or rate of workplace accidents or lost-time injuries (injuries sustained on the job that result in the loss of productive work time).

**Governance metrics**

- **Sustainability governance and strategy**
  A description of how sustainability issues are integrated into the company's strategy and governance structures.
- **Materiality and stakeholder engagement**
  An explanation of the process for determining what issues are material for the business, including how stakeholders are engaged in that process.

As can be seen from the governance metrics above, **metrics can be quantitative or qualitative**. In other words, metrics do not necessarily need to be numbers. So-called "narrative disclosures" are descriptions that help link the numbers of the above metrics to the company's overall sustainability story.

[14] $CO_2e$, or **carbon dioxide equivalent**, is a metric used to compare the Global Warming Potential (GWP) of different greenhouse gases. Different gases contribute to climate change at different rates; $CO_2e$ helps standardize their effects for easier comparison. For example, the GWP of methane ($CH_4$) is 28 or more times greater than for $CO_2$ and the GWP of nitrous oxide ($N_2O$), used in fertilizers, is 273 times that of $CO_2$.

**Exercise 13** **ESG metrics.**

| | |
|---|---|
| **Learning objectives:** | To understand how to set metrics for ESG targets. |
| **Duration:** | 60 minutes |
| **Instructions:** | This exercise once again refers to the ESG strategy of fictional company Safari Foods (Handout 8). Split the participants into small groups and ask them to look at the section in the ESG strategy entitled "2026 Monitoring and metrics", in which each ESG focus area has one metric. Ask participants to come up with one additional metric for each ESG focus area. After 30 minutes, bring the group back and ask each group to report. The trainer should take notes. Example answers can be found in Annex 3 'Answers for trainers to exercises 11 and 13. |

**Additional information**

The Singapore Exchange (SGX) recommends a basic set of 27 core ESG metrics as a starting point for sustainability reporting. For short, practical guidance, as well as information on how these core metrics align with recognized reporting standards, see SGX (2023) Starting With a Common Set of Core ESG Metrics.

As part of its CSRD efforts, the European Union has developed a voluntary reporting ESG framework for micro, small, and medium-sized enterprises that are not listed. The VSME standard has information on basic metrics, but also information on how to collect data and process it, as well as links to useful online tools. The VSME standard was published in December 2024. Throughout 2025, accompanying reporting templates will be developed and released.

## Measuring, storing and analysing data

When it comes to **measuring**, some KPIs can be quite straightforward to measure, such as the total number of community engagement hours by company staff over a defined period. This type of information can simply be counted by the person responsible, entered into the shared spreadsheet, and analysed. Other KPIs can be more difficult to get a grip on, such as carbon footprints. Monitoring tools such as carbon footprint calculators can help here (see for example the Carbon Trust SME Carbon Footprint Calculator).

When it comes to **storing and analysing** ESG tracking data, many companies simply use a **basic, centralized, shared spreadsheet**. Numerous software packages also exist. These can usually be purchased for a fee.

*The trainer may wish to provide more specific advice on ESG software packages and tools that are relevant to the participants' context.*

## Report to the board and/or senior managers

Regular reports should be made by the person(s) responsible for ESG activities and performance (e.g. the Sustainability Officer, the ESG team leader, senior manager(s) or the business owner) to relevant senior managers and/or the board. It can be useful to schedule periodic check-ins, for example every quarter, to ensure accountability and adjust priorities as needed.

At check-in meetings, the company should, among other things:

- Review ESG performance against its goals using the metrics set out in the monitoring framework.
- Use tracking data to identify successes, challenges, and areas for improvement.
- Discuss changes in ESG risks and opportunities, as well as relevant changes in the business environment, and determine appropriate actions.
- Assess progress in ESG strategy implementation and determine appropriate actions (if any).

*Trainers may wish to include a short case study on a relevant enterprise that has successfully implemented its ESG strategy and is monitoring progress. This would add to the time it takes to deliver the module.*

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Summarize and wrap up the module (5 minutes)

Module

6

# ESG reporting and disclosure

| Total module time | 145 minutes |
|---|---|
| **6.1 What is ESG disclosure?** | 5 minutes |
| **6.2 Recognized reporting standards** | 20 minutes |
| **6.3 Seek external verification** | 5 minutes |
| **6.4 Communicate progress** | 110 minutes |
| **Summarize and wrap-up** | 5 minutes |

This module will look at how enterprises can report and communicate their ESG performance, including the use of recognized reporting standards such as GRI, ISO, and the ISSB.

The learning objectives of this module are for participants to:

- **Understand what ESG disclosure is.**
- **Gain a basic understanding of recognized ESG reporting standards.**
- **Become aware of the basic structure of an ESG report.**
- **Understand the needs of different stakeholder groups when it comes to ESG performance reporting.**
- **Recognize the importance of accurately communicating ESG performance more widely.**

*This module is designed to be delivered after modules 4 and 5 and cannot be delivered as a standalone training course.*

## 6.1 What is ESG disclosure?

ESG disclosure is the **public reporting of a company on its environmental, social, and corporate governance performance**. It's when the company shares its sustainability performance with all its stakeholders, usually (but not always) in the shape of a written report. The report communicates the company's material ESG issues, it's impact on the environment and people's lives, and activities that help reduce, eliminate or improve that impact.

There are many benefits of producing and publicly sharing information on the company's ESG performance.

- It demonstrates the company's **commitment** to sustainability and ethical business practices, strengthening its public image.
- It increases **employee engagement and motivation**, and therefore productivity, by showing how their work contributes to the company's objectives.
- It improves **access to sustainable funding**. For example, a publicly available ESG report can help to attract investors looking for companies with sustainable and socially responsible practices that identify and manage potential environmental and social risks (more on sustainable funding in the next module).

## 6.2 Recognized reporting standards

ESG reporting standards can help to structure how a company measures and reports its ESG performance. Many different ESG reporting standards have been developed over the past 30 years or so. Identifying the right standard to adopt can be difficult, time consuming and confusing. Fortunately, there is a trend towards companies using the same reporting standards, and different reporting standards aligning with, or at least referencing, each other.

> Where enterprises align with recognized ESG reporting standards they will also need to align their ESG metrics.

## The business case for alignment

There are many advantages to adopting recognized reporting standards. However, adoption can also be **burdensome and costly**. The main advantages of alignment are below.

- **Increased credibility and stakeholder confidence**

  Aligning with recognized standards demonstrates commitment to sustainability, transparency and accountability. This increases trust with stakeholders such as customers, investors, suppliers and regulators. Where standards also include certification or verification by an independent third party, credibility and stakeholder confidence can be further enhanced (we will consider external verification in a moment).

- **Better communication of sustainability impact**

  Standards provide a common language for sustainability. This makes it easier for the company to clearly, quickly, and convincingly showcase its sustainability credentials.

- **Competitive advantage**

  Many large enterprises require their suppliers to comply with sustainability standards. Those that align their reporting frameworks with recognized standards are more likely to be selected as preferred suppliers.

- **Improved operational efficiency and cost savings**

  Sustainability reporting frameworks that focus on operational efficiency, like the ISO standards, can help to, for example, reduce energy consumption, waste, and other costs.

- **Future proofing**

  Governments and regulators are introducing stricter sustainability and transparency requirements. Using recognized standards which are continuously updated and incorporate evolving ESG trends means that the company will be ready when legal compliance requirements change.

- **Better benchmarking**

  Reporting against recognized standards allows enterprises to compare their performance to relevant companies using the same standard.

- **Access to sustainable funding**

  Many financial institutions and governments offer incentives, loans, or grants to enterprises demonstrating alignment with accepted universal sustainability standards. Companies that use accepted standards are also more likely to attract ESG investors. (Module 7 looks at sustainable funding in more depth).

## Recognized reporting standards

Reporting standards provide detailed requirements for what information should be reported, how it should be measured, and the format of the disclosure.

Some reporting standards cover all ESG areas, some cover specific **ESG areas**, others are tailored to **sectors**, and still others apply to **world regions or countries**. Some reporting standards are legally binding, and others are not.

The standards in the list below are examples of commonly used and recognized sustainability reporting standards but there are many more. Topic and sector standards tend to align with those covering all ESG areas.

*Trainers should add to/replace the reporting standards below with those relevant to the national, sector, industry and company context.*

## Common mandatory reporting standards

- **Stock exchange requirements**

  ESG standards are not mandatory for stock exchanges in all countries, but many exchanges are starting to encourage or require listed companies to disclose their ESG practices. Examples include China (the Shanghai, Shenzhen, and Beijing Stock Exchanges[15]), Brazil[16] and Tanzania.[17]

- **European Sustainability Reporting Standards (ESRS)**

  Even though the ESRS are European, enterprises inside and outside the EU are affected by these reporting standards. All large and listed companies, including non-EU companies with substantial activity in the EU, need to report in accordance with the ESRS. This including supply chain reporting. There is a high degree of interoperability between the ESRS and the GRI.

## Common voluntary reporting standards

Alignment with these standards is voluntary unless mandated by national governments.

### Examples of reporting standards covering all ESG components

**Global Reporting Initiative (GRI)**

- Provides **general and sector standards** for overall sustainability reporting.
- Has **topic standards for ESG components** such as waste, occupational health and safety, and tax, and also offers sector-specific standards.
- Has an emphasis on **disclosure** and provides guidelines for what to report, focusing on economic, environmental and social impacts.
- Unlike ISO and IFRS standards, GRI standards prioritize accountability to a **wide range of stakeholders**, not just investors.
- One of the most **widely used** reporting frameworks. In May 2025, the GRI was used by around 14,000 organizations in more than 100 countries.

**IFRS Sustainability Disclosure Standards** (also called the "ISSB standards")

- Designed for **financial markets** and provide a framework for sustainability-related financial disclosures to support investor decision-making.
- Focus on **ESG risks and opportunities** that are financially material to companies.
- These standards are issued by the International Sustainability Standards Board (ISSB) and are also referred to as the "**ISSB standards**".
- In May 2025, 30 jurisdictions were working on including these standards in **regulatory frameworks**.

**International Organization for Standardization (ISO)**

- ISO's approach to standards is more **operational.** Global ISO standards like ISO 14001 (Environmental Management Systems) and ISO 26000 (Social Responsibility) are technical in nature and focus on management systems, processes, and performance improvement.
- Includes **sector-specific standards**.
- Includes standards by **ESG areas** such as "environmental sustainability" and "diversity and inclusion".

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15 White and Case, ESG in APAC: 3 Trends to Watch in 2024, 7 March 2024.

16 Mattos Filho, Brazil's Securities and Exchange Commission to Require Detailed ESG Reporting, 23 December 2021

17 Association of Tanzania Employers, Tanzania's ESG 'State of Play', 2024.

- Independent **certification** bodies can determine whether an enterprise complies with ISO standards and, if so, certify the company. However, certification is not available for all standards. For example, ISO 14001 (Environmental Management Systems) certification exists but there is no certification for ISO 26000 (Social Responsibility).
- ISO standards are widely used for sustainability reporting. For example, in May 2025 there were more than 500,000 certifications to ISO 14001 (Environmental Management Systems) in more than 180 countries.

### Examples of reporting standards for specific ESG components

- **CDP**

  These standards support environmental disclosure. The CDP is aligned with several other ESG standards, including the GRI, and provides sector-specific guidance.
- **Greenhouse Gas Protocol Corporate Accounting and Reporting Standard**

  This sets out requirements and provides guidance (including templates) for organizations making a GHG emissions inventory.
- **Task Force on Nature-Related Financial Disclosures (TNFD)**

  The TNFD provides a reporting framework, sector-specific data, metrics, and tools, for biodiversity-related ESG risks.

### Examples of sectoral reporting standards

- **Sustainability Accounting Standards Board (SASB) standards**

  The SASB standards provide sector-specific frameworks that enable companies to disclose financially material ESG information to investors. The standards currently cover 77 industries.
- **Marine Stewardship Council (MSC) standards**

  These sustainability standards are aimed at seafood producers and fisheries and align with relevant SDGs. Companies that meet the standards are awarded with MSC certification.
- **Forest Stewardship Council (FSC)**

  FSC sets standards for sustainable forest management. It also certifies forests, as well as the products produced from wood harvested from these forests.

## Standards without reporting frameworks

Not all ESG-relevant standards include reporting frameworks, but they can still provide useful guidelines, principles, or criteria for enterprises to follow to ensure sustainable practices.

- **UN Sustainable Development Goals**

  The SDGs are commonly mentioned in enterprise ESG reports. While the SDGs do not provide a reporting framework, they offer a blueprint for aligning ESG strategy with global priorities. Enterprises can demonstrate their commitment to sustainability by prioritizing specific SDG goals like “Affordable and Clean Energy” (SDG 7) and “Decent Work and Economic Growth” (SDG 8). Unlike reporting standards such as ISO or GRI, which can be resource-intensive and require specialized knowledge for implementation, the SDGs provide a flexible framework that companies can align with based on their specific capacities and priorities. This can make the SDGs particularly appealing to smaller enterprises with limited financial and human resources.
- **International Labour Standards**

  These standards are widely reflected in commonly used standards such as the GRI and ISO. While companies can align their policies and practices, the standards are the domain of governments, who can ratify and then incorporate these in national law. The International Labour Standards do not provide reporting frameworks.

- **International Corporate Governance Network (ICGN)**

  These global standards for effective corporate governance do not have their own dedicated reporting framework. However, the ICGN does provide guidance, and supports the use of, established reporting frameworks like the GRI.

### National laws

*Please mention any national laws relevant to company reporting and disclosure.*

## Choosing a reporting standard

With so many reporting standards around, it can be difficult to find the one that is most appropriate to the company's specific context. The following general guidelines can inform a cost-benefit analysis for reporting standards that are contenders.

- **What are stakeholders' expectations?**
  The company may need to align with a particular standard because of regulatory requirements including national laws, or because of supply chain pressures.
- **How much does it cost?**
  Aligning the company with a standard, implementing a monitoring system, and reporting on it, implies a cost. Additional certification such as MSC or FSC further adds to costs. Where company resources cannot stretch to cover this, an enterprise can still meaningfully contribute to sustainability by aligning its ESG strategy and its reporting to the SDGs, which do not require certification or extensive resources.
- **Does the company have the right expertise?**
  The ISO and GRI standards require technical expertise to implement. If the company does not have this, it could outsource the process to an external provider (such as the EBMO), upskill existing staff, or recruit. Whatever option is chosen, it will require resources and a strong internal commitment in the long term.
- **What are the company's ESG s goals?**
  ISO standards have an operational focus and can be very useful to advance internal sustainability objectives. GRI can be more helpful when it comes to communicating sustainability impact to stakeholders. The SDGs provide a high-level, flexible framework to guide companies in their ESG efforts and demonstrate alignment with global development objectives
- **Is certification required?**
  If customers or regulators demand certification, then the ISO standards may be more useful. The SDGs and the GRI often work well for voluntary initiatives.
- **What are the benefits of adopting the standard?**
  Will demonstrating progress against a recognized reporting standard make a substantial difference? Companies may find it easier to set clear objectives, and measure and communicate ESG progress when using an established framework such as ISO and GRI. However, as will be considered in more depth in step 4 below, enterprises do not need to align with a recognized reporting standard to demonstrate progress. Where an ESG report is not required, there are other ways to do so. Companies should evaluate the benefits of using a recognized reporting standard compared to developing their own framework for measuring and reporting progress.
- **Should reporting standards be sector-specific?**
  In this case, the ISO standards may be the most useful. The reporting standard should be relevant to the company's industry and specific ESG risks.

## Reporting according to multiple standards

While some reporting standards share similar elements, they generally do not align perfectly. This means that reporting in accordance with one standard does not automatically enable a company to align with another. The company can see how its sustainability-related information fits to different standards and then design its reporting framework to show compliance with multiple standards, if desirable.

The organizations behind different standards are working on improving alignment. For example:

- The SDGs are reflected in both the ISO and the GRI standards.
- There is some alignment between the GRI and ISSB standards.
- The ILO's labour standards are incorporated into various ESG reporting frameworks and standards.

### Additional information

There is ample guidance available on how different reporting standards align. Some examples are below.

- Companies can integrate the SDGs and the GRI into their reporting at the same time. The GRI, working with the UN, has developed guidance on how to integrate the SDGs into corporate reporting: GRI (2022) Linking the SDGs and the GRI Standards. This also sets out which GRI disclosures report on the SDGs.
- The ISO standards have also been mapped across the SDGs. This means that companies can use ISO standards to report on their contributions to the SDGs. ISO and the UN have produced online guidance that helps to ensure this alignment.
- The SDG Compass advises companies on how to align their strategies with the SDGs.
- The ITC ILO (2019) Handbook for EBMOs Employers and Business Member Organizations and Sustainable Development Goals has guidance for EBMOs on how to help their enterprise members embrace the SDGs.
- The IFRS Foundation (2024) Navigating the ISSB's Sustainability Disclosure Standards: Practical Insights has information on the interoperability between the ESRS and the ISSB.
- This web page by EFRAG has various guidance documents on ESRS interoperability with the IFRS, the GRI and the TNFD.

## 6.3 Seek external verification

External verification by an independent third party adds credibility to ESG reporting. It is increasingly common and while external verification comes at a cost, it does have many benefits.

- **Credibility and reputation**

  External verification by recognized bodies ensures that a company's ESG data is accurate, reliable, and transparent. This builds trust with investors, consumers, regulators and other stakeholders that the company is genuinely addressing sustainability issues and making meaningful progress. This in turn positively impacts the company's reputation.

- **Risk management**

  External verification can help to identify mistakes, inconsistencies, and areas for improvement in ESG reporting. This reduces risks including reputational harm, such as accusations of greenwashing (please see the box below for further information,) and regulatory penalties due to errors or omissions. It also means that the company's leadership team can be confident that it has solid data to hand for decision making.

- **Standardization**

  In the case of certifications, these are often aligned with recognized reporting standards such as the GRI. This creates a consistent framework for companies to measure and report their ESG performance. It also helps benchmarking across industries.

- **Regulatory and investor requirements**

  As ESG disclosures become increasingly regulated, externally verified ESG reports can help companies to meet compliance and supplier requirements and attract sustainability-focused investors.

There are different ways of obtaining external verification, including certification, third-party assurance and verification. These terms are sometimes used interchangeably but actually refer to different, albeit similar, processes.

## Certification

Certification is a formal process where an organization or product is evaluated against a specific standard or set of criteria. Some reporting standards, such as ISO, MSC and FSC, include certification. If the company meets the requirements, it is awarded a certificate. Certification is often conducted by accredited bodies and is usually valid for a defined period.

## Third-party assurance

Third-party assurance providers assess the information provided by the company against recognized reporting standards to provide confidence to stakeholders. Assessment is done by independent, qualified professionals. For example, organizations providing the required third-party assurance for CSRD reporting include statutory auditors and independent assurance service providers, such as PwC or KPMG.

## Verification

Verification is slightly more basic and involves an independent organization checking the accuracy and reliability of specific data or information. It focuses on ensuring that the reported information is correct. Verification is often used for data such as greenhouse gas emissions or financial disclosures. Verification can be particularly valuable in situations where formal certification or third-party assurance is not possible.

*If the EBMO offers verification services, please mention these.*

## 6.4 Communicate progress

Sharing milestones, success stories and challenges with stakeholders helps to build trust, demonstrate commitment, and create a sense of shared achievements. The main information on sustainability performance is often, but not always, communicated in the shape of the ESG report (more on this below).

While the ESG report is intended as a public document, an enterprise can do a lot more than simply upload the report on its website to celebrate its achievements. Some companies produce and share other communications products with their key sustainability messages. Others may forego a sustainability report all together and communicate progress on their website, social media channels, during meetings with stakeholders and so on.

> Beware of greenwashing and greenhushing

The enterprise needs to communicate progress using messages, channels and products that are tailored to its own context and stakeholders. However, in all cases it should be careful to avoid greenwashing and greenhushing.

- **Greenwashing** refers to the practice of misleading consumers, investors, or other stakeholders by exaggerating or falsely presenting a company's sustainability efforts. It usually involves situations where a business claims to be environmentally friendly when the company's actual practices do not align with these claims. Accusations of greenwashing can severely damage a company's reputation, erode stakeholder trust, and hinder its long-term success. Companies must always accurately and honestly portray their sustainability performance in all communications.
- **Greenhushing** is a less commonly used term. It refers to businesses who do not communicate their sustainability performance to their priority stakeholders. Greenhushing is more likely in the case of smaller businesses.

**This inspiring three-minute video by the GRI Secretariat features Colombian SME Cubiertas FM, which incorporated GRI standards into its business strategy. One of the many resulting benefits was the realisation that the company had been greenhushing.**

*Trainers may wish to replace the above video with a short case study on a relevant company that has successfully reported and disclosed its ESG performance and benefited from it. This may increase the amount of time it takes to deliver this module.*

### The ESG report

An **ESG report**, also known as a **non-financial or sustainability report**, contains information on the company's ESG activities and their impact. It is normally published on a yearly basis. An ESG report is often structured around the following basic sections.

- **Statement of commitment**

  This short statement publicly sets out the company's commitment to sustainability. It can be signed by a senior executive such as the CEO or by the board.

- **Executive summary**

  Overview of key findings, achievements, and future goals and activities.

- **Company overview**

  Enterprise background, mission, values, and market context.

- **ESG strategy**
  - Company ESG vision and goals, possibly referencing a recognized standard such as the SDGs and/or a recognized reporting standard such as the GRI.
  - Changes the company is making to achieve its sustainability goals.
  - How the ESG strategy connects with the overall business strategy.
  - Material ESG issues.
  - Overview of stakeholder engagement.
- **ESG performance**
  - Changes in the key ESG metrics in each of the three ESG areas (environmental, social, governance), reported according to recognized reporting standards if relevant. ESG data ideally shows year-on-year trends over the longer term.
  - Description of the company's ESG initiatives during the reporting period.
  - How ESG performance compares to relevant benchmarks.
  - Consider adding the ROI of the ESG strategy and its corresponding initiatives (see box further down).
  - Successes and challenges in meeting company ESG targets.
- **Looking forward**
  - Future ESG-related risks and opportunities for innovation and growth.
  - Future ESG goals.
  - Future targets in the shape of changes in metrics (e.g. 'we aim for a 30 per cent reduction in GHG over the next financial year').
  - Future company ESG initiatives.
  - Consider including an action plan.

A company's first ESG reports often describe the company's ESG strategy and how this is being implemented. Once metrics are fully embedded and more data is available, the report can feature more quantitative information.

*There are many good examples of well-written and designed ESG reports to be found online. Trainers can select two or three relevant examples to briefly share with participants. It is important to emphasize that the examples shown are of good ESG reports, which does not mean that the trainer endorses the ESG strategy and approach of the company in question.*

**This video by the GRI Secretariat Sustainability Reporting Advice: From One SME Reporter to the Next features several SMEs who share ESG reporting challenges, successes, and advice. Please start the video at 00:30 minutes and end it 08:26 minutes, resulting in an eight-minute clip.**

## Exercise 14 Analysing an ESG report from a stakeholder perspective.

| | |
|---|---|
| **Learning objectives:** | For the participants to become aware of the basic structure of an ESG report and improve their ability to communicate ESG performance to different priority stakeholders. |
| **Duration:** | 90 minutes |
| **Instructions:** | This is a role play exercise where participants put themselves in the shoes of key ESG stakeholders. It is once again based on fictional company Safari Foods (Handout 1). Trainers should divide participants in six groups and ask each to imagine they are either a Safari Foods staff member, supplier, customer, consumer (end user), investor, or the local community in the shape of charity Food for Friends.<br><br>Then ask participants to read Safari Foods' first public ESG report (Handout 9) from the perspective of their ESG stakeholder group and imagine they are preparing for a meeting with a Safari Foods senior manager to discuss ESG performance and strategy. Ask each group to come up with points to discuss during the meeting. These could be:<br><br>▶ Questions about the ESG report.<br><br>▶ Suggestions for future company action on ESG.<br><br>After 30 minutes bring the entire group back together and ask each group to briefly share their questions and suggestions. Ask the rest of the group for input. |

***Example answers***

***Overall***

*The ESG report could be more detailed. It sets out what has been achieved but has little information on how this has been done and next steps. While there are no strict rules as to the contents of an ESG report that is not aligned with a recognized reporting framework, most stakeholders expect transparency in how goals are met and in terms of future commitments. Currently the report lacks credibility.*

***Staff members***

*Question: How did Safari Foods address gender equality?*

*Suggestion: While gender equality is included in the ESG report, it would be good to broaden company action to encompass DEI as whole.*

***Suppliers***

*Question: How does the company plan to reduce its supply chains emission?*

*Suggestion: Safari Foods should consult with suppliers as part of its stakeholder engagement on reducing supply chains emissions to find the best way forward. This should include clearly outlining ESG expectations for suppliers.*

**Exercise 14** *(cont.)* **Analysing an ESG report from a stakeholder perspective.**

***Customers***

*Question: How does Safari Foods ensure its products meet sustainability and ethical sourcing standards?*

*Suggestion: It would be useful for Safari Foods to educate customers about the company's sustainability initiatives or invite them to participate.*

***Consumers (end users)***

*Question: How does Safari Foods inform its consumers about the sustainability of its products?*

*Suggestion: Safari Foods could communicate details on sustainable sourcing and packaging, clearly labelling products to help consumers make informed choices. Safari Foods could also launch campaigns to inform consumers about Safari Foods' ESG initiatives (such as the partnership with Food for Friends), showing them how their purchases contribute to positive ESG impact.*

***Investors***

*Question: Please could you provide more detail on how ESG risks such as climate change, regulatory shifts, and reputational risks are managed proactively?*

*Suggestion: Safari Foods could set out how sustainability investments will contribute to longer-term business success and resilience.*

***The local community (Food for Friends)***

*Question: The ESG report does not the partnership with Food for Friends under the 'Looking forward' section. Will food donations remain a core part of Safari Foods' ESG strategy beyond 2026?*

*Suggestion: Set up a long-term agreement with Food for Friends, explore options for Safari Foods staff members to volunteer with the charity, and publish regular updates on the impact of food donations, including the number of beneficiaries and environmental benefits.*

Summarize and wrap up the module (5 minutes)

Module

7

# Sustainable funding

| Total module time | 85 minutes |
|---|---|
| 7.1 Grants and subsidies for sustainable enterprises | 5 minutes |
| 7.2 Sustainable loans | 5 minutes |
| 7.3 Sustainable finance: Shares and bonds | 50 minutes |
| 7.4 Investors increasingly look for sustainability | 10 minutes |
| Summarize and wrap up module | 5 minutes |
| Summarize and wrap up training | 10 minutes |

While embracing ESG usually comes at a cost, enterprises that have transitioned, or are planning to transition, to more sustainable practices, have more options when it comes to accessing funding and may find it easier to do so. This module introduces the four main sustainable funding options for enterprises.

The learning objectives of this module are for participants to gain a basic understanding of sustainable:

- **Grants and subsidies**
- **Loans**
- **Shares**
- **Bonds**
- **Investors**

*This module has a lecture format and can be delivered online or offline, as part of a wider ESG training or as a standalone workshop. It is important to tailor this module to the needs of the participants. Trainer should add specific information about funding options available to companies participating in the training to make sure this module is relevant to its audience. This is likely to add to the length of delivery. Sustainability funding is a technical field and the EBMO may wish to partner with an expert, such as a financial institution or consultancy, to deliver this module.*

## 7.1 Grants and subsidies for sustainable enterprises

Governments worldwide offer incentives to encourage enterprises to adopt sustainable practices.

### Grants

Grants are usually given by the public sector and aim to support initiatives that provide a benefit to the public. Grants can help overcome initial investment hurdles and are a particularly popular way to help enterprises improve their energy efficiency. For example, the United Kingdom's Government Workplace Charging Scheme offers grants of up to 14,000 Great British Pounds (around USD 17,600) to install electric vehicle charge points at places of work.[18]

### Subsidies

While grants are a one-off financial gift, subsidies are a form of ongoing support. Subsidies can include **discounted services, direct payments, and tax breaks** that help reduce bills for sustainable enterprises. Below are some examples of government subsidies for sustainable enterprises.

- **Solar panel tax breaks in India**

  Enterprises in India investing in solar panels benefit from a tax scheme called "accelerated depreciation".[19] The value of assets like solar panels decreases, or depreciates, over time, which entails a cost. Accelerated depreciation front-loads this cost, allowing enterprises to deduct more of the cost of solar panels from their tax bills earlier on. While the standard depreciation rate is 15 per cent tax relief, the accelerated depreciation rate for solar projects is 40 per cent. What this means in practice is that companies investing in solar power have a payback period of just four to five years for their investment.

[18] UK Government Workplace Charging Scheme

[19] Dezan Shira and Associates, Understanding Accelerated Depreciation of Solar Panels in India, 6 February 2024.

- **Technical assistance, training and advice in Ireland**

  Many governments provide technical support to help enterprises assess their sustainability needs and implement effective solutions. These services often include energy audits and efficiency programmes, feasibility studies, and expert consultations. For instance, Ireland's Enterprise Energy Programme offers free energy audits to enterprises, grants to introduce energy-saving measures, as well as training and advice on best practices for energy management.[20]



**Grants and subsidies**

**Advantages**

- *No repayment*

  Grants and subsidies do not require repayment.

- *Flexibility*

  Grants usually have few restrictions in terms of how they are used. Subsidies provide ongoing support across different expenses.

- *Improved profile*

  Grants and subsidies can boost a company's reputation and improve stakeholder confidence by signalling business commitment to sustainability.

**Disadvantages**

- *Competition*

  There may be strong competition from other companies for the grant, and limited grant availability.

- *Time commitment*

  The application and compliance processes can be lengthy and complex.

## 7.2 Sustainable loans

Enterprises can take out loans to finance their sustainability initiatives. Loans are a type of debt-financing with standardized monthly payments (usually repayment of the loan plus interest). Enterprises that measure and improve their sustainability performance are often able to access loans on better terms. Below are three examples of sustainable loans.

### Sustainability-linked loans (SLLs)

SLLs typically involve a pre-agreed repayment period, with the loan's interest rate varying depending on the borrower's performance relative to **sustainability targets**. If the borrower meets the targets, the interest rate may decrease, but if the targets are missed, the rate can increase.

The Singapore branch of the CIMB bank launched a new SLL for enterprises in 2024 focusing on reducing carbon emissions.[21] Once sustainability performance targets have been agreed with CIMB, the enterprise calculates its baseline carbon emissions using a digital platform provided by the bank that automatically converts operational data like fuel, refrigerant, and electricity consumption to GHG emissions. Once achievement of the targets has been verified by a third party, enterprises receive a 0.2 per cent rebate on their loan for the first year of enrolment and a 0.4 per cent rebate from the second year.

[20] National Enterprise Hub, Free Training Courses to Improve Energy Efficiency, (accessed on 11 April 2025).

[21] Enterprise Magazine, CIMB Singapore Launches Enterprise Sustainability-Linked Loan Programme to Simplify and Support Sustainable Financing, 26 August 2024.

## Public sector loans

Government loans usually come with preferential interest rates and flexible repayment terms and can provide opportunities for enterprises looking to transition to more sustainable ways of working. For instance, the Inter-American Development Bank (IDB) and the Brazilian Development Bank (BNDES) have created the USD 900 million BID-BNDES Access to Credit Program for micro, small, and medium-sized enterprises and small entrepreneurs in the Brazilian Amazon.[22] The credit programme has set targets for the share of resources to be earmarked for women (30 per cent), for climate investments in low-carbon agriculture (20 per cent) and for borrowers in municipalities with a Human Development Index (HDI) below the national average (70 per cent). The programme requires all borrowers to provide evidence that operations do not cause deforestation.

## Public sector loan guarantees

Public sector loan guarantees are a type of subsidy where the government repays a loan partially or in full if the business defaults, which lowers the financial risks associated with the loan. Many governments provide loan guarantees for sustainability initiatives. These improve enterprises' access to finance and also potentially lower the interest charged by financial institutions on the loan. One example is the Sustainability Guarantee launched by the European Investment Fund in 2024, which supports the green transition of enterprises. The EIF encourages financial institutions to lend to enterprises undertaking green projects by providing partial guarantees.[23]



**Loans**

**Advantages**

- *Quick access*
  Loans can provide immediate funds.
- *Can be cost-competitive*
  Loans can offer flexible borrowing at reasonable rates. Interest payments on loans can be tax deductible.

**Disadvantages**

- *Monthly payments do not suit all enterprises*
  Standardized monthly payments can be challenging if enterprises have inconsistent revenue throughout the year, for example in the tourist industry.
- *Defaulting on monthly payment incurs costs*
  If monthly payments cannot be made for any reason, the lender might impose penalties or seize assets.

[22] Inter-American Development Bank, IDB and BNDES Prepare $900 Million to Expand Financing for Small Businesses in the Brazilian Amazon, 19 December 2024.

[23] European Investment Bank, Sustainability Guarantee: Use Case Document, 2024.

## 7.3 Sustainable finance: Shares and bonds

While sustainable funding is about securing capital specifically for ESG projects, sustainable finance is about how the company positions itself to attract ESG investment. Two prominent financial instruments used by companies to attract sustainable investment are shares and bonds.

**This short video by the Frankfurt School of Finance and Management provides a useful introduction to sustainable finance. Please stop the video at 01:20 minutes.**

### Shares

Companies can issue shares to raise capital. This means selling ownership stakes (shares, also called stocks) in the company to investors. Company shares can be bought and sold by investors on stock exchanges. This requires the company to be **listed** on the stock exchange. Shares can also be sold privately outside a stock exchange. With the growth in sustainable investors (more on this below), sustainable companies may attract more investment.

Issuing shares to fund sustainability initiatives is likely to be more appealing to larger enterprises due to its complexity. However, it can also be an option for smaller enterprises. For example, Toast Ale is a UK-based sustainable micro-enterprise employing 11 staff. Using a circular economy approach, Toast Ale uses surplus bread to brew beer. In 2022 Toast Ale raised GBP 2 million (around USD 2.5 million) from selling shares to sustainable investors.[24]

**Shares**

**Advantages**

- *No repayment*
  There is no obligation to repay the capital provided.
- *Increased profile among investors*
  Selling shares, especially on a public stock exchange, can help to raise the profile of the company among investors. This can lead to additional investment.

**Disadvantages**

- *Ownership dilution*
  A percentage of equity is given to investors. This means that the investors own part of the company.
- *Reduced control*
  Investors with a significant amount of equity may exercise some control over the company's strategy and operations.
- *Reduced profits*
  Investors may take a cut of the company's profit.
- *Cost and complexity*
  Legal, underwriting and administrative costs can be high and processes can be complex.

[24] The Drinks Business, Toast Ale Raises GBP 2 Million with its 'Equity for Good' Model, 14 December 2022.

## Bonds

Companies looking to raise capital for their sustainability initiatives can choose to issue corporate bonds. A corporate bond is essentially a loan where investors lend the company money at a fixed interest rate. As with company shares, corporate bonds can be bought and sold by investors on stock exchanges but can also be sold privately.

As is the case for sustainable shares, issuing sustainable bonds is more common among larger enterprises because of the complexities involved. However, issuing sustainable bonds can also work for smaller enterprises. For example, German company Encavis AG, which operates wind and solar energy parks and employs around 300 workers[25], successfully issued a green bond in 2018 which raised EUR 50 million (around USD 55 million).[26] In 2023 the company issued another green bond to increase its energy generation capacity which was expected to raise EUR 50 million. However, the bond was so popular with ESG investors, who were willing to commit over four times the initially targeted amount, that it raised a total of EUR 210 (around USD 230 million).

The main types of sustainable bonds a company can issue are below.

- **Green bonds**

  Green bonds dominate the market. They are issued to finance environmentally friendly projects, such as renewable energy, energy efficiency, and pollution reduction initiatives.

- **Blue bonds**

  Blue bonds are relatively new and designed to finance marine and ocean-based environmental projects.

- **Social bonds**

  Social bonds focus on projects that address social issues such as healthcare, education, affordable housing, and job creation.

- **Sustainability bonds**

  Sustainability bonds are both green and social bonds and the proceeds finance projects that have both environmental and social benefits. These bonds can fund a wide range of initiatives, such as sustainable agriculture, green transportation systems, and the construction of affordable green housing.

- **Sustainability-linked bonds (SLBs)**

  SLBs do not require the funds to be directed to specific projects. Instead, these bonds are performance-based: the issuer commits to meeting predefined sustainability targets, often related to reducing their carbon footprint. Sustainability-linked bonds offer issuing companies greater flexibility than green or social bonds, as the funds can be used for general corporate purposes, provided they are aligned with sustainability objectives.

- **Transition bonds**

  Transition bonds raise funds for a company's transition to more sustainable practices and lower carbon emissions. They are normally designed for industries that are high carbon emitters, such as oil and gas, iron and steel, chemicals, aviation, and shipping.

[25] Encavis, www.encavis.com/en, (accessed on 8 April 2025).

[26] Martina Markosyan, "Encavis Issues EUR-210m Green Bond", Renewable Now, 1 March 2023.

**Bonds**

**Advantages**

- *Tax benefits*
  Companies that issue bonds may, for example, be able to deduct interest payments from their taxable income.
- *Avoids capital dilution*
  Issuing corporate bonds, compared to issuing shares, avoids capital dilution, in other words bonds do not result in a decrease in equity ownership for existing shareholders.
- *Pay back loan amount at end of term*
  Compared to loans, bond financing only requires the interest to be paid before maturity of the loan. This can help to preserve the company's cash flow.

**Disadvantages**

- *Complexity*
  Issuing sustainable bonds can be complex and may be more appropriate for larger and more established SMEs. So called mini bonds can be issued by start-ups or smaller SMEs.
- *Cost and complexity*
  As with issuing shares, the process of issuing bonds incurs costs and processes can be complex.

## 7.3 Investors increasingly look for sustainability

*This section is targeted and larger, more complex companies and may not be relevant to smaller enterprises.*

Companies that embrace ESG appeal both to **traditional investors** looking to buy profitable shares and bonds and to **investors looking to make a difference**. ESG investment vehicles are increasingly numerous and ESG criteria are playing a growing role in investment decisions.

For example:

- The world's largest investment firm BlackRock launched a report in 2025[27] that for the first time marks natural capital as a key investment factor. This is part of a wider shift toward integrating environmental assets – such as biodiversity, water, and land use – into companies' market valuations. Or, in other words, nature-related risks and opportunities should be better factored into estimations of companies' longer-term performance, especially given increasing risk levels. The report also highlights that over half of global GDP (USD 58 trillion) is moderately or highly dependent on nature.
- Norway's USD 1.8 trillion sovereign wealth fund – the largest sovereign wealth fund globally – pulled out of 49 companies in 2024 for ESG reasons.[28] Of the divestments, five were because of climate risk, 15 were linked to insufficient risk management related to human rights, and eight were connected to anti-corruption efforts. The fund invests income from Norway's oil and gas resources and requires all the companies it invests in to achieve net zero emissions by 2050 at the latest.

Information on enterprises listed on stock exchanges is also increasingly available and easy to find, and not just by professional institutional investors, but also by private investors, journalists, consumers, and other stakeholders. ESG company information is freely available, for instance, from ESG rating firms such as Sustainalytics and MSCI, but also from websites that target a much broader audience such as Yahoo!finance. Artificial intelligence (AI) means that company ESG reports are now easier and faster to analyse than ever before.

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[27] Blackrock, Our Approach to Engagement on Natural Capital, January 2025.

[28] Bloomberg, Norway's $1.8 trillion fund quit 49 companies for ESG risk in 2024, 6 February 2025.

*The slideshow for this module includes two screenshots demonstrating the prominence of ESG information on Yahoo!Finance. Trainers may wish to replace these with more relevant examples of communication channels featuring public information on enterprise ESG performance.*

## Types of sustainable investors

The types of sustainable investors attracted to companies with ESG initiatives include:

- **Impact investors**

  These investors seek to make investments that generate measurable, positive social and/or environmental change while achieving financial returns. For instance, impact investment might fund renewable energy, sustainable agriculture or microfinance. Impact investment firms are growing globally.

  **Example**

  Blue Orchard Finance Investment Managers is a Swiss company that specialises in microfinance and impact investing in emerging markets. It invests on behalf of individuals and institutional investors. It has USD 875 million assets under management. It funds include the Green Earth Impact Fund which has a target return of 10-12 per cent and addresses SDGs 6 – Clean Water and Sanitation, 7 – Affordable and Clean Energy, 13 – Climate Action, 14 – Life Below Water and 15 – Life on Land.

- **Socially responsible investors**

  Socially responsible investments (SRIs) are guided by moral and ethical principles. The key principle behind socially responsible investing is to "do no harm". Investors may, for example, exclude companies involved alcohol production, gambling, or weapons manufacturing.

  **Example**

  Vanguard is one of the world's largest investment companies with around USD 10.4 trillion in global assets.[29] Its Vanguard FTSE Social Index Fund allows investors to buy shares in American companies that are not involved in adult entertainment, alcohol, tobacco, cannabis, gambling, chemical and biological weapons, cluster munitions, anti-personnel landmines, nuclear weapons, conventional military weapons, civilian firearms, nuclear power, and coal, oil, or gas.

- **ESG investors**

  ESG investment evaluates companies based on their ESG practices alongside financial metrics. ESG investing primarily focuses on avoiding investments in companies with poor ESG scores.

  **Example**

  ESG investment is increasing in popularity. For example, in 2018 Vanguard launched its first ESG exchange traded funds (ETFs).[30] These allow investors to invest in a basket of shares from more than 6,000 companies that meet ESG criteria.

[29] Statista, Assets Under Management (AUM) of Vanguard in Selected Years From 1975 to January 31, 2025.

[30] Laura Crigger, 'Vanguard Makes ESG Debut', etf.com, 20 September 2018.

*Trainers should replace the above examples where possible with ones that are relevant to the national, sector and enterprise context of participants.*

*Trainers may wish to add a relevant case study of a company that has successfully accessed and used sustainable funding to round off this module. This would add to the amount of time it takes to deliver this module.*

**Exercise 15** **Accessing peer support to solve ESG funding challenges.**

| | |
|---|---|
| **Learning objectives:** | For the participants to share ESG funding challenges and solutions. |
| **Duration:** | 40 minutes |
| **Instructions:** | This exercise aims to wrap up the module and is a group discussion focusing on peer support and brainstorming. Ask participants to share their company's challenges when it comes to (1) funding the transition to more sustainable practices and (2) attracting sustainable investment. Ask other participants to propose solutions, possibly based on their own experience. Trainers and any participating sustainable funding experts also contribute to the discussion. |

**Additional information**

The United Nations Climate Change Learning Partnership offers a free online and certified course Introduction to Sustainable Finance.

The UN Global Compact's three hour long e-course for enterprises Small Business, Big Impact - A Six-Step Journey to Drive Sustainability and Business Growth includes a module on 'how to finance your sustainability strategy'.

Finance and Investment for Greening SMEs by the OECD identifies innovative financial instruments and approaches that reduce enterprises' environmental footprints.

Summarize and wrap up the module (5 minutes)

**Summarize and wrap up the training and hand out the post-training questionnaire (10 minutes)**

# Annexes

# Annex 1. Glossary

This glossary contains some of the key ESG-related terms used in this guide and more broadly. It does not establish any universal definitions nor capture the full depth and complexity of each term.

**B Corporation**

A B Corporation (or B Corp) is a company certified by the nonprofit organization B Lab for meeting high sustainability standards.

**Biodiversity**

This terms stems from 'biological diversity' and refers to the variety of life found on earth such as animals, plants, fungi, and even microorganisms like bacteria, and more.

**Blue bonds**

Debt instruments used to finance marine conservation and sustainable use of ocean resources.

**Carbon Disclosure Project (CDP)**

The CDP standards supports companies and cities in disclosing their environmental impact.

**Carbon offsetting**

A method for compensating for the carbon dioxide ($CO_2$, a GHG) emissions of a business by funding equivalent $CO_2$ savings elsewhere.

**CEO Water Mandate**

This provides a common framework (and associated tools) for reporting how a company reports the current state of its water management to stakeholders.

**Climate Disclosure Standards Board (CDSB)**

A framework for reporting environmental information with the same rigor as financial information.

**Corporate Carbon Footprint (CCF)**

Total amount of GHG emissions from a company's direct or indirect activities.

**Corporate Social Responsibility (CSR)**

A company's voluntary initiatives to manage its societal and environmental impact. CSR has an internal focus and an emphasis on organizational culture. It does not provide a measurable sustainability assessment, as is the case for ESG. Arguably ESG is replacing CSR despite the two being distinct approaches.

**Double materiality**

This combines financial materiality and stakeholder materiality, providing a holistic view of a business's impact and financial relevance. (See below for 'materiality').

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

A framework for evaluating a company's sustainability performance in terms of environmental stewardship, social responsibility, and corporate governance practices. ESG reports are used by investors, companies, and stakeholders.

**ESG indices**

Market indices that track the performance of companies excelling in ESG criteria.

**ESG investments**

Investment strategies focused on companies meeting strong ESG criteria.

**ESG rating agencies**

Organizations that evaluate companies based on their ESG performance, examining aspects such as carbon footprints, labour practices, and corporate ethics. These assessments are then converted into ratings or scores, which provide valuable insights to stakeholders such as investors.

**EU Taxonomy**

A classification system that defines which economic activities are environmentally sustainable and which are not to guide investors and companies. The EU Taxonomy Navigator has practical information, including a Q&A and guidance on reporting obligations.

**Financial materiality**

How ESG factors impact a company's financial performance.

**Financial reporting**

The process of disclosing a company's financial performance and position through formal statements.

**Forest Stewardship Council (FSC)**

FSC is a non-profit organization that sets standards for sustainable forest management. It runs a certification scheme for forests and forest products.

**Global Reporting Initiative (GRI)**

An international organization providing commonly used standards for corporate sustainability reporting.

**Green bonds**

Debt instruments used to finance projects with environmental benefits.

**Greenhouse Gas (GHG)**

Gases in the earth's atmosphere that trap heat and cause global warming. These gases include carbon dioxide ($CO_2$) and methane (CH4).

**Greenhouse Gas Protocol Corporate Accounting and Reporting Standard**

This standard provides requirements and guidance (including templates) for organizations making a GHG emissions inventory.

**Green loans**

Loans aimed at funding environmentally sustainable projects.

**Greenwashing**

When a company makes false or misleading statements about the positive environmental impact of a product or practice, which usually leads to reputational damage.

**IFRS Accounting Standards**

Commonly used standards issued by the IFRS' International Accounting Standards Board (IASB) for consistent financial reporting across the globe.

**IFRS Foundation**

A not-for-profit organization that has developed commonly used accounting and sustainability standards (see the International Financial Reporting Standards and the International Sustainability Standards Board below for more information).

**IFRS Sustainability Disclosure Standards (ISSB standards)**

Commonly used global sustainability disclosure standards issued by the International Sustainability Standards Board (ISSB).

**Impact investments**

Investments that aim to generate positive social or environmental impact alongside financial returns.

**Integrated Reporting (IR)**

This type of reporting combines financial reporting and sustainability reporting into one document.

**International Corporate Governance Network (ICGN)**

An organization that sets commonly used global standards for effective corporate governance.

**International Organization for Standardization (ISO)**

An independent organization that develops and publishes commonly used international standards, including those related to sustainability.

**Marine Stewardship Council (MSC)**

A non-profit organization that has developed sustainability standards and runs a certification scheme for seafood producers and fisheries.

**Materiality**

A long list of ESG topics and issues is likely to be relevant to any company. Determining a company's materiality is about assessing these topics and issues and deciding which are going to be priorities for action. The selected topics and issues are 'material'.

**Materiality assessment**

The process of identifying and prioritizing ESG issues most relevant to a business and its stakeholders.

**Net zero**

A situation where a company adds no additional GHG to the earth's atmosphere. The amount of GHG emitted by the company is equal to the amount of GHG the company has removed. Net zero is a common goal of corporate ESG strategies.

**Principles for Responsible Investment (PRI)**

The six principles offer a menu of possible actions for incorporating ESG issues into investment practice. The principles were developed by an international group of institutional investors convened by the United Nations Secretary-General. In signing the Principles, investors publicly commit to adopt and implement these.

**Responsible Business Conduct (RBC)**

RBC is a broad framework that helps businesses avoid and address the negative consequences of their operations and contribute to sustainable development. RBC aligns with international guidelines and instruments such as the ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration), the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights. RBC is mainly used by governments, regulatory bodies, international organizations and companies.

**Roundtable on Sustainable Palm Oil (RSPO)**

A not-for-profit organization that certifies sustainable palm oil production.

**Sustainability Accounting Standards Board (SASB)**

An organization that develops industry-specific standards for sustainability disclosures. This is now part of the ISSB (see above).

**Sustainable Development Goals (SDGs)**

Global goals set by the UN to address pressing environmental, social, and economic challenges. The SDG Compass advises companies on how to align their strategies with the SDGs.

**Social bonds**

Debt instruments used to finance projects with positive social outcomes.

**Socially Responsible Investment (SRI)**

An investment strategy that incorporates ethical and social criteria alongside financial considerations.

**Stakeholder materiality**

This type of materiality focuses on how a company's activities affect external environmental and social factors.

**Sustainability bonds**

Debt instruments that fund projects combining environmental and social benefits.

**Sustainability reporting**

The disclosure of environmental, social, and governance performance and impacts.

**Sustainability-Linked Bonds (SLBs)**

Bonds with financial terms tied to the issuer's sustainability performance.

**Sustainability-Linked Loans (SLLs)**

Loans with terms linked to the borrower's achievement of specific sustainability targets.

**Sustainable Agriculture Initiative (SAI) Platform**

Membership based not-for-profit organization that sets principles and practices for sustainable agriculture.

**Task Force on Climate-Related Financial Disclosures (TCFD)**

A framework for companies to disclose climate-related financial risks and opportunities. The TCFD is now being monitored by the IFRS (see above).

**Task Force on Nature-Related Financial Disclosures (TNFD)**

This organization helps businesses to report and act on nature-related issues through sector-specific data, metrics, and tools. The reporting framework is aligned with global standards such as the GRI.

**Transition bonds**

Debt instruments financing activities that help companies transition to lower-carbon operations.

### Additional information

The ILO LEADER Programme has produced a short brief for EBMOs and enterprises called **Navigating the ESG Alphabet Soup** which sheds light on the complex terminology surrounding ESG by clarifying key concepts and distinguishing ESG from related terms like CSR, RBC, SRI, and SDGs. The brief can be accessed by visiting the ILO LEADER Programme's online resource hub.

# Annex 2. Handouts

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## Handout 1

# Case study: Fictional company Safari Foods

Safari Foods is a national food wholesaler specializing in grains, cereals and flours. Safari Foods is based in *(insert country name)*. Safari Foods sources goods directly from national manufacturers and neighbouring countries. It transports these by truck to a central warehouse on the outskirts of *(insert city name)*. It then repackages the goods using either paper or plastic under its own brand before selling and transporting them to local supermarkets, bakeries and restaurants. Any unsold foods are disposed of as waste.

Safari Foods was set up six years ago and has experienced rapid growth. Senior management is considering an International Public Offering (IPO)[31] to finance further company expansion. The company has recently moved to a newly built, larger warehouse which incorporates recycled building materials and has solar panels. Safari Foods is recruiting an additional 20 workers and plans to hire the nephew of the CEO as Head of Food Safety Compliance. Around 60 per cent of workers are members of an independent trade union.

Safari Foods employs 600 staff of which 30 per cent are women and 70 per cent are men. Most workers are from *(insert city name)*, rooting the company in its local community, but around 20 per cent of workers are migrants from neighbouring countries. Women represent 10 per cent of senior managers and have no seats on the board of directors. The main staff groups are truck drivers, administration, and operational staff working on the shopfloor in the warehouse. Migrant staff predominantly work on the shopfloor and are usually recruited through a private recruitment agency. The majority of women work in administration roles.

Last year the region experienced a prolonged period of drought, followed by heavy storms and flooding. Since then, senior management has received several requests from its buyers for information on Safari Food's social and environmental credentials. Senior management have also been informed by their EBMO *(insert EBMO name)* that the national stock exchange is preparing basic ESG requirements that all listed companies need to comply with. Furthermore, the government is considering a new circular economy law that will ban food waste to prevent it emitting greenhouse gases when it decomposes in landfills.

So far, Safari Foods' senior management team has focused on growth and expansion, including managing a growing workforce, new premises, and additional suppliers. Sustainability has not been a priority. However, following a car accident involving a truck driver a few years ago, Safari Foods recruited a health and safety expert. The company's health and safety policies and practices are now exemplary and comply with all relevant national and international standards.

Given increasing pressures, senior management has decided to develop, implement and report on an enterprise-wide ESG strategy for the first time. Senior management has some basic knowledge of ESG, but the remainder of the staff do not.

[31] When a company offers it shares on a stock market exchange for the first time.

## Handout 2

# Enterprise ESG assessment tool

The template tool below allows enterprises of all sizes and sectors, and other organizations, to assess their ESG performance and identify any gaps and opportunities for improvement. The assessment should be done on a regular basis, with the first assessment results considered as a baseline.

The assessment tool is not exhaustive. It is intended to provide a quick snapshot of ESG performance. To make the tool most effective, it should be adapted to the company's specific context.

The assessment is in the shape of a questionnaire. For every ESG component ('E', 'S', or 'G') the company says to what extent it agrees or disagrees with statements about its ways of working. Every statement is accompanied by a short list of factors to consider when deciding how to respond.

Before starting the assessment, it is useful to:

- Nominate an employee or employees to lead on it, such as the Sustainability Officer/Manager, the business owner, or the senior management team. If there is no appropriate internal person, the assessment could be outsourced to an external expert organisation such as an EBMO or ESG consultancy.
- Agree on a timeframe for completing the assessment.
- Ensure management buy-in and leadership of the process.
- Start thinking about how the assessment results can be turned into an action plan which sets out who is going to do what by when and how, and how actions are to be funded.

*This assessment tool is available to EBMOs in two additional formats. The first is an Excel spreadsheet which, when completed, provides a results dashboard that informs individual companies of their ESG performance. The spreadsheet can be amended by EBMOs. The second format is an online survey, which can be used by EBMOs to collect ESG data from their members, leading to an aggregate ESG performance result. For access to the spreadsheet and the survey, please contact actemp@ilo.org.*

## ESG assessment template

**Initial assessment date:** _____

**Today's date:** _____

**Last assessment date (if applicable):** _____

**Next planned assessment review date:** _____

### Environmental standards

1. **The business takes measures to prevent and reduce energy consumption and emissions of greenhouse gases.**
   - ☐ Strongly agree
   - ☐ Agree
   - ☐ Neutral
   - ☐ Disagree
   - ☐ Strongly disagree
   - ☐ Not applicable

Factors to consider when responding:

- Does the business monitor and track energy consumption and conduct on-site energy audits?
- Does the business measure greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)?
- Has the business set targets to reduce greenhouse gas emissions and energy use?

**2. The business takes measures to reduce water consumption and treat wastewater responsibly.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Does the business have a system in place to monitor water withdrawals and consumption?
- Does the business have procedures in place to reduce water use or reuse/recycle water?
- Has the business set targets to reduce water consumption?

**3. The business ensures safe handling and storage of chemicals, other dangerous substances, and plastics.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Does the business have procedures in place to manage and dispose of hazardous waste, wastewater, solid waste, and airborne emissions?
- Has the business set targets to reduce waste?
- Does the company minimize packaging, in particular any plastic packaging?

**4. The business has identified hazardous operations and the potential consequences on human health and the environment if an accident occurs.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Does the business have detailed procedures, plans, equipment and training programmes to prevent accidents and emergencies?
- Does the business have detailed procedures, plans and equipment to effectively respond to accidents and emergencies if they occur?
- Does the business train workers to respond to accidents and emergencies?

**5. The business is working to reduce its overall transportation footprint.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Does the business minimize any unnecessary travel (e.g. by prioritizing low impact transportation modes, encouraging the use of online platforms, carpooling for staff, etc.)?
- Does the business consolidate shipments and optimize routes to maximise energy efficiency?
- Has the business switched to electric vehicles?

**6. The business encourages the development and use of environmentally friendly technologies.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Are business premises built with resource-efficient materials (e.g. recycled wood, recycled steel, bamboo) and/or technologies (e.g. solar panels, heat pumps, LED lights)?
- Is the business paperless? Is all contracting, billing, and other document management done digitally?

**7. The business has effective management systems in place and accompanying training of staff to assess and manage environmental risks associated with its operations.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Is the business compliant with all national and environmental laws and regulations, and does it have all required license(s) or permit(s)?
- Has the business established environmental targets and objectives to improve environmental performance?
- Does the business try to avoid environmental damage by regular maintenance of production processes and environmental protection systems (such as air pollution control and wastewater treatment systems)?
- Does the business conduct systematic risk assessments of materials used, products and processes to ensure no environmental damage?
- Do all relevant staff receive regular training on environmental issues and company expectations?

**8. The business engages in regular stakeholder dialogue within the community on critical environmental issues.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Does the company operate in a sector that could be perceived as negatively impacting the local habitat and the sustainability of the region?
- Does the company provide information to all relevant stakeholders about uncertainties and/or potential risks to workers, consumers, the public and the environment of the company's products and processes?
- Does the company prevent and reduce impacts on the surrounding environment from noise, odour, light and vibrations?

## Social standards

**9. The business complies with all national labour laws.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Does the business have effective means for dialogue to help manage, avoid or harmonize conflicting interests between workers and management?
- Are workers are entitled to paid sick leave in accordance with the applicable national law?
- Are workers paid holiday leave, sick leave, and parental leave in accordance with national minimum standards?
- Are female workers are entitled to maternity leave in accordance with national law, industry norms or collective agreements?

- Does the business ensure that the workweek is limited to 48 hours (or national equivalent), that overtime is limited as necessary, and that workers are given reasonable breaks and rest periods?
- Does the business ensure that it does not illegally withhold wages or bonuses and that it pays workers in a timely and regular manner?
- Does the business pay wages at regular intervals while not making deductions from wages for disciplinary or other purposes not authorised by national law?

**10. The business takes all the necessary measures to ensure that it does not participate in any form of child, forced or bonded labour or trafficking of any kind.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Does the business comply with minimum age standards?
- Does the business allow all workers to leave company premises during breaks and at the end of their shifts, and all workers in company housing to freely enter and exit their accommodation at any time?
- Does the business (or its recruitment agencies) ensure that it does not retain identity cards, passports, travel documents or other personal items without which workers cannot leave employment?
- Does the business give loans or salary advancements to workers that are based on fair terms that are clearly explained to the worker, not granted to cover basic living expenses, limited in size, and/or do not require the worker to remain with the company until full repayment is made?
- Does the business ensure that all workers receive employment contracts prior to starting work for the company, and that contracts are understood by each worker?

**11. The business neither discourages nor restricts independent trade unions.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Are workers part of or free to join an independent and free union?
- Can workers gather independently to discuss work-related problems?
- Does company management meet regularly with worker representatives to discuss work-related problems and any concerns/complaints workers may wish to raise?

**12. The business has effective health and safety procedures in place, which comply with industry, national and international standards.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Are workers provided with safe, suitable and hygienic work facilities?
- Does the business ensure that workers are provided with the protective equipment and training necessary to perform their tasks safely and are responsibilities for health and safety tasks clearly defined?
- Does the business ensure that all workers have the necessary training to safely perform their job functions and keep workers fully informed, in a language and format understandable to them, of the health and safety procedures?
- Are health and safety accidents reported and investigated including involving the relevant worker(s), and are actions taken to prevent recurrences?
- Does the business have specific plans in place in case of a hazard threat such as natural disasters (wildfires, hurricanes, floods, earthquakes, and so on).

**13. The business hires workers based on merit and ensures that there are no direct obstacles in hiring legal migrants, disabled or young workers, or others perceived as minorities.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- When the company recruits new workers, does it impose criteria of sex, age, ethnicity, religion or other personal characteristics that are unrelated to the job?
- When the company advertises a position does the job advertisement include language such as “women and men and persons from all ethnicities are encouraged to apply”?
- Are business decisions on hiring, wages, promotion, training, discipline, retirement and termination based only on objective criteria, and not linked to any discriminatory practices, whether intentional or not?
- Do employment advertisements avoid referencing discriminatory criteria, such as race, gender or age (unless listed as part of a legal equal opportunities promotion)?
- Does the business take reasonable steps to enable qualified persons with disabilities or health conditions to gain employment opportunities with the company, for example by providing wheelchair access, flexible working hours, longer breaks, and so on?

**14. The business ensures pay equality between male and female workers for work of equal value.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Do all workers have access to salary increments, benefits, facilities and services without any distinction on the grounds of gender, race, ethnicity and so on?
- Does the company promote female employment in traditionally male dominated roles (plumbing for example)?
- Does the company support female staff in some or all of the following ways: flexible work arrangements, child and dependent care support, and the promotion of women to senior positions.

**15. The business has created a safe and inclusive working environment.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Does the business ensure zero-tolerance towards all forms of harassment and violence at work, and has it created a safe and inclusive working environment for all staff regardless of gender, race, ethnicity etc.?
- Has the business clearly defined workplace bullying/harassment/violence in precise, concrete language and has it outlined in precise terms the consequences of making threats or committing acts to other workers?
- Has the business established procedures, accessible and known to all workers, that allow workers to safely report incidents of workplace discrimination, harassment and/or violence?
- Is the business perceived to be aligned with any political, religious or tribal group? Does it ensure that no potentially divisive flags or emblems are displayed in the workplace?

**16. The business employs men and women from the local community, is deeply invested in its local community and is seen as a positive contributing force.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Does the company provide employment in an area with high rates of formal employment?
- Are local livelihoods in the community supported by workers?
- Does the company support local firms, such as suppliers and local businesses?
- Does the company provide products and services that enable the local community to improve health and well-being outcomes?
- Does the business directly produce or provide services at an affordable cost that greatly assist people in accessing and utilising basic services such as water, energy or waste management?
- Does the business have or contribute to any philanthropic efforts within the local community?

## Governance standards

**17. The business has management systems in place to effectively manage all its compliance obligations.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Does the business have sufficient staff and resources to effectively run its compliance management systems?
- Do senior managers or the board have oversight to ensure compliance?
- Does the business ensure it complies with all relevant supplier codes of practice?

**18. The business has clear values and principles underpinned by a commitment to ethical behaviour that guides all its operations.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Has the business documented what these values/principles mean in terms of its operations?
- Are the values/principles widely publicized to all stakeholders?
- Are bribery and corrupt payments strictly prohibited?
- Do all workers understand that they must respect the letter and the spirit of anti-corruption and anti-money laundering laws?
- Are employees confident that, if they lose business because they comply with company policies or with the law, they will be supported by their supervisors and will not suffer adverse consequences?
- When designing new operations, services or activities, is an assessment of risk, opportunity and impact is carried out and taken into account?

**19. The company's key partners, including suppliers, do not cause negative environmental or social impact.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Neutral
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Not applicable

Factors to consider when responding:

- Do business suppliers/key partners have previous negative documented impacts on environmental, social or governance (ethics & compliance) issues (such as court cases)?
- Are/were the business practices of suppliers/key partners on environmental, social or governance (ethics & compliance) issues perceived to be negative by relevant stakeholders (e.g. media stories)?
- Are suppliers/business partners engaged in any predatory behaviour that could be perceived as impacting negatively on the community?
- Do customers use the company's products or services in a way that could be perceived as negatively impacting on local jobs and livelihoods or the environment?

## Other

**20. The business operates in a sector identified in the Government's National Development Plan (NDP) as a priority sector to achieve broad national development objectives, such as raising education standards or improving health outcome.**

- ☐ Yes
- ☐ No

Factors to consider when responding:

- Governments often set national development goals to drive economic growth, sustainability, and social progress, and companies can align their ESG initiatives to contribute to these broader objectives. In many countries the construction, health, education, agriculture, or other sector that have a strong social and/or environmental impact are priority sectors. In some countries the government has identified in its NDP manufacturing and/or tourism as a target sector(s) for expansion as both are employment rich sectors.
- Examples of "a direct contribution" to the NDP include companies operating in the health sector and producing or distributing key health products, or companies in the education sector producing education material or providing education and training. Examples of "an indirect contribution" to the NDP include companies operating in the construction sector and manufacturing cement bags.

## Handout 3

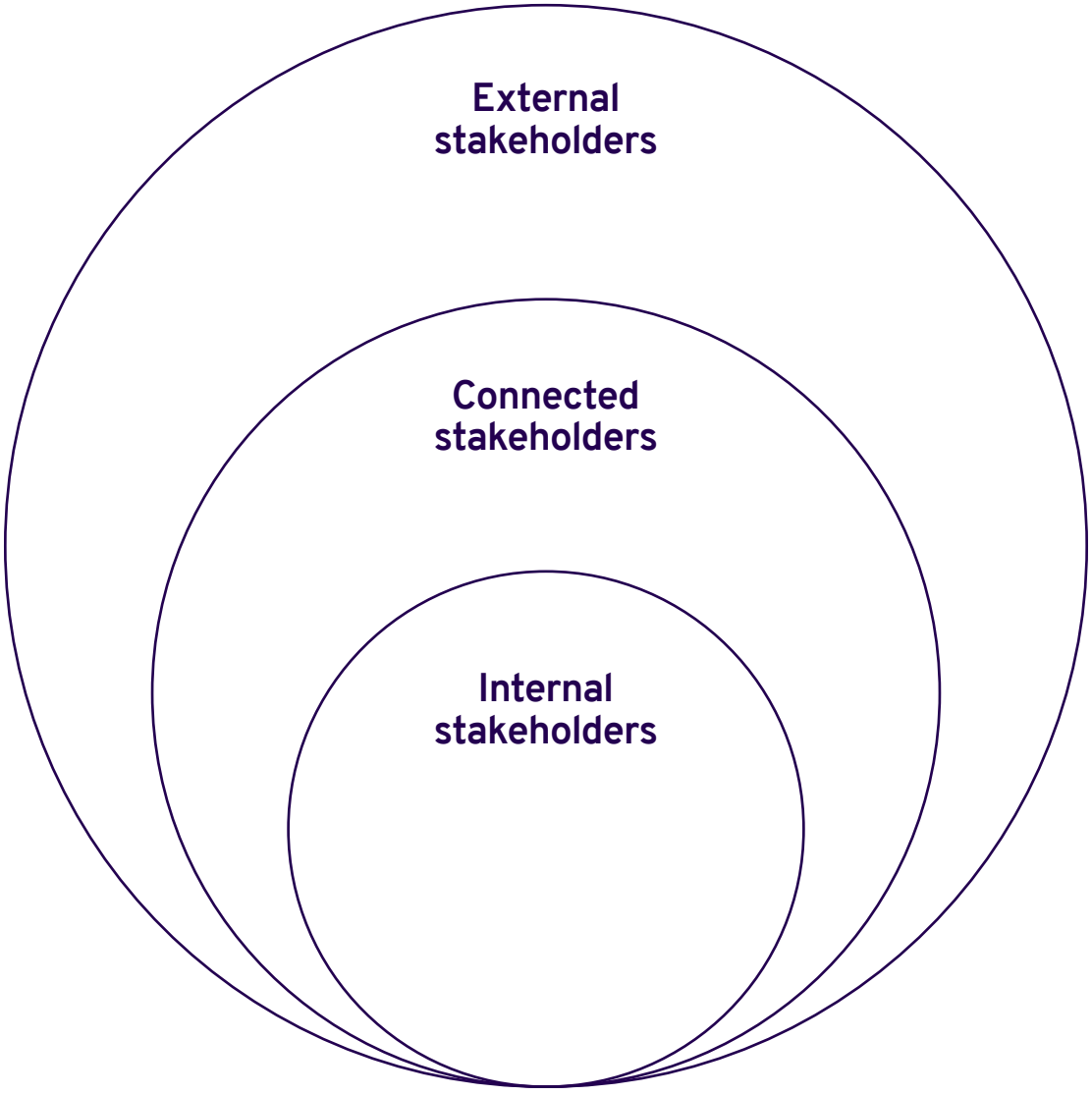
# ESG stakeholder mapping template

When mapping company stakeholders, it can be useful to split stakeholders into three different groups.

- **Internal stakeholders**: People within the company such as employees, worker representatives, managers, health and safety leads, and board members.
- **Connected stakeholders**: Those with an economic or contractual relationship with the company such as suppliers, partners, and advisors.
- **External stakeholders**: Groups with diverse objectives such as the general public, government and the media, who can be influenced or otherwise impacted by the company's operations.

Please use the template below to map all Safari Foods' stakeholders. These can be stakeholders mentioned in the case study as well as stakeholders you think would be relevant.

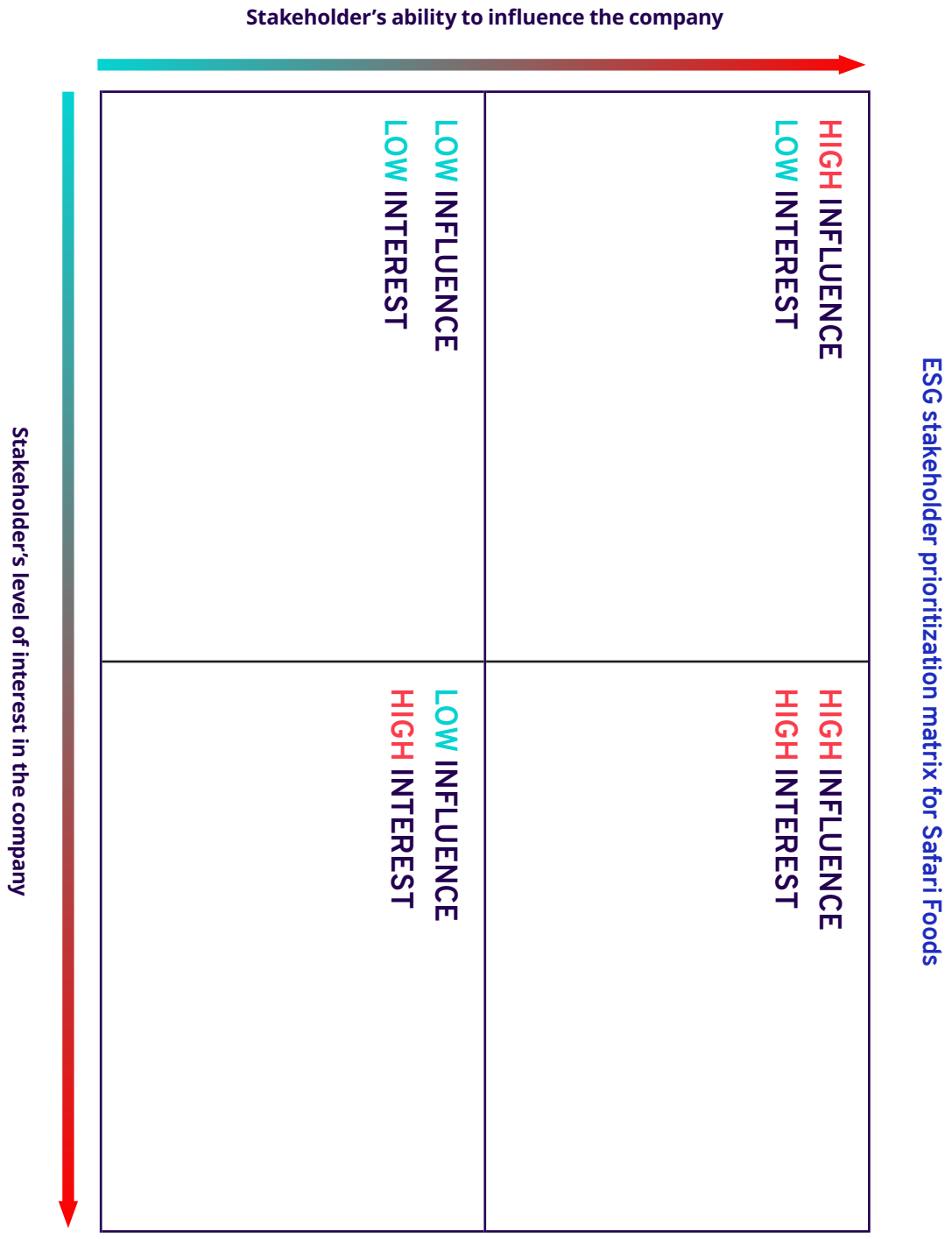
### ESG stakeholders for Safari Foods



## Handout 4

# ESG stakeholder prioritization template

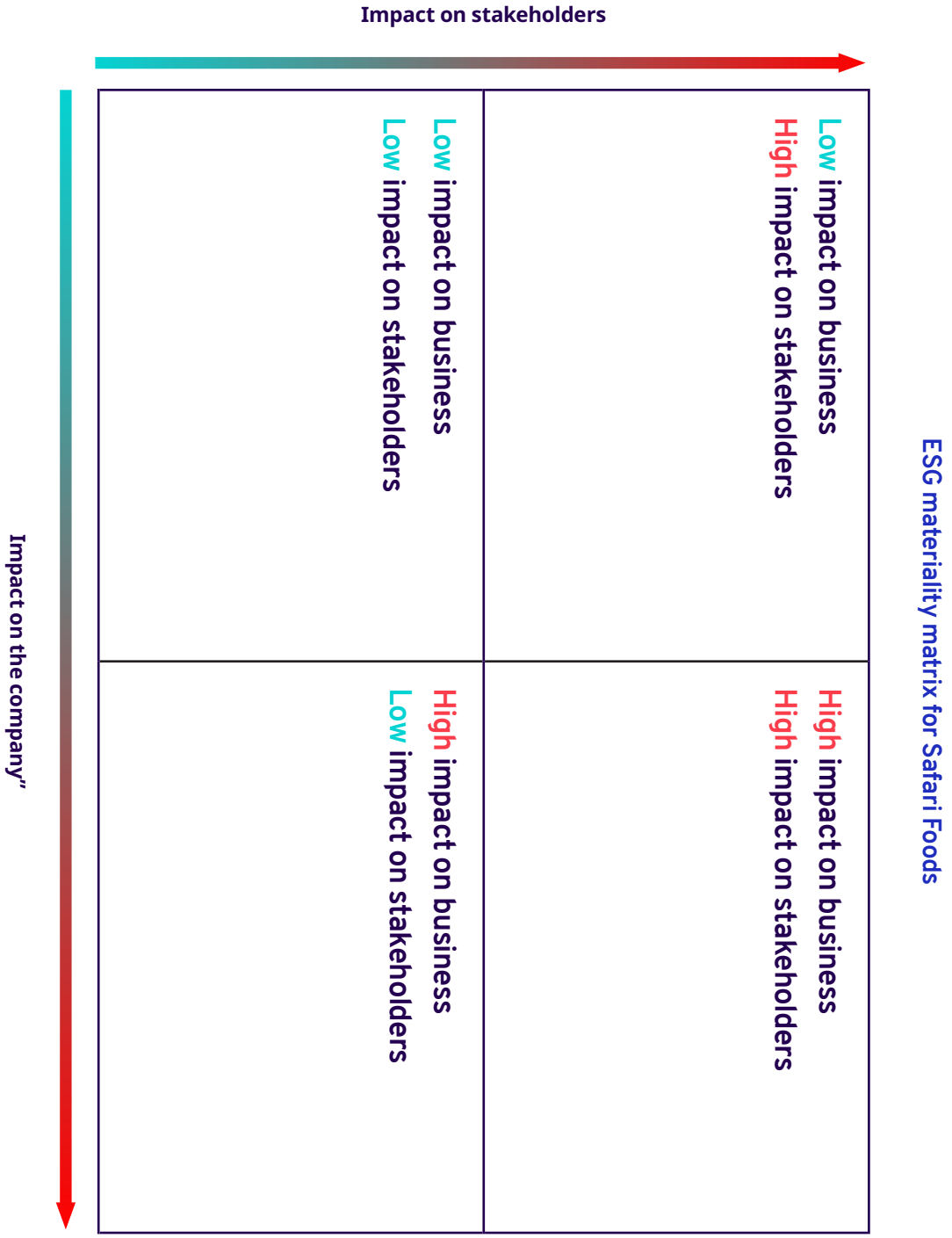
Please use the list of stakeholders identified in the last exercise to populate the template below.



## Handout 5

# ESG materiality matrix template

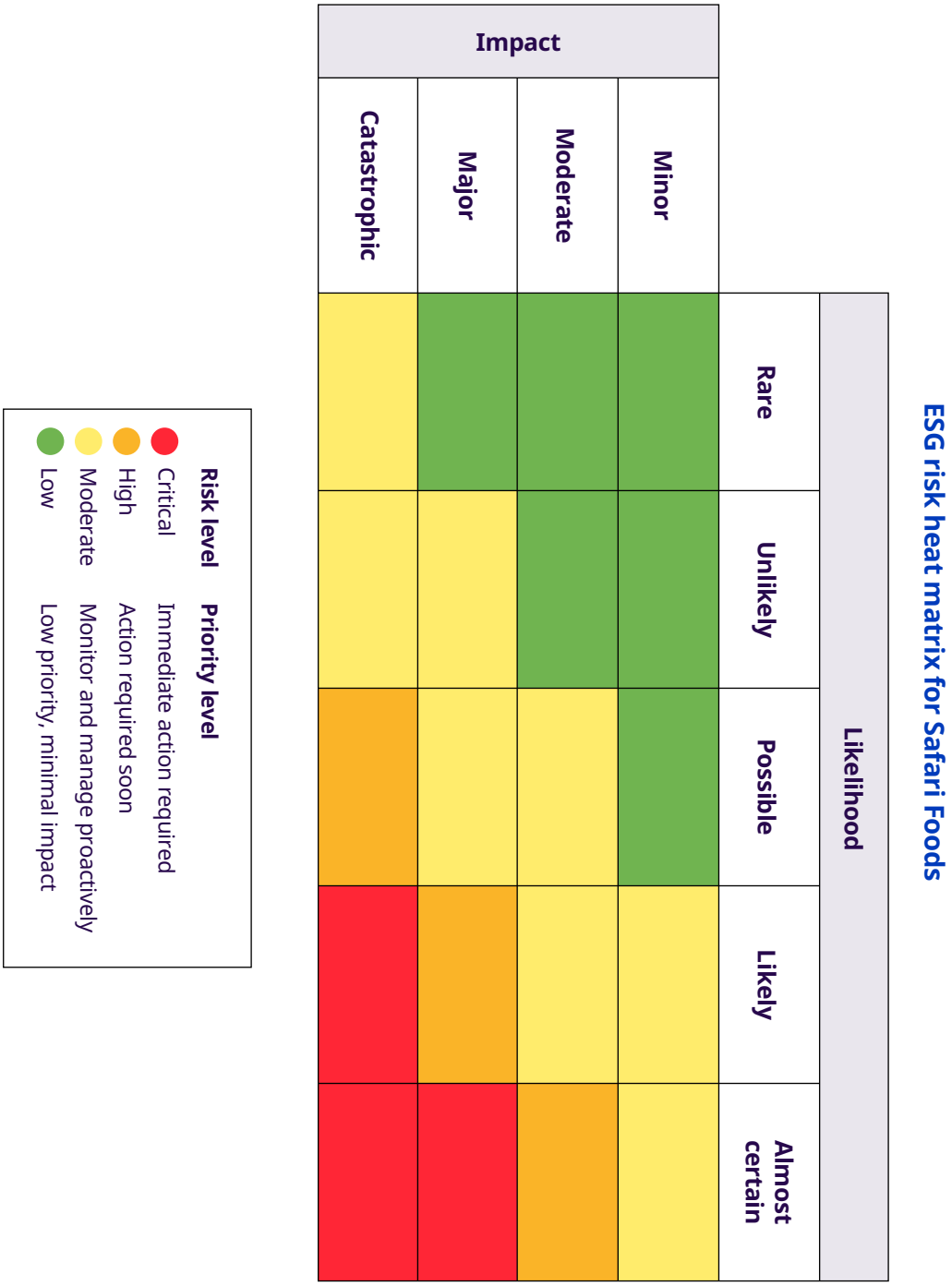
Thinking back to Safari Foods' ESG strengths, weaknesses, opportunities, risks and priority stakeholders, please come up with a list of at least five ESG issues for the company (e.g. 'carbon footprint', 'gender balance', etc.) Place each issue in one of the four squares of the matrix according to the impact of the ESG issue on the company and on its priority stakeholders.



## Handout 6

# ESG risk heat matrix template

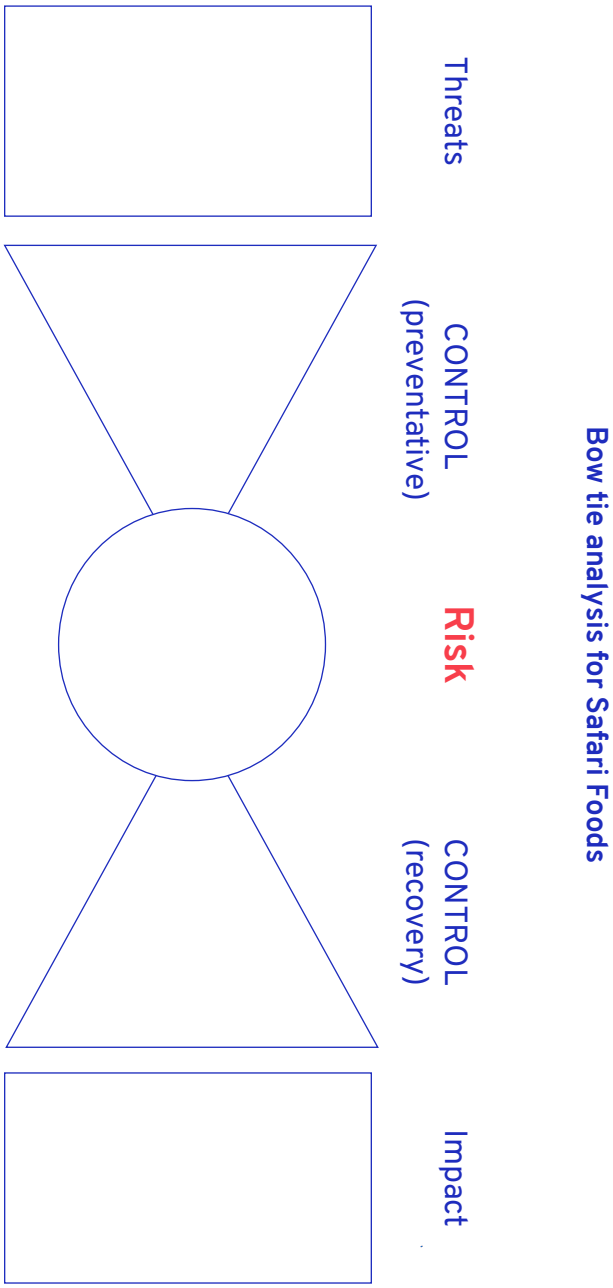
Please refer to the list of ESG risks you already identified for Safari Foods and place each risk in the risk heat matrix below according to its impact and likelihood.



## Handout 7

# Bow tie analysis template

Thinking back to the last exercise where you identified priority ESG risks for Safari Foods, please take the most urgent risk you identified and use the bow tie analysis template below to develop mitigation strategies.



## Handout 8

# ESG strategy template

This template outlines the sections of a basic ESG strategy. Safari Foods has started to draft the strategy, but some sections are missing (marked in grey in each table). Please help Safari Foods by filling in these sections. In practice, an ESG strategy, especially for a larger, more complex company, is likely to feature many more ESG aspects and contain more information.

## Business overview

| | |
|---|---|
| **Business name:** | Safari Foods. |
| **Industry:** | Food wholesaler specializing in grains, flours and cereals. |
| **Operations:** | Safari Foods sources supplies from producers, which it repackages and sells on. |
| **Workforce size:** | 600 employees |
| **Stakeholders:** | Staff, suppliers, customers, consumers (end users), investors, local community. |

## ESG statement

At Safari Foods, sustainability is at the core of everything we do. As a leading food wholesaler, we are committed to responsible environmental practices, social impact, and strong governance to ensure a better future for our communities and the planet. We will actively reduce our carbon footprint and champion the circular economy, working closely with our suppliers to promote sustainable sourcing and operations.

Our 600-strong team is the foundation of our success, and we aim to cultivate a diverse, inclusive workplace where every individual is valued and empowered. Transparency, ethical leadership, and community engagement guide our decisions, strengthening trust with our stakeholders and driving long-term, positive change. At Safari Foods, we're not just distributing food, we're shaping a sustainable future.

## Current ESG performance

Safari Foods commissioned *(insert EBMO name)* to carry out a company-wide ESG performance review. The review found that Safari Foods is in the early stages of embedding ESG principles into its operations and benchmarking against peers.

- **Environmental performance**

  In the environmental domain, we recently moved to new premises, built with recycled materials and equipped with solar panels. This has reduced our carbon footprint by 5 per cent already. However, there are opportunities to further reduce our carbon footprint by improving the efficiency of our transport, particularly as transportation accounts for 19 per cent of total food system emissions.[32] Safari Foods' direct transport operations currently emit 300 $tCO_2e$ annually. We have not measured the carbon footprint of our suppliers.

  There are also opportunities to limit greenhouse gas emissions from unsold food, of which we currently send 2,600 kgs/year to landfill. According to the government, 58 per cent of methane emissions from municipal solid waste landfills stem from food waste. Methane is a major contributor to climate change.

  Finally, it is clear that climate change is leading to more extreme weather events in our region, as evidenced by a recent report by the National Meteorological Society. Safari Foods currently has no risk identification and mitigation strategy in place to deal with storms and floods that can disrupt our supply chain.

[32] European Commission, Field to fork: global food miles generate nearly 20% of all CO2 emissions from food, 25 January 2023.

- **Social performance**

  On the social front, while 30 per cent of Safari Food's workforce are women, just 10 per cent of decision-making positions are held by women. This is below the average of 40 per cent for similar companies in the food industry, as reported by our EBMO *(insert EBMO name)* last year. Furthermore, there are no women on our board of directors. The company currently has no formalized recruitment, retention and promotion strategies to address these gaps.

- **Governance performance**

  When it comes to governance, Safari Foods has an exemplary approach to employee health and safety, However, the company's Food Safety Management System is mostly based on informal practices. We currently lack clear policies and protocols on risk analysis, monitoring, and corrective actions, as required by national regulations.

## Action plan

This section outlines the strategic steps and initiatives that will guide our efforts in enhancing sustainability performance, ensuring compliance with ESG regulations, and meeting stakeholder expectations. By following this action plan, we aim to integrate ESG principles into our core operations, drive continuous improvement, and achieve long-term business success.

### Goals

Our goals are designed to address the ESG issues that are currently most material to our company, taking into account the most significant environmental, social, and governance issues that impact our business and our stakeholders.

- **Environmental goals**

  1. Reduce the carbon footprint of our transport by 20 per cent over five years.
  2. Achieve zero food waste by 2030.
  3. Develop and implement an ESG risk mitigation strategy by the end of this financial year.

- **Social goals**

  1. Increase representation of women in senior management roles to 25 per cent over five years.
  2. Ensure that at least 30 per cent of board members are women by 2030.
  3. Strengthen links with the local community by setting up and running a food donation programme by 2026, working in partnership with local charity Food for Friends.

- **Governance goals**

  1. Build the capacity of our Food Safety Management System (FSMS) through recruitment of a FSMS expert and clear policies and protocols on risk analysis, monitoring and corrective actions, to ensure the FSMS fully meets national regulations by the end of the year.
  2. Investigate which existing recognized reporting standards are most beneficial to achieving our ESG goals, with a view to aligning the company's ESG reporting and disclosure with the most appropriate standard within the next two years.

## Targets for 2026

The table below sets out the annual targets that will ensure that we achieve our goals.

| ESG goals | 2026 target | Timeline | Resources needed |
|---|---|---|---|
| **E1: Reduce carbon footprint transport** | Reduce transport carbon footprint by 5% | 12 months | |
| **E2: Zero food waste** | Reduce food waste by 30% through donations, repurposing and composting | 12 months | ▶ 20% FTE (Full-time equivalent) Sustainability Officer to develop and implement action plan<br>▶ 10% FTE Director of Operations for oversight |
| **E3: ESG risk mitigation strategy** | Develop ESG risk mitigation strategy and start implementation | 12 months | |
| **S1: Women in decision-making positions** | Increase representation of women in senior management positions by 5% | 12 months | ▶ 30% FTE HR to lead the initiative<br>▶ USD 700 for external DEI consultant |
| **S2: Women board members** | Increase women on the board from one to three | 12 months | ▶ 30% FTE HR and 10% Board to revise recruitment procedures for the board, advertise and recruit new board members. |
| **S3: Local community links** | Work with local charity Food for Friends to develop and implement food donation action plan | 3 months | ▶ 10% FTE Sustainability Officer to lead the initiative<br>▶ 5% FTE Director Operations to provide oversight<br>▶ 5% FTE Head of Food Safety Compliance to ensure that donated food meets regulatory requirements |
| **G1: Food Safety Management system** | Recruit and induct a Head of Food Safety Compliance to oversee and improve the FSMS | 6 months | ▶ 10% FTE HR team to recruit for this new post.<br>▶ 10% FTE Director of Operations and Director of Compliance for recruitment and induction. |
| **G2: Reporting and disclosure** | Investigate and report on which existing recognized ESG standards are best fit for Safari Foods | 8 months | ▶ USD 2,000 to contract an ESG consultant |

## 2026 Monitoring and metrics

The table below sets out how and when we will monitor progress against each target for the next year.

| ESG focus area | Annual target | Metrics | Frequency |
|---|---|---|---|
| **E1: Reduce carbon footprint transport** | Reduce transport carbon footprint by 5% | Total emissions ($tCO_2e$) | Monthly |
| **E2: Zero food waste** | Reduce food waste by 30% through donations, repurposing and composting | Total food waste (kgs) | Weekly |
| **E3: ESG risk mitigation strategy** | Develop and implement strategy | Existence of a ESG Risk Mitigation Strategy signed off by Board (Yes/No) | Annually |
| **S1: Women in decision-making positions** | Increase representation of women in senior management positions by 5% | Change in number of women recruited and promoted to senior management positions (%) | Annually |
| **S2: Women board members** | Increase women on the board from one to three | Change in proportion of women on board (%) | Annually |
| **S3: Local community links** | Work with local charity Food for Friends to develop and implement food donation action plan | Number of meetings with Food for Friends | Every 6 months |
| **G1: Food Safety Management system** | Recruit and induct a Head of Food Safety Compliance to oversee and improve the FSMS | New Head of Food Safety and Compliance in post (Yes/No) | Every 6 months |
| **G2: Reporting and disclosure** | Report on ESG standards options | Final report signed off by CEO (Yes/No) | One-off |

## Stakeholder engagement plan

Updates on the company's ESG progress, actions and strategy will be documented in the company's annual ESG report, which will be published on our website at the start of each calendar year. In addition, information will be regularly communicated to relevant stakeholders, in particular staff, suppliers, customers, consumers (end users), investors and local charity Food for Friends (representing the local community). Safari Foods will also seek input from these stakeholders on a regular basis on its ESG progress, actions and strategy. Our stakeholder engagement plan below has more detailed information.

## Handout 9

# ESG report template

Below is a basic ESG report for fictional company Safari Foods. In this role play exercise, you are representing one specific priority stakeholder group from the list below:

- Safari Foods staff members
- Suppliers
- Customers
- Consumers (end users)
- Investors
- The local community in the shape of charity Food for Friends.

Putting yourself in the shoes of this stakeholder group, please imagine that you are preparing for an upcoming ESG stakeholder engagement meeting with a senior manager at Safari Foods on its ESG performance and strategy. Please come up with:

- At least two questions about Safari Foods' ESG performance and strategy based on its ESG report.
- Any suggestions you have for future company action on ESG.

## Safari Foods
## ESG Report 2026

At Safari Foods, sustainability is at the heart of our operations. We recognize the importance of environmental responsibility, social impact, and ethical governance in creating a resilient and successful business. Our commitment to ESG principles drives our efforts to minimize our carbon footprint, champion diversity, equity and inclusion, and uphold transparency in decision-making. Through proactive initiatives and stakeholder engagement, we aim to lead positive change in the food industry while ensuring long-term value for our employees, partners, and communities.

### Executive summary

Safari Foods is making significant progress in embedding ESG principles across our business. Over the past year, we have reduced our transport-related carbon emissions, improved food waste management, and launched initiatives to enhance gender diversity in leadership roles. Our governance improvements focus on strengthening food safety practices and aligning our ESG reporting with industry best standards. Moving forward, we will continue refining our approach, deepening stakeholder engagement, and ensuring sustainable growth.

### Company overview

Safari Foods is a leading food wholesaler specializing in grains, flours, and cereals. We source high-quality supplies from producers, repackage them, and distribute them to customers across multiple markets. With a workforce of 600 employees, we engage with key stakeholders including staff, suppliers, customers, consumers, investors, and local communities. Our business thrives on operational efficiency, sustainability-driven innovation, and ethical leadership.

## ESG strategy

Our ESG strategy is designed to integrate sustainability into our core operations. We have established clear environmental, social, and governance goals to enhance performance and accountability:

- **Environmental goals**

  Reduce transport-related carbon footprint by 20 per cent in five years, achieve zero food waste by 2030, and develop climate resilience strategies.

- **Social goals**

  Increase female leadership representation to 25 per cent by 2030, strengthen ties with the local community through food donations, and foster workplace inclusivity.

- **Governance goals**

  Improve food safety management by formalizing risk protocols and adopt recognized ESG reporting standards within the next two years.

## 2026 ESG performance

We are incredibly proud of the sustainability successes we achieved in 2026. While more needs to be done to achieve our goals, our accomplishments to date are a testimony to the dedication and motivation of our company to have a positive impact on people and planet.

- **Environmental achievements**

  We have cut transport-related emissions by 5 per cent and diverted 30 per cent of food waste from landfills through donations and composting programs.

- **Social progress**

  Female representation in senior management has increased by 5 per cent, and we have launched a food donation programme in partnership with local charity Food for Friends.

- **Governance improvements**

  Our food safety framework is being strengthened with expert oversight, and we have begun evaluating global ESG reporting standards for alignment.

## Looking forward

Safari Foods is deeply committed to strengthening ESG integration across our operations. Future priorities include expanding carbon reduction initiatives to include our supply chains, further diversifying leadership, and enhancing transparency in ESG disclosures. By fostering continuous improvement, we aim to create a sustainable business model that benefits our stakeholders and contributes positively to the food industry.

| Stakeholder group | Engagement method | Aims | Frequency |
|---|---|---|---|
| **Staff** | Intranet, townhall meetings | To demonstrate commitment to and raise awareness of Safari Foods' ESG strategy. To share updates on progress and opportunities for staff to get involved. To seek feedback on progress, issues, challenges and more. | Monthly |
| **Suppliers** | | | |
| **Customers** | Business meetings | Share information on the company's ESG strategy and progress and seek input on customers' and consumers' ESG needs. | As and when |
| **Consumers** | | | |
| **Investors** | Regular private investor meetings | To share key messages on ESG performance and strategy. | Quarterly |
| **Food for Friends** | Face-to-face meetings | To demonstrate commitment and plan for future food donations | Every 3 months |

## Monitoring and review

**Date of next ESG strategy review:** January 2027

**Staff responsible for implementation:** CEO
HR Director
Legal and compliance team
Sustainability Officer

**Oversight:** Board of Directors

With a view to continuous improvement, Safari Foods will adapt its ESG strategy every two years based on performance reviews, stakeholder feedback, and an evolving business landscape.

# Annex 3. Answers for trainers to exercises 11 and 13

*The below ESG strategy template is the same as that in Handout 8. Possible answers to exercise 11 and 13 are marked in tables in pink text.*

## Business overview

| | |
|---|---|
| **Business name:** | Safari Foods. |
| **Industry:** | Food wholesaler specializing in grains, flours and cereals. |
| **Operations:** | Safari Foods sources supplies from producers, which it repackages and sells on. |
| **Workforce size:** | 600 employees. |
| **Priority stakeholders:** | Staff, suppliers, customers, consumers (end users), investors, local community. |

## ESG statement

At Safari Foods, sustainability is at the core of everything we do. As a leading food wholesaler, we are committed to responsible environmental practices, social impact, and strong governance to ensure a better future for our communities and the planet. We will actively reduce our carbon footprint and champion the circular economy, working closely with our suppliers to promote sustainable sourcing and operations.

Our 600-strong team is the foundation of our success, and we aim to cultivate a diverse, inclusive workplace where every individual is valued and empowered. Transparency, ethical leadership, and community engagement guide our decisions, strengthening trust with our stakeholders and driving long-term, positive change. At Safari Foods, we're not just distributing food—we're shaping a sustainable future.

## Current ESG performance

Safari Foods commissioned *(insert EBMO name)* to carry out a company-wide ESG performance review. The review found that Safari Foods is in the early stages of embedding ESG principles into its operations and benchmarking against peers.

### Environmental performance

In the environmental domain, we recently moved to new premises, built with recycled materials and equipped with solar panels. This has reduced our carbon footprint by 5 per cent already. However, there are opportunities to further reduce our carbon footprint by improving the efficiency of our transport, particularly as transportation accounts for 19 per cent of total food system emissions.[33] Safari Foods' direct transport operations currently emit 300 $tCO_2e$ annually. We have not measured the carbon footprint of our suppliers.

There are also opportunities to limit greenhouse gas emissions from unsold food, of which we currently send 2,600 kgs/year to landfill. According to the government, 58 per cent of methane emissions from municipal solid waste landfills stem from food waste. Methane is a major contributor to climate change.

[33] European Commission, Field to fork: global food miles generate nearly 20% of all CO2 emissions from food, 25 January 2023.

Finally, it is clear that climate change is leading to more extreme weather events in our region, as evidenced by a recent report by the National Meteorological Society. Safari Foods currently has no risk identification and mitigation strategy in place to deal with storms and floods that can disrupt our supply chain.

- **Social performance**

  On the social front, while 30 per cent of Safari Food's workforce are women, just 10 per cent of decision-making positions are held by women. This is below the average of 40 per cent for similar companies in the food industry, as reported by our EBMO *(insert EBMO name)* last year. Furthermore, there are no women on our board of directors. The company currently has no formalized recruitment, retention and promotion strategies to address these gaps.

- **Governance performance**

  When it comes to governance, Safari Foods has an exemplary approach to employee health and safety, However, the company's Food Safety Management System is mostly based on informal practices. We currently lack clear policies and protocols on risk analysis, monitoring, and corrective actions, as required by national regulations.

# Action plan

This section outlines the strategic steps and initiatives that will guide our efforts in enhancing sustainability performance, ensuring compliance with ESG regulations, and meeting stakeholder expectations. By following this action plan, we aim to integrate ESG principles into our core operations, drive continuous improvement, and achieve long-term business success.

## Goals

Our goals are designed to address the ESG issues that are currently most material to our company, considering the most significant environmental, social, and governance issues that impact our business and our stakeholders.

- **Environmental goals**

  1. Reduce the carbon footprint of our transport by 20 per cent over five years.
  2. Achieve zero food waste by 2030.
  3. Develop and implement an ESG risk mitigation strategy by the end of this financial year.

- **Social goals**

  4. Increase representation of women in senior management roles to 25 per cent over five years.
  5. Ensure that at least 30 per cent of board members are women by 2030. *(This goal could also be a governance goal).*
  6. Strengthen links with the local community by setting up and running a food donation programme by 2026, working in partnership with local charity Food for Friends.

- **Governance goals**

  7. Build the capacity of our Food Safety Management System (FSMS) through recruitment of a FSMS expert and clear policies and protocols on risk analysis, monitoring and corrective actions, to ensure the FSMS fully meets national regulations by the end of the year.
  8. Investigate which existing recognized reporting standards are most beneficial to achieving our ESG goals, with a view to aligning the company's ESG reporting and disclosure with the most appropriate standard within the next two years.

## Targets for 2026

The table below sets out the annual targets that will ensure that we achieve our goals.

| ESG goals | 2026 target | Timeline | Resources needed |
|---|---|---|---|
| **E1: Reduce carbon footprint transport** | Reduce transport carbon footprint by 5% | 12 months | ▶ 20% FTE (full time equivalent) Sustainability Officer to lead carbon footprint measurement and develop action plan<br>▶ 10% FTE Director of Operations for oversight<br>▶ 10% FTE compliance team to apply for green government subsidies.<br>▶ USD 100,000 to transition from diesel to petrol and electric vehicles.<br>▶ USD 200 for automated emissions tracking software. |
| **E2: Zero food waste** | Reduce food waste by 30% through donations, repurposing and composting | 12 months | ▶ 20% FTE Sustainability Officer to develop and implement action plan<br>▶ 10% FTE Director of Operations for oversight |
| **E3: ESG risk mitigation strategy** | Develop ESG risk mitigation strategy and start implementation | 12 months | ▶ USD 1,000 to contract an ESG consultant<br>▶ 20% FTE Sustainability Officer to manage the process<br>▶ 10% FTE Compliance Officer to ensure strategy and implementation meet regulatory requirements<br>▶ 10% FTE Finance Officer to assess financial risks<br>▶ 15% FTE HR Officer to develop staff training on ESG risk mitigation strategy |
| **S1: Women in decision-making positions** | Increase representation of women in senior management positions by 5% | 12 months | ▶ 30% FTE HR to lead the initiative<br>▶ USD 700 for external DEI consultant |
| **S2: Women board members** | Increase women on the board from one to three | 12 months | ▶ 30% FTE HR and 10% Board to revise recruitment procedures for the board, advertise and recruit new board members. |
| **S3: Local community links** | Work with local charity Food for Friends to develop and implement food donation action plan | 3 months | ▶ 10% FTE Sustainability Officer to lead the initiative<br>▶ 5% FTE Director Operations to provide oversight<br>▶ 5% FTE Head of Food Safety Compliance to ensure that donated food meets regulatory requirements |
| **G1: Food Safety Management system** | Recruit and induct a Head of Food Safety Compliance to oversee and improve the FSMS | 6 months | ▶ 10% FTE HR team to recruit for this new post.<br>▶ 10% FTE Director of Operations and Director of Compliance for recruitment and induction. |
| **G2: Reporting and disclosure** | Investigate and report on which existing recognized ESG standards are best fit for Safari Foods | 8 months | ▶ USD 2,000 to contract an ESG consultant |

## 2026 Monitoring and metrics

The table below sets out how and when we will monitor progress against each target for the next year.

| ESG focus area | Annual target | Metrics | Frequency |
|---|---|---|---|
| **E1: Reduce carbon footprint transport** | Reduce transport carbon footprint by 5% | Total emissions ($tCO_2e$)<br>Carbon intensity per unit of food sold (kg $CO_2e$/kg food)<br>Route optimization impact ($CO_2e$ emission reductions from improved logistics) | Monthly |
| **E2: Zero food waste** | Reduce food waste by 30% through donations, repurposing and composting | Total food waste (kgs)<br>Food waste intensity per unit of food sold (kg food waste/kg of food)<br>Landfill Diversion Rate (percentage of food waste redistributed or redirected to composting) | Weekly |
| **E3: ESG risk mitigation strategy** | Develop and implement strategy | Existence of a ESG Risk Mitigation Strategy signed off by Board (Yes/No)<br>Proportion of staff trained on ESG Risk Mitigation Strategy (%)<br>Integration of ESG Risk Mitigation Strategy into Enterprise Risk Management (ERM) (Yes/No) | Annually |
| **S1: Women in decision-making positions** | Increase representation of women in senior management positions by 5% | Change in number of women recruited and promoted to senior management positions (%)<br>Proportion of female staff trained in management skills (%)<br>Change in number of women who applied for senior management positions (%) | Annually |
| **S2: Women board members** | Increase women on the board from one to three | Change in proportion of women on board (%)<br>Change in number of women who applied for board positions (%)<br>Board retention rate for women (%) | Annually |
| **S3: Local community links** | Work with local charity Food for Friends to develop and implement food donation action plan | Number of meetings with Food for Friends<br>Existence of food donation action plan (Yes/No)<br>Amount of food donated (Kgs)<br>Number of people who benefited from donations | Every 6 months |
| **G1: Food Safety Management system** | Recruit and induct a Head of Food Safety Compliance to oversee and improve the FSMS | New Head of Food Safety and Compliance in post (Yes/No)<br>Number of new FSMS policies and procedures introduced<br>Change in food safety compliance score | Every 6 months |
| **G2: Reporting and disclosure** | Report on ESG standards options | Final report signed off by CEO (Yes/No)<br>Recognized reporting standards identified and adopted by Board (Yes/No)<br>Recognized reporting standards incorporated in ESG Strategy (Yes/No) | One-off |

## Stakeholder engagement plan

Updates on the company's ESG progress, actions and strategy will be documented in the company's annual ESG report, which will be published on our website at the start of each calendar year. In addition, information will be regularly communicated to relevant stakeholders, in particular staff, suppliers, customers, consumers (end users), investors and local charity Food for Friends (representing the local community). Safari Foods will also seek input from these stakeholders on a regular basis on its ESG progress, actions and strategy. Our stakeholder engagement plan below has more detailed information.

| Stakeholder group | Engagement method | Aims | Frequency |
|---|---|---|---|
| **Staff** | Intranet, townhall meetings | To demonstrate commitment to and raise awareness of Safari Foods' ESG strategy. To share updates on progress and opportunities for staff to get involved. To seek feedback on progress, issues, challenges and more. | Monthly |
| **Suppliers** | Business meeting | Share information on supplier carbon footprint and discuss strategies for improvement. | Every 6 months |
| **Customers** | Business meetings | Share information on the company's ESG strategy and progress and seek input on customers' and consumers' ESG needs. | As and when |
| **Consumers** | Key messages and email address on packaging | All packaging to feature key ESG messages and a dedicated email address allowing consumers to provide feedback. | Continuous |
| **Investors** | Regular private investor meetings | To share key messages on ESG performance and strategy. | Quarterly |
| **Food for Friends** | Face-to-face meetings | To demonstrate commitment and plan for future food donations. | Every 3 months |

## Monitoring and review

**Date of next ESG strategy review:** January 2027

**Staff responsible for implementation:** CEO
HR Director
Legal and compliance team
Sustainability Officer

**Oversight:** Board of Directors

With a view to continuous improvement, Safari Foods will adapt its ESG strategy every two years based on performance reviews, stakeholder feedback, and an evolving business landscape.

# Annex 4. Template training questionnaires

Please find below three different questionnaires:

- A **pre-training questionnaire** to be sent electronically to training participants before the training takes place. Their responses will help trainers to customize the training to participants' ESG knowledge and experience.
- A **post-training questionnaire** to be shared in paper version (to maximize responses) at the end of the training. This will help trainers to determine the perceived quality of training and the knowledge gained by participants.
- A second post-training **impact questionnaire** to be sent electronically to participants around six months after the training has taken place. This focuses on identifying any changes participants have made as a result of the training and therefore gives a good idea of the impact of the training course.

These questionnaires are intended as a template which can be amended by the EBMO to suit the specific context of the training.

# Pre-training questionnaire

Dear training participant,

We very much look forward to seeing you at the forthcoming training course *ESG Leadership Essentials*, which takes place on *XXX*, from *XXX* to *XXX*, at *XXX*.

This questionnaire aims to determine what you already know about ESG (Environmental, Social and Governance standards) and what you expect from the training course. This information will help us to shape the training course to your needs.

This questionnaire is not a 'test', and you will not be 'graded' on your performance. Your data will be treated confidentially and anonymously.

We will also ask you to complete a questionnaire at the end of the training course so that we can assess what you have learned, and another questionnaire six months later to find out what changes you have made following the course. Your feedback will be used to make the training course as good as we possibly can.

Thank you very much in advance,

*(insert EBMO name)*

## Template questionnaire

**1.** To treat your data anonymously and match both the surveys you will complete, we need to generate a random number. In the boxes below, please could you enter the information requested.

| | |
|---|---|
| The 5th number of your mobile phone number | |
| The first letter of your last name | |
| The second letter of your mother's first name | |

**2.** What is your job title? _____

_____

_____

**3.** To what extent do you agree with the following statements (please tick the appropriate box):

| Statements | Strongly agree | Agree | Neither agree nor disagree | Disagree | Strongly disagree | Don't know | Does not apply |
|---|---|---|---|---|---|---|---|
| I know what ESG means | | | | | | | |
| I know what the business benefits of ESG are | | | | | | | |
| I feel confident in my ability to assess ESG risks and opportunities | | | | | | | |
| I feel knowledgeable about ESG-related enterprise policies and procedures | | | | | | | |
| I feel confident in my ability to implement effective ESG reporting frameworks | | | | | | | |
| I feel confident in my ability to develop and implement an ESG strategy for my company | | | | | | | |
| I am aware of opportunities for sustainable funding (grants, tax breaks, sustainable finance, etc.) for my company and I know how to access this funding. | | | | | | | |

**4.** Have you ever participated in any training or workshops on ESG before? (Please circle your answer)

▶ Yes

If yes, please briefly describe the nature of the training

_____

_____

▶ No

**5.** What are the three most important things you hope to learn from this course?

a. _____

b. _____

c. _____

**6.** Do you have any specific questions that you would like the trainer to cover? Any other requests?

_____

_____

# Post-training questionnaire

Dear training participant,

This questionnaire aims to evaluate the impact of the training course with a view to making it as good as we possibly can. Thank you for helping us do this by completing questionnaire the below.

Sincere regards,

*(insert EBMO name)*

## Template questionnaire

**1.** To treat your data anonymously and match this survey with the one you previously completed, we need to generate a random number. In the boxes below, please could you enter the information requested.

| | |
|---|---|
| The 5th number of your mobile phone number | |
| The first letter of your last name | |
| The second letter of your mother's first name | |

**2.** How would you rate the overall quality of the training session? (Please circle your answer.)

- Excellent
- Good
- Average
- Poor

**3.** Has the training increased your awareness of ESG? (Please circle your answer.)

- Yes, significantly.
- Somewhat, but I need more information.
- No, I didn't learn much.

**4.** To what extent do you agree with the following statements (please tick the appropriate box):

| Statements | Strongly agree | Agree | Neither agree nor disagree | Disagree | Strongly disagree | Don't know | Does not apply |
|---|---|---|---|---|---|---|---|
| I know what ESG means | | | | | | | |
| I know what the business benefits of ESG are | | | | | | | |
| I feel confident in my ability to assess ESG risks and opportunities | | | | | | | |
| I feel knowledgeable about ESG-related enterprise policies and procedures | | | | | | | |
| I feel confident in my ability to implement effective ESG reporting frameworks | | | | | | | |
| I feel confident in my ability to develop and implement an ESG strategy for my company | | | | | | | |
| I am aware of opportunities for sustainable funding (grants, tax breaks, sustainable finance, etc.) for my company and I know how to access this funding. | | | | | | | |

**5.** What are the three most important things you learned from this course?

a. _____

b. _____

c. _____

**6.** What will **you** do differently given what you learned during the training course?

_____

_____

**7.** What will **your enterprise** do differently given what you learned during the training course?

_____

_____

**8.** Do you have any further comments or questions?

_____

_____

# Impact questionnaire

Dear training participant,

This short questionnaire aims to evaluate the longer-term impact of the *ESG Leadership Essentials* training course, which you attended on *XXX*. The questions focus on what changes you and your company have made since attending the course.

Your feedback will be used to make our business sustainability training courses as good as we possibly can. Your data will be treated confidentially and anonymously.

Thank you for time and effort,

Sincere regards,

*(insert EBMO name)*

## Template questionnaire

**1.** To treat your data anonymously and match this survey with the ones you previously completed, we need to generate a random number. In the boxes below, please could you enter the information requested.

| | |
|---|---|
| The 5th number of your mobile phone number | |
| The first letter of your last name | |
| The second letter of your mother's first name | |

**2.** Since attending the *ESG Leadership Essentials* training course, has your company (please tick as appropriate):

| | Yes, process completed | Partially, in progress | No, not started | Don't know | Does not apply |
|---|---|---|---|---|---|
| Assigned ESG roles and responsibilities to staff? | | | | | |
| Carried out an ESG stakeholder analysis and identified priority stakeholders? | | | | | |
| Identified and prioritized ESG risks and opportunities? | | | | | |
| Developed an ESG risk mitigation strategy? | | | | | |
| Developed a (new) ESG strategy? | | | | | |
| Implemented the above ESG strategy? | | | | | |

| | Yes, process completed | Partially, in progress | No, not started | Don't know | Does not apply |
|---|---|---|---|---|---|
| Selected a recognized reporting framework (GRI, ISO, etc.) to structure the ESG strategy as well as reporting and disclosure? | | | | | |
| Communicated its ESG strategy and/or performance to stakeholders, either through an ESG report or in a different way? | | | | | |
| Identified new ESG funding opportunities? | | | | | |
| Accessed new sustainable funding? | | | | | |

**3.** What are the three most important changes (if any) **you** have made in your role at work in the last six months as a result of attending the *ESG Leadership Essentials* training course?

a. _____

b. _____

c. _____

**4.** What are the three most important changes (if any) **your company** has made in the last six months as a result of you attending the *ESG Leadership Essentials* training course?

a. _____

b. _____

c. _____

**5.** Do you have any further comments or questions?

_____

_____

_____

_____

_____

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