

# INTRODUCING



---

**“Environmental, Social and Governance”**

S

# What is **E** **S** **G**?

**ESG** stands for **E**nvironmental, **S**ocial and **G**overnance.

ESG measures can be used to evaluate companies on how sustainable they are, measure their performance and material exposure across environmental, social and governance factors and ultimately determine how desirable an organisation is from a funding perspective.

**Environmental** covers considerations such as a business's carbon emissions, destruction of plants and habitats (biodiversity) or pollution and issues such as clean water scarcity, rising sea levels and weather catastrophes caused by climate change.

**Social** covers human factors and how companies treat their people and the societies in which they operate. Attention is focused on matters such as social equality, employment relations, fair labour practices, child labour, consumer protection, health and safety and diversity and inclusion.

**Governance** focuses on corporate management and examines how well managed a company is. It deals with a company's leadership, audits, internal controls, shareholder rights and Board matters such as executive pay and succession.



## How does ESG fit with net zero?

ESG, sustainability and net zero are closely linked. Net zero means achieving a balance between carbon emissions produced and their removal from the atmosphere. Banks and investors across the financial sector expect a commitment to net zero from their clients and a pathway to how this will be reached.

## Why does ESG matter for society and the world?

Meeting sustainability goals – measured, monitored and reported through a robust and credible ESG framework – will preserve the world that we live in and ensures a fairer, better world for all.



## Why does it matter to my business?

**Performance** – Embedding an ESG culture, strategy and process into your business can enhance performance and outcomes. Improving communications within and outside your organisation brings welcome transparency appreciated by stakeholders.

**Brand and reputation** – Scoring well against ESG measures can enhance your reputation, brand and therefore demand for your products and services. ESG is an opportunity to demonstrate your values and behaviours in a positive way. With an increasingly purpose-driven society, transparency around ESG will put your business front of mind for future employees, customers, investors and other stakeholders.

**Ability to fundraise/borrow** – Investors evaluate opportunities against ESG criteria. ESG factors are quickly moving into the investment and banking mainstream and are expected to become embedded across the board. Businesses found wanting and/or failing to communicate will be penalised.



## How do I make a start?

There are **five key steps** to starting your ESG journey:



**Discovery/data** – define what you are going to measure and gather data.



**Strategy and policy** – develop your strategy and associated policies.



**Processes** – reflect strategy in your organisational processes.



**Reporting** – report against recognised ESG frameworks where you can be compared to peers but also offers the opportunity to display what you stand for as a business.



**Communications** – communicate your goals and progress to all stakeholders both internal and external. Producing a sustainability report and incorporating sustainability metrics into your investor communications demonstrates that you mean business in tackling ESG.



## Where can I get more information?



If you'd like to know more about anything from starting your ESG journey, to communicating to investors, contact [Social Invest](#) director, Luke Cross at [luke.cross@social.co.uk](mailto:luke.cross@social.co.uk)