ESG IS YOUR BUSINESS

A GUIDE TO **INTEGRATING** & **REPORTING** ESG FOR TRINIDAD AND TOBAGO COMPANIES

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Disclaimer

The document reflects the view of environmental, social and governmental (ESG) good practice in 2022.

This might change and ESG issues not considered here may become important in the future.

The document is for general information only and does not constitute legal, professional, financial or investment advice, or an endorsement of any particular ESG reporting standard or framework.

Advice from suitably qualified professionals should always be sought in relation to any particular matter or circumstances.

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Nirad Tewarie
Chief Executive Officer, AMCHAMTT

It brings me great pleasure to present this important ESG resource: **"ESG Is Your Business: A Guide To Integrating & Reporting ESG"** to our members of AMCHAM T&T.

Let me begin by thanking our partners at the United Nations and Ernst & Young for the work they put into this initiative. In particular, Mark Thomas was instrumental in bringing this to fruition. This Guide will be an invaluable resource alongside our new Environment, Social and Governance (ESG) Committee. Already it has been used to shape ESG training initiatives for the private sector.

The reality is that many companies are still developing a full understanding of ESG. Indeed, so are we at AMCHAM T&T. As such, we reached out to the UN to help us meet a need to enhance education by sharing information, best practices, and lessons learned to support continual improvements in the ESG performance of participating AMCHAM T&T members. We must remember how we do business is even more important than the business itself. Simply put, in order to do well, we must do good!

Deciding to put more focus on ESG through the establishment of the Committee, development of this comprehensive guide and accompanying toolkit, and the other activities that we will be rolling out over the coming months, wasn't a difficult decision for us because, truthfully, we were already doing the work, long before the term ESG became vogue. I am sure the same can be said for the majority of our

members. However, with the impact of the pandemic and the increasing demand for climate action from consumers and clients, deliberately adopting ESG measures and measuring their impact have become even more important for businesses to thrive and future-proof themselves.

But more than that, I believe adopting ESG measures or leading first with ESG really comes down to what we stand for as businesses and as leaders. When we look at the challenges presented by climate change, racial injustice, economic inequality, and numerous other issues, we must ask ourselves: "what is the role of business in addressing these challenges affecting our communities?" After all, isn't doing good because it's the right thing to do, the reputation we want to build for our companies and the legacy we would like to leave behind for future generations?

Ultimately, this is what this guide hopes to achieve. It provides the framework to develop the business case for ESG by identifying and focusing on vital ESG issues for companies. It will also be of tremendous value for companies seeking to design and develop goal-driven strategies for ESG opportunities, respond to ESG risks, set targets, and develop a system to track progress and report on ESG performance.

I am sure that this ESG guide and the toolkit will be a positive resource to help us achieve these goals. If you haven't yet considered your ESG strategy, then there is still time. Use this guide, join our ESG Committee, and participate in our ESG-related events and activities.

Remember, doing good is, indeed, good for business.

Nirad Tewarie

Nirad Tewarie
Chief Executive Officer, AMCHAMTT

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CHAPTER 1

INTRODUCTION TO ESG

Objective Of This Guide

This Guide's objective is to help companies integrate environmental, social and governance (ESG) considerations into their business, mitigate their ESG risks, capitalise on ESG opportunities, assess and report their ESG status, and become more attractive to the growing ranks of ESG investors.

Your company, like every company, impacts and is impacted by the environment.

It operates within a wider society.

It requires governance.

ESG is a philosophy in which your company's success, viability and investment potential are determined by more than just your business's financial return on investment.

ESG recognises that your customers, employees, regulators

and investors are increasingly looking beyond your company's financial achievements to its performance on environmental, social and governance issues.

ESG understands that based on your performance on these issues, conclusions are drawn about the value of your products, the quality of your management, your exposure to risks and ability to grasp opportunities, your chances of long-term success, and your attractiveness as an investment.

Globalisation, the greater ease of mobility, and the growing availability of instant communications also make your company's decisions and activities subject to increased scrutiny, and allow your policies and practices to be more-readily compared with those of your competitors.

Therefore, it is increasingly important for your company to integrate ESG into its business model, and to communicate clearly and accurately on its ESG performance.

In so doing, you can reassure yourself, and assure your stakeholders and shareholders, that your company poses no significant social or environmental threats, is resilient to risks, and can exploit new opportunities in the face of change.

This Guide will help you understand what integrating ESG into your business model entails, what ESG information your company should provide, and how you should go about providing it.

Tip 1

This digital version of the Guide contains hyperlinks to information sources and helpful websites.

To access the hyperlinks, click on underlined text and follow the instruction that appears.

ESG's Three Pillars

ESG has environment, social and governance pillars.

These pillars are interdependent.

For example, when your company seeks to comply with environmental laws, you must simultaneously contend with social and governance issues.

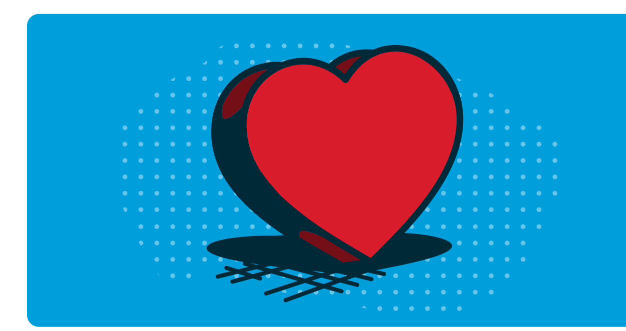
The Environmental Pillar

ESG's environmental criteria consider the environmental risks that can affect your company's revenue, and how your business manages those risks.

For example, your company may face environmental risks due to its ownership of contaminated land, an oil spill from its operations, or non-compliance with the government's environmental regulations.

Environmental criteria also include the energy your company uses, the waste it and your customers discard, the resources your business and its suppliers consume, the air or water pollution arising from your operations, and the consequences for living beings as a result.

Additionally, they include your company's carbon emissions and their contribution to climate change.



The Social Pillar

ESG's social criteria examine societal factors like human rights, diversity and inclusion, child and forced labour, community welfare, and stakeholder safety and health.

They also address the relationships your company has and the reputation it fosters with people and institutions in the societies where you do business.

One of the most important relationships for your company is the one with your employees.

As such, labour relations are a key component of this pillar.

The Governance Pillar

ESG's governance criteria address the internal system of policies, controls, practices and procedures used by your company's leadership to establish the business's strategic direction, and to make and implement effective decisions.

Governance criteria also entail oversight of your company's actions, finances and compliance with regulations and obligations, the mitigation of risks and management of key relationships, and satisfying stakeholder and shareholder needs.

ESG & Financial Performance

The business case for ESG is summarised in Figure 2.

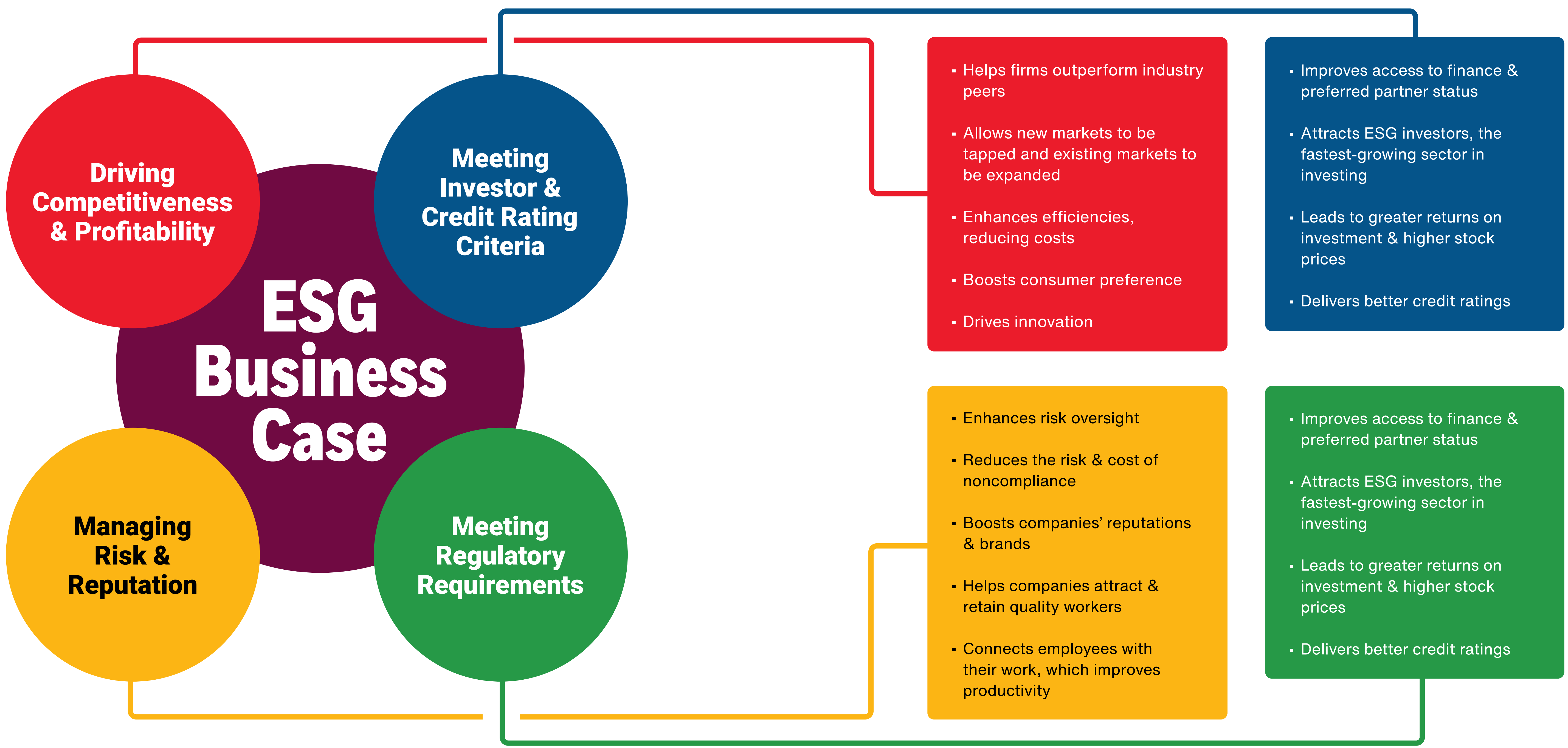
ESG has grown in importance among a broad range of business stakeholders, including customers, employees, suppliers, regulators, and investors.

ESG's rising prominence has been driven by heightened societal and governmental attention on the broader impact of corporations.

Investors and executives have also come to realise that a strong ESG status can safeguard a company's long-term success.

Research shows that ESG can improve your company's financial performance in five ways.

Figure 2 *How good ESG performance benefits companies.*



Facilitating Top-Line Growth

ESG can help your company tap new markets, expand into existing ones, and enhance its brand.

When authorities trust a company, they are more likely to award it the access, approvals and licences that afford the business fresh opportunities for growth.

For example, mining companies that engage and support neighbouring communities get permits to extract resources more easily, and achieve higher valuations, than competitors which ignore their neighbours.

ESG can drive consumer preference.

For example, 70 percent of consumers say they would pay an additional 5 percent for a 'green' product that performed as well as a 'nongreen' alternative.

ESG can drive innovation.

When Unilever developed Sunlight, a brand of dishwashing liquid that used less water than other brands, sales of Sunlight outpaced category growth by more than 20 percent in multiple markets.

ESG can improve your company's competitiveness, including access to finance and preferred partner status.

Half of the companies that started ESG programmes identified business opportunities as their primary motivation.

Reducing Costs

ESG can help combat rising operating expenses (e.g., raw-material costs), which can diminish your operating profits by up to 60 percent.

Research has found a significant correlation between resource efficiency and financial performance.

A 3M programme to prevent pollution by reformulating products, improving manufacturing processes and reusing waste from production has saved the company USD 2.2 billion since 1975.

Minimising Regulatory & Legal Interventions

ESG-related policies and legislation (see Appendix 1) are evolving rapidly around the world, including in Trinidad and Tobago and countries that are its trading partners.

For example, stricter regulations are rolling out to help Trinidad and Tobago reduce its carbon dioxide emissions by 15 percent by 2030, so the country can meet its commitments to the Paris Agreement.

An improved ESG status can ease regulatory pressure, reduce the risk of adverse government action, and allow greater strategic freedom.

It can also boost government support.

Typically, one-third of corporate profits are at risk from state intervention.

ESG is also now a financial mandate in many jurisdictions, with over 60 stock exchanges worldwide already issuing ESG reporting and disclosure requirements to listed companies.

The Trinidad and Tobago Securities and Exchange Commission plans to join them.

Reducing ESG-related regulatory risks can also benefit your company by improving its credit rating.

Increasing Employee Productivity

A strong ESG status can help your company attract and retain quality employees.

Employees with a sense of "prosocial" connection perform better.

Conversely, a weaker ESG proposition can diminish employee productivity.

The most glaring examples are strikes, worker slowdowns and other labour actions.

Other companies' ESG status may also affect your business's productivity.

For example, companies in your supply chain may pay little heed to their workers' health and safety.

Farsighted companies pay heed, while shortsighted ones run the risk of being 'guilty by association'.

Walmart, for instance, uses a scorecard to track its suppliers' working conditions.

Optimising Investment & Capital Expenditures

Investors now scrutinise companies' abilities to manage their exposure to ESG risks and to employ ESG to create business value.

A strong ESG status can enhance investment returns by allocating capital to more sustainable opportunities (e.g., renewables, waste reduction).

With regard to ESG, a "do-nothing" approach is usually a downward line.

For example, continuing to rely on energy-hungry equipment, or increasingly scarce and expensive resources, can drain cash going forward.

While the investments required to update operations and make them ESG-aligned may be substantial, delaying change is frequently a more expensive option.

Additionally, the business landscape is shifting, and limitations on unsustainable products and practices (e.g., single-use plastics) will introduce constraints on ESG-delinquent businesses that deter investors.

On the other hand, ESG-driven investments topped USD 40.5 trillion in 2020, equivalent to 10 percent of worldwide assets, and are expected to reach USD 53 trillion by 2025.

ESG-related information has moved from a peripheral to a core part of investment analysis, across all asset classes.

Exercise 1.

Test Your Current ESG Knowledge & ESG Standing

ESG investors investigate companies before adding them to their portfolios.

Appendix 2 provides questions that private equity investors typically ask companies before investing.

Attempting this questionnaire can provide a good test of your ESG knowledge.

Your responses will also indicate where your company currently stands with regard to integrating ESG and attracting ESG investors.

Do not be upset if you cannot answer all the questions, or if some responses seem inadequate.

Improving your ESG knowledge and your company's ESG status is the purpose of this Guide.

ESG & The Sustainable Development Goals

In addition to these business benefits, ESG-aligned companies also support national development and Trinidad and Tobago's accomplishment of the 17 Sustainable Development Goals (Figure 3).

Figure 3 ***Relationship between the three ESG pillars and the 17 Sustainable Development Goals.***

Figure 3 ***Relationship between the three ESG pillars and the 17 Sustainable Development Goals. (Continued)***

What This Guide Provides

The Guide recognises that a key challenge companies face with regard to ESG is limited knowledge and expertise.

It thus provides ESG knowledge, step-by-step guidance, and recommendations to help companies address the central issue of integrating ESG value drivers into their business models.

Companies are also facing increased scrutiny with regard to the validity of their ESG reporting.

ESG's financial implications make exaggerating a company's ESG strengths, and underplaying its ESG weaknesses, equivalent to being untruthful about the company's finances.

Indeed, investors and regulators now want the same accuracy and verifiability in a company's ESG reporting that they expect for its financial reporting.

Companies can even be subject to an ESG audit.

In some jurisdictions, regulators (e.g., the USA's Securities and Exchange Commission) are already enforcing penalties equal to those for financial fraud for misstatements on ESG disclosures.

Companies with inaccurate ESG reports are sued by investors, consumers and other stakeholders.

Just as there are credit ratings to help investors evaluate the financial risk of debtor companies, there are now ESG ratings to help investors assess and understand companies' ESG risks and opportunities.

As with credit-ratings institutions, ESG ratings agencies score companies on certain benchmarks, and assign grades (e.g., from AAA to CCC) that relate the companies' performance to that of their industry peers (see Table 1).

RATING	CCC	B	BB	BBB	A	AA	AAA
Numerical Score (Out of 10)	0.000 ↓ 1.428	1.429 ↓ 2.856	2.857 ↓ 4.285	4.286 ↓ 5.713	5.714 ↓ 7.142	7.143 ↓ 8.570	8.571 ↓ 10.000
Classification	LAGGARD A company lagging its industry based on its high exposure and failure to manage significant RSG risks		AVERAGE A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers			LEADER A company leading its industry in managing the most significant ESG risks and opportunities	

Table 1 ***Morgan Stanley Capital International's ESG ratings scale, with the grades companies are given.***

The ESG rating process is usually undertaken by international firms, such as Morgan Stanley Capital International (MSCI), and can be an expensive proposition for Caribbean companies.

The rating process begins, however, with a company's self-assessment and reporting on its level of ESG integration and its resilience to ESG-related risks.

A business should first be confident it can undertake these steps before going further.

The Guide provides information and tools that can help your company navigate the complex landscape of self-assessment and reporting of its ESG status.

In addition to helping your company present its ESG status to investors, regulators and other stakeholders, these tools and the reports they generate are of internal benefit.

Your company's executives will be better able to remain vigilant on the ESG issues your business has integrated well, and to address the ESG issues for which integration gaps remain or that expose your company to risk.

The Guide will also reinforce that sustainability is not a side issue for your business to manage via a committee, but is instead a fundamental issue that requires an all-of-company approach, starting with your board.

Box 1.

Distinguishing Between ESG, CSR & Philanthropy

Many persons misuse the acronyms ESG and CSR when they are, in actuality, talking about a company's philanthropy.

There are differences in these terms and distinguishing between them can mean a lot, not only to the corporate bottom line, but to the way companies can affect the world.

Philanthropy = Donating To Good Causes

Companies are Trinidad and Tobago's (and the world's) most generous philanthropists, giving considerable amounts of money to charities and civil society organisations.

If you give to worthy causes that have little or nothing to do with your core business, and which will benefit your company solely by enhancing its image, this is your philanthropy.

Sponsoring a local sports team or cultural group, aiding community members who have been affected by a disaster, and supporting institutions that help society's most vulnerable are examples of philanthropy by Trinidad and Tobago companies.

While this is amongst the noblest things a company can do, the downside of giving away money is that it negatively affects your corporate bottom line.

CSR = Doing Good

With corporate social responsibility (CSR), companies recognise the impacts they have on all aspects of society, including economic, social and environmental.

Engaging in CSR helps companies become better "corporate citizens."

It means that, in the ordinary course of business, a company operates in ways that enhance society and the environment instead of contributing negatively to them.

Taking steps to use energy and resources more efficiently, to recycle wastes, and to provide training and business opportunities for those from neighbouring communities are examples of CSR by Trinidad and Tobago companies.

Unlike philanthropy, CSR initiatives can be related to a company's core business.

However, while failing at your CSR can affect your company's image and bottom line, it does not usually pose an existential threat to your business.

In addition, like philanthropy, CSR is often cash-flow-negative, and is therefore not appreciated by some investors.

ESG = Doing Good + Making Profit

Environmental, social and governance (ESG) is a business approach that treats sustainability as a foundation for new lines or models of business.

In this way, ESG is an unapologetic pursuit of profit.

Also, as ESG demands quantifiable returns, it can put a company in a better position to mitigate business and reputational risks that can pose existential threats.

For example, a company that requires wood should ensure that the forests that supply this resource are sustainably managed, while an energy company should prepare for more-severe regulations related to its greenhouse gas emissions.

Companies that successfully integrate ESG are therefore more attractive to investors.

They also have more productive communication with shareholders, employees, regulators, the government, and the media.

CHAPTER 2

LEADERSHIP & GOVERNANCE

ESG IS YOUR BUSINESS
A Guide To Integrating And Reporting ESG For Trinidad And Tobago Companies

Company boards As ESG Drivers

Under the Companies Act Chapter 81:01, the directors of Trinidad and Tobago companies have legally-mandated fiduciary duties of loyalty and care.

The duty of loyalty charges directors with acting honestly and in good faith to advance the company's best interests.

It also states that to make their company a "better corporation," directors should consider the interests of "shareholders, employees, creditors, consumers, governments and the environment to inform their decisions."

The duty of care demands that directors be attentive, diligent and skillful in identifying the principal risks to the company's business, and in implementing appropriate systems to manage these risks.

It also mandates that directors inform themselves to adequately understand and assess issues of relevance to the company, make proper business decisions, and implement oversight mechanisms.

Board members and directors should accept that these duties extend beyond financial matters.

In the way that they approach your company's finances, your board members and directors should make ESG a fundamental component of your business's strategies, decision making, activities and relationships.

They should adopt protocols for determining which ESG factors are the most relevant to the company, and for integrating these factors into your business model.

The board and directorship should also think about how they intend to provide oversight of ESG matters, and if they have the right competencies and composition to do so.

Additionally, the board and senior executives "set the tone" for the company, and establish the business's guiding principles, values and ethical climate, as well as its sense of social and environmental purpose.

They will be the ones your employees look to as exemplars when aligning themselves with your company's ESG priorities and integration process.

Furthermore, your board and senior executives are the focal point for your company's interactions and dialogue with the most interested and most powerful stakeholders of all: investors and regulators.

Your board and executives should thus have ultimate oversight of your company's identification of, response to, and reporting on ESG issues which can harm or benefit your business and its value.

Your board and executives should be the ones who establish your company's ESG agenda, and who nurture the corporate culture needed to drive that agenda across your business.

You should thus ensure that your board and "C-suite" (CEO, CFO, COO, etc.) have bought-in to ESG, and are committed to the oversight and management of ESG issues.

You should also ensure that your directors and executives have the knowledge, skills and professional networks to fulfil their ESG responsibilities.

You may even choose to add directors with specific expertise in certain ESG areas, especially if those topics are existential or transformational to your company (e.g., new legislation, industry-wide change).

ESG Governance Structure

There is no "one-size-fits-all" approach for allocating ESG oversight responsibilities.

Every company is unique and each business will require a bespoke oversight structure, and accountabilities, processes and procedures that are tailored to its context.

Board oversight of ESG issues can reside with the full board.

Alternatively, ESG oversight can be shared by the board and one or more board committees (that can also include coopted subject-matter experts).

When board committees are involved, they can be already-established ones (e.g., audit committee), which then have ESG issues added to their mandate.

Alternatively, a new committee might be established to consider all ESG issues collectively (i.e., a standalone 'ESG committee'; see Figure 4), or multiple new committees may be convened, each dealing with one or more ESG issues (e.g., health and safety committee, climate risk committee).

Companies should select the oversight structure that best suits their particular circumstances.

For example, the full-board approach may be the best option for smaller boards with too few directors who can feasibly serve on multiple board committees.

Conversely, in large or diverse companies the full board will be able to focus only on the most significant ESG matters, and board committees will need to be responsible for other ESG issues and then report on them to the full board.

In all instances, though, the full board should retain ultimate oversight over ESG issues, even if certain issues are delegated to one or more committees.

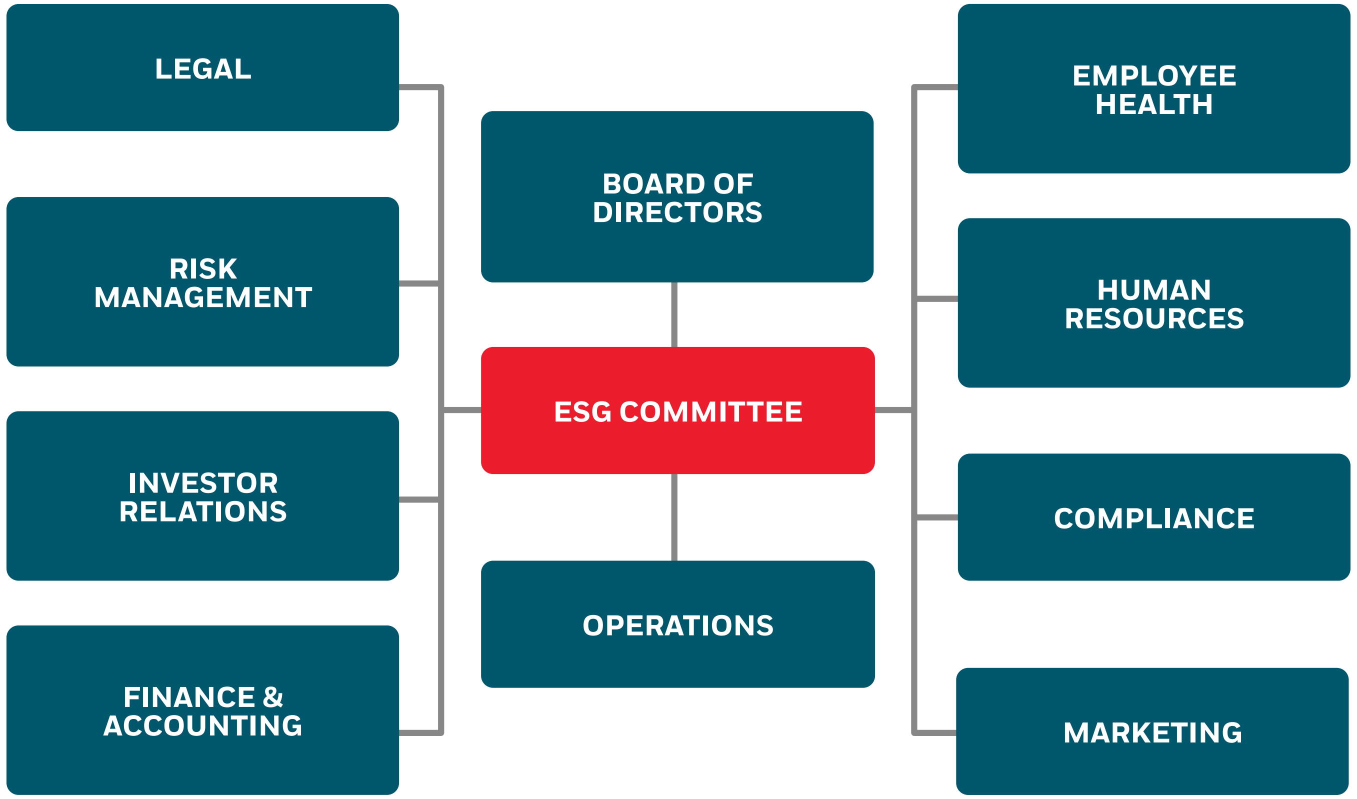


Figure 4 ***ESG governance structure with a standalone, cross-functional ESG committee.***

In all cases, the company's ESG governance structure should have assigned and clearly-defined roles, responsibilities, accountabilities, chains of command, and avenues of reporting.

Once the board decides on its oversight approach, companies should update their policies, corporate governance guidelines, and terms of reference to reflect any new responsibilities and accountabilities.

Strengthening ESG Governance

The process of strengthening ESG governance within companies has five main components, each with related actions (Table 2).

Table 2 ***Components of an ESG-governance strengthening process, and their related actions.***

GOVERNANCE-STRENGTHENING COMPONENT	WHAT COMPANIES SHOULD DO
Board Composition & Capability	▪ Ensure the board comprises directors with relevant ESG expertise and experience to avoid or mitigate ESG risks, and to capitalise on ESG-related opportunities in the marketplace. ▪ If feasible, engage a consultant to enhance the board's knowledge and capabilities in ESG.

GOVERNANCE-STRENGTHENING COMPONENT	WHAT COMPANIES SHOULD DO
Roles & Accountabilities	▪ Ensure the board has a good understanding of the company's mandatory or voluntary ESG-related requirements. ▪ Determine which activities should have the full board involved, and which should involve just a specific committee (e.g., goal and target setting is best done by the full board, but assessment of specific ESG risks can be delegated to a committee).

GOVERNANCE-STRENGTHENING COMPONENT	WHAT COMPANIES SHOULD DO
Roles & Accountabilities	▪ Determine whether these responsibilities should be added to the mandate of an existing committee (e.g., audit committee, health and safety committee), or housed in a newly-established committee (e.g., an overarching ESG committee, or a committee dealing with a specific ESG issue). ▪ Appoint a board member or senior executive to chair each ESG committee, as he/she will have the necessary clout to ensure the given committee's ESG agenda is prominent rather than peripheral.

GOVERNANCE-STRENGTHENING COMPONENT	WHAT COMPANIES SHOULD DO
Board Oversight	▪ Ensure that, at any given time, there is sufficient board, executive and management focus on the three ESG issues that the company and its key stakeholders (e.g., investors and regulators) consider the most strategically important.
Policy & Other Fundamentals	▪ Establish and execute ESG-related policies and procedures to adequately guide and manage the processes by which ESG-related strategies and practices are implemented.

GOVERNANCE-STRENGTHENING COMPONENT	WHAT COMPANIES SHOULD DO
Reporting & Monitoring	▪ Decide what types of ESG information need to be reported by senior management to the board (e.g., data for key performance indicators), and the frequency of the reporting cycle. ▪ Ensure that the board closely monitors the company's ESG performance, and that its members are vigilant in their oversight of significant ESG issues.

CHAPTER 3

UNDERSTANDING EXPECTATIONS & ASSESSING MATERIALITY

Societal Expectations

ESG's rise was driven by increased societal concern over the negative impacts of corporations; and its promotion as a business philosophy is underscored by societal expectations of what being a 'responsible business' means.

A society's ESG concerns and expectations differ from one location to the next, as well as from industry to industry.

As such, companies approaching ESG often find it broad and imposing.

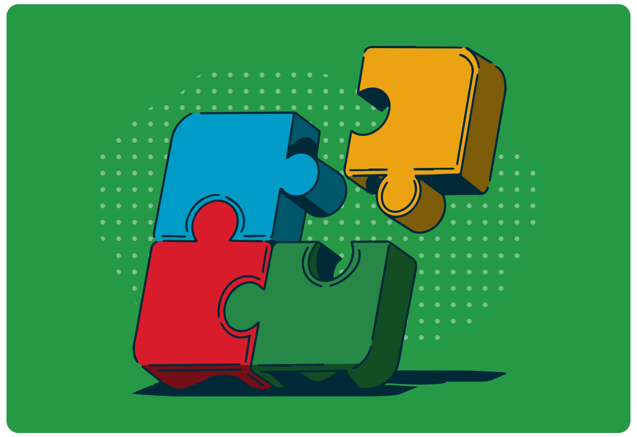
To assist companies, this Guide distills societal expectations to eight ESG principles that are applicable to all businesses (Table 3).

Table 3 ***ESG principles and what they mean for all companies.***

ESG PRINCIPLE	WHAT COMPANIES ARE EXPECTED TO DO
Accountability	▪ Accept responsibility for the consequences of their decisions and activities, and act to remedy or prevent negative impacts.
Transparency	▪ Provide accurate and accessible information on their activities (e.g., location, purpose), funds (e.g., sources) and persons accountable for decisions, as well as on who stands to benefit from the companies' activities.
Ethical Behaviour	▪ Establish standards of ethical behaviour for those acting on the companies' behalf, and have mechanisms to monitor ethical behaviour.

ESG PRINCIPLE	WHAT COMPANIES ARE EXPECTED TO DO
Respect for Stakeholder Interests	▪ Respect the views, interests and rights of stakeholders, and respond to their concerns.
Respect for the Rule of Law	▪ Ensure their activities and relationships comply with the laws in all countries where they operate, even if those laws are not well enforced.
Respect for International Norms of Behaviour	▪ Where possible, act beyond compliance with laws and embrace global standards and best practices for social and environmental safeguards.

ESG PRINCIPLE	WHAT COMPANIES ARE EXPECTED TO DO
Respect for Human Rights	▪ Respect the rights set out in the International Bill of Human Rights, even if the law or its enforcement does not adequately protect those rights.
Gender Equality	▪ Strive for parity of men and women among executives, and end discrimination in all aspects of employment (e.g., hiring, remuneration, promotion).



Framework Of ESG Issues

Superimposing ESG principles upon ESG's environmental, social and governance pillars can yield ESG issues.

For example, accountability in the environmental pillar can lead to countering pollution and minimising greenhouse gas emissions as issues.

Similarly, ethical behaviour in governance can reveal opposing corruption and promoting tax transparency as issues.

There is, however, no standard framework for dividing ESG's three pillars into related issues.

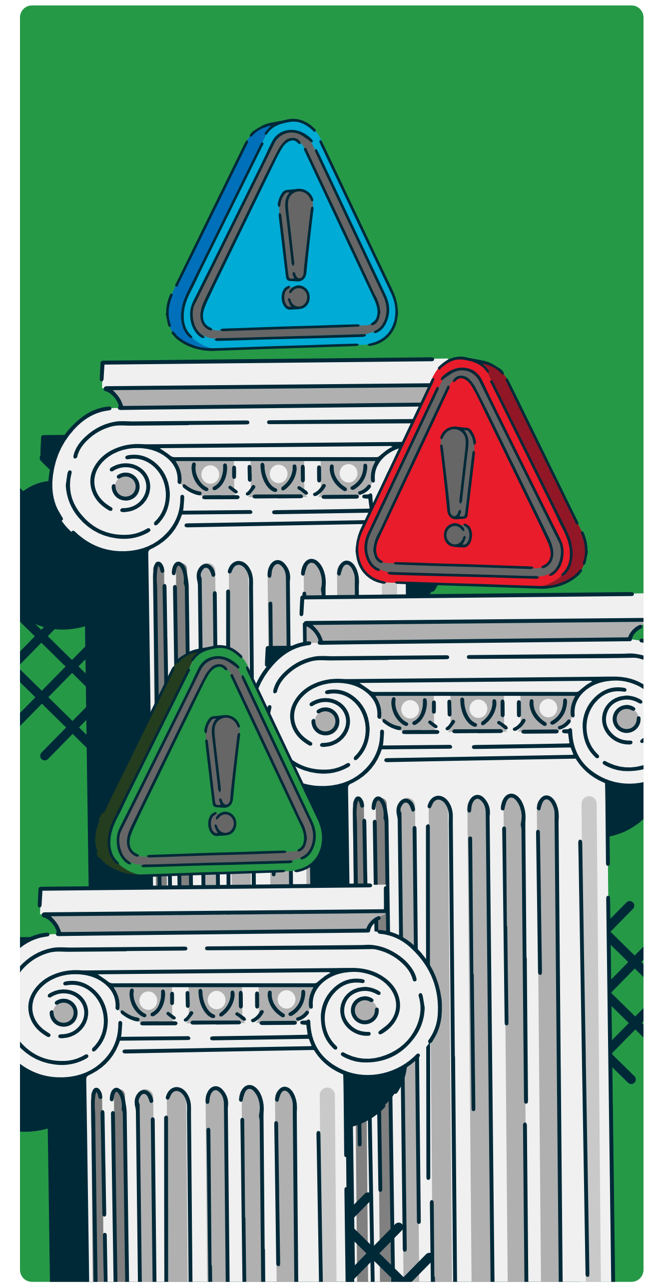
Indeed, different ESG rating schemes use different frameworks of ESG issues.

Each of these frameworks has different numbers of issues, both overall and attached to each ESG pillar.

For example, Morgan Stanley Capital International's framework divides ESG's three pillars into 35 issues across ten themes (Figure 5).

The Financial Times Stock Exchange 100 Index's framework

(known as the FTSE Russell framework) divides ESG's three pillars into 14 issues (Figure 6).



In general, a framework's issues will be relevant to every company, though some will be more relevant to companies in a particular industry or location than to others.

This Guide will henceforth use the FTSE Russell framework of ESG issues as it is the easiest to apply, and the fundamentals of its application can be flexibly adapted to most other frameworks.

Figure 5 ***Issues in the Morgan Stanley Capital International (MSCI) framework.***

ENVIRONMENT PILLAR			
Climate Change	**Natural Capital**	**Pollution & Waste**	**Environment Opportunities**
Carbon Emissions	Water Stress	Toxic Emissions & Waste	Clean Tech
Product Carbon Footprint	Biodiversity & Land Use	Packaging Material & Waste	Green Building
Financing Environmental Impact	Raw Material Sourcing	Electronic Waste	Renewable Energy
Climate Change Vulnerability			

SOCIAL PILLAR			
Human Capital	**Product Liability**	**Stakeholder Opposition**	**Social Opportunities**
Labor Management	Water Stress	Toxic Emissions & Waste	Access to Communication
Health & Safety	Biodiversity & Land Use	Packaging Material & Waste	Access to Finance
Human Capital Development	Raw Material Sourcing	Electronic Waste	Access to Health Care
Supply Chain Labor Standards	Privacy & Data Security		Opportunities in Nutrition & Health
	Responsible Investment		
	Insuring Health & Demographic Risk		

GOVERNANCE PILLAR	
Corporate Governance	**Corporate Behavior**
Board	Business Ethics
Pay	Tax Transparency
Ownership	
Accounting	

UNIVERSALLY EVALUATED   INDUSTRY SPESIFIC

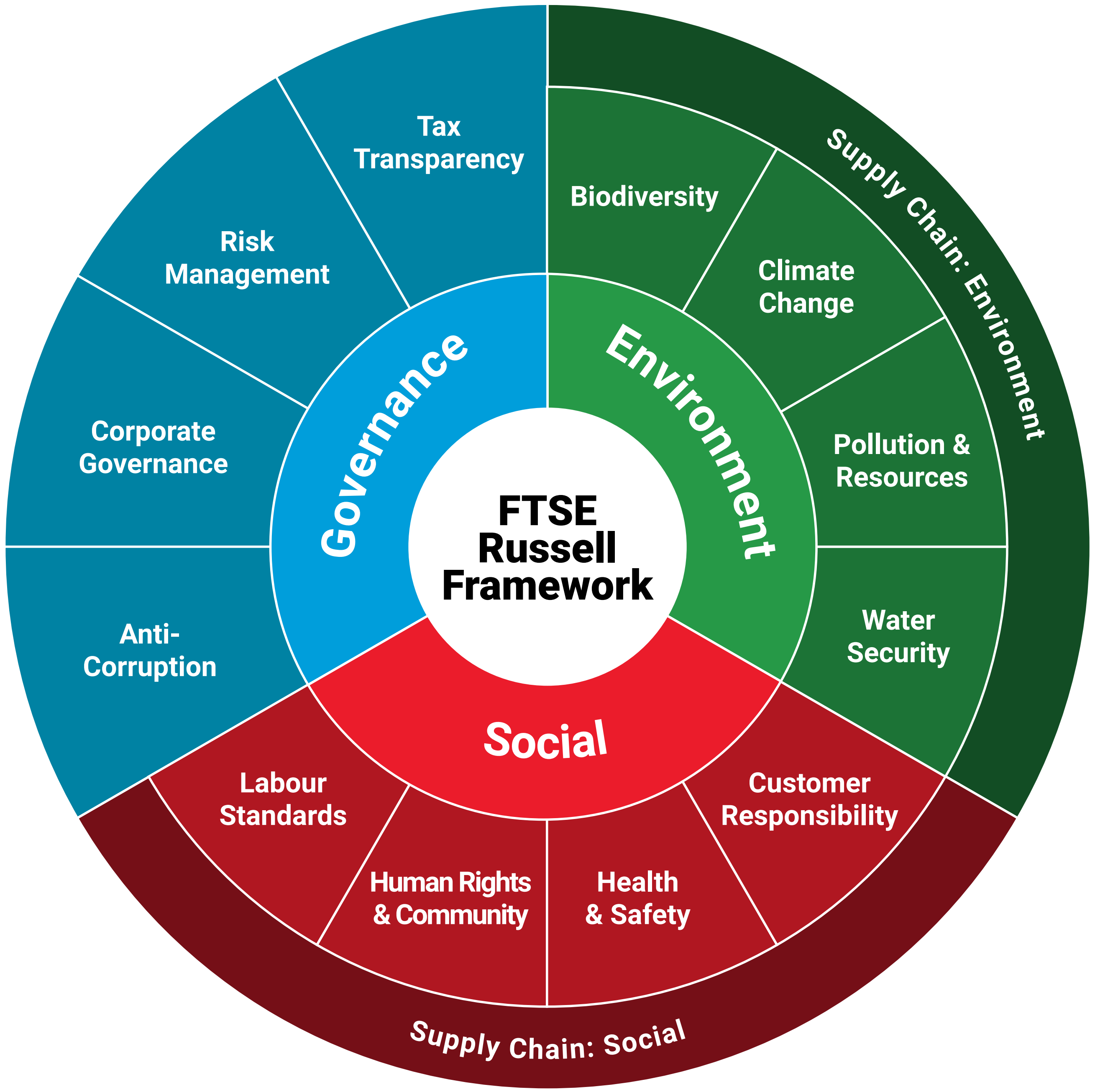


Figure 6 ***The FTSE Russell framework of ESG issues***

Issue Meanings

Fully defining all of the ESG issues and stating everything they entail will require many pages and is beyond this Guide.

Doing so may even be counterproductive, as it makes integrating ESG seem much more difficult than it actually is, and may put off many companies and business leaders from buying-in to ESG.

In fact, ESG issues are easily-comprehensible and intuitive at their core.

Many of you may need only the issue names to know what they are about (see Figure 7).

That said, Appendix 3 provides the essence of each issue in the FTSE Russell framework in five sentences or less.

Additionally, ESG rating schemes and frameworks do not just list the environmental, social and governance issues they expect companies to address.

They also provide the key aspects of each issue that they expect companies to measure their progress on.

The aspects of ESG issues that you are expected to measure, and how you measure them, are covered in Chapter 6.

But for now, these aspects are excellent signifiers of what experts consider most important, transformative, and potentially profitable when your company is addressing the related issues.

Strategies, policies and actions that address the stated aspects for any issue in an ESG framework will be the simplest to develop and undertake, and will yield the greatest and most-timely benefits to both the issue at hand and the company.

Addressing areas of an issue that are outside the issue's stated aspects will be harder, take longer, and yield fewer benefits.

Aspects that are found in most ESG frameworks are given in Table 4.

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Figure 7 *FTSE Russell issue meanings*

ENVIRONMENT ISSUES

Biodiversity
All businesses disrupt natural habitats & ecosystem services (e.g., watersheds)

Climate Change
All businesses are responsible for some greenhouse gas emissions

Pollution & Resources
All businesses contribute to pollution or use resources at unsustainable rates

Water Security
All businesses use, pollute or redirect water

Supply Chain: Environment
Every company should consider how components of its supply chain perform on the four environmental issues above

SOCIAL ISSUES

Labour Standards
Companies should respect the rights of those who provide work & services

Human Rights & Community Indicators
Companies should respect human rights & strive to improve the quality of life where they operate

Customer Responsibility
Companies should provide safe products & deliver on promises

Health & Safety
Firms should ensure working conditions are safe & minimise stress

Supply Chain: Social
Every company should consider how components of its supply chain perform on the four social issues above

GOVERNANCE ISSUES

Tax Transparency
Companies should disclose tax payments & prepare for taxes that deter unsustainability

Risk Management
Companies should identify & manage risks

Corporate Governance
Companies should have mechanisms by which they pursue objectives

Anti-Corruption
Companies can be perpetrators or victims of corruption

Table 4 ***ESG aspects that are found in most frameworks***

Environment

- Greenhouse gas emissions
- Energy consumption & efficiency
- Reliance on fossil fuels
- Water, air and soil pollutants
- Water consumption, recycling & management
- Waste production & management (solid, liquid, hazardous)
- Consumption of non-renewable resources
- Impact on habitats & ecosystem services
- Research & innovation in environmentally-friendly products & services
- Supply & value chain issues
- Susceptibility to climate change's physical impacts (e.g., floods, wildfires)

Social

- Labour relations
- Workforce freedom of association
- Child labour
- Forced & compulsory labour
- Trafficking in human beings
- Workplace health & safety
- Discrimination, diversity & equal opportunity
- Human rights adherence
- Supply & value chain issues
- Investment in communities
- Customer health & safety
- Customer rights, including rights to value for money & information
- Customer data security
- Responsible marketing & advertising
- Whistleblower protection

Governance

- Governance mechanisms with roles & responsibilities for director
- Codes of conduct established & enforced
- Respect for laws, regulations & legal obligations
- Accountability & internal controls (e.g., audits)
- Transparency & disclosure mechanisms
- Disclosure of executive pay & its comparison with worker pay
- Board diversity
- Independence of directors & conflicts of interesy
- Tax strategy & planning
- Fraud, bribery & corruption controls
- Stakeholder engagement mechanisms
- Protection of shareholder & investor rights

Stakeholder Engagement

With an understanding of what ESG issues entail, your company should identify and engage its stakeholders to determine which ESG issues and aspects are important to them and why.

Stakeholders are individuals or organisations that have an interest in the company's decisions or activities, or whose power can affect the chances of success of the business's decisions and activities.

While they are generally external parties, a company also has internal stakeholders, which include its employees and investors.

Some stakeholders (e.g., children, wildlife) are incapable of representing their interests.

Civil society organisations can serve as stakeholders, and speak for those who cannot speak for themselves.

To identify your company's stakeholders, ask the following questions:

- To whom does your company have legal obligations?
- Who might be affected by your company's decisions or activities, or be disadvantaged if not engaged?
- Who is likely to express concerns about your

company's decisions and activities?

- Who can help your company address its impacts or meet its responsibilities?

With answers to these questions, the company should then map its stakeholders.

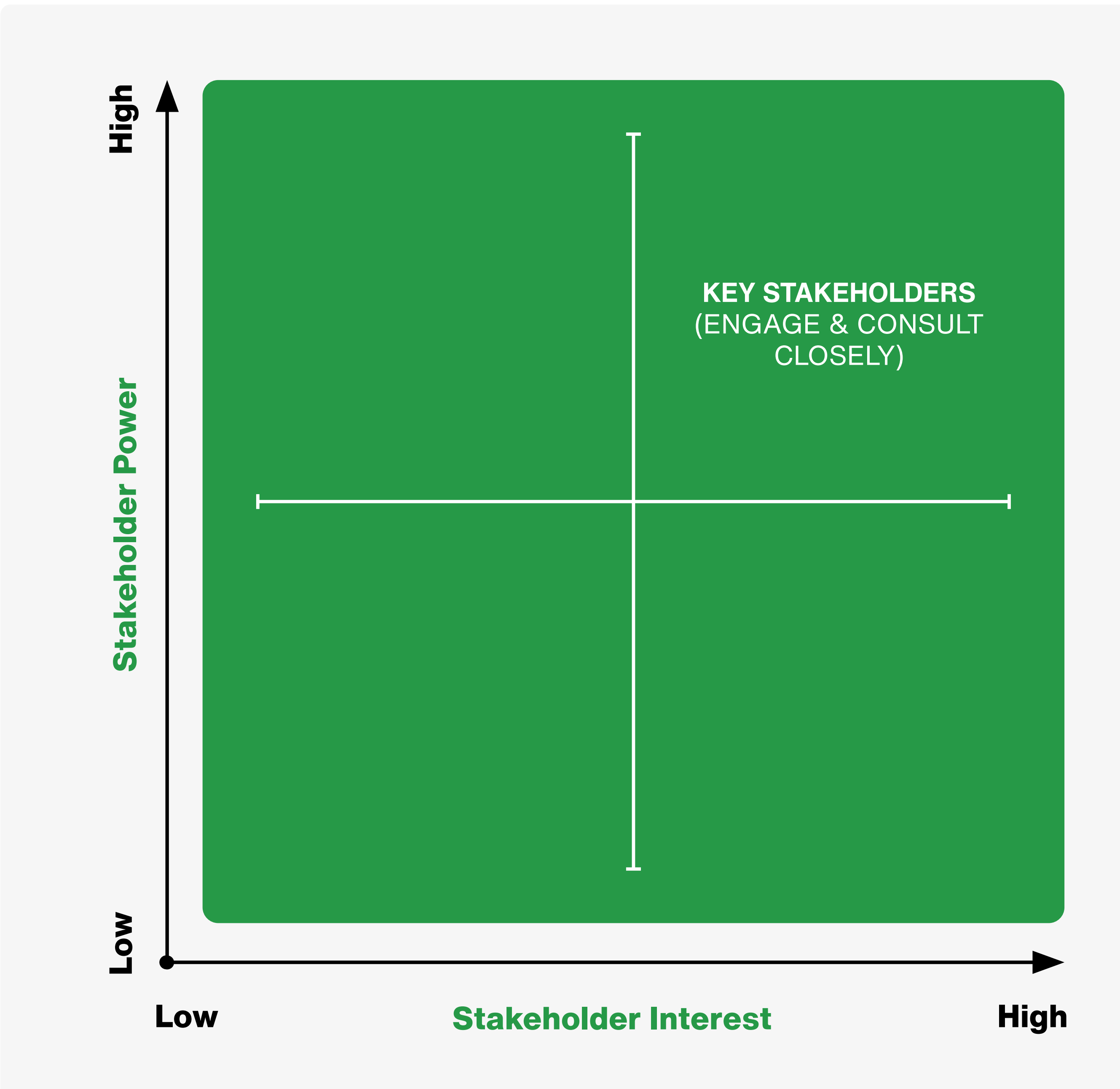
A stakeholder map is a graph with the level of the stakeholder's interest on the horizontal axis and the magnitude of the stakeholder's power on the vertical axis (Figure 8).

A company should engage most closely with its high interest-high power stakeholders, and place the greatest importance on their views and concerns.

Also, your company's stakeholder engagement will yield more meaningful results when you:

- Do not favour those who are "more friendly" or more supportive of its objectives.
- Clearly state the purpose for the engagement.
- Provide stakeholders with the information they need to make their decisions.
- Provide genuine opportunities for two-way dialogue, and for stakeholders' views to be heard and recorded.

Figure 8 ***Structure of a stakeholder map, indicating how a company can identify its key stakeholders (i.e., those with high interest and high power).***



Materiality

With an understanding of societal and stakeholder expectations regarding ESG issues and their aspects, and that businesses have limited resources and time to fulfil these expectations, your company should focus on the ESG issues and aspects that are most important in terms of business success and stakeholder interests.

A material issue or aspect is one that can have a major impact on the financial, operational, economic, reputational and legal aspects of your company, as well as on the interests of your business's internal and external stakeholders.

Your board and senior executives should identify the ESG issues, and their aspects, which are material to your company, and prioritise the material issues and aspects your businesses will address.

There is no agreed number of material topics that a company should address simultaneously.

However, research suggests that a company should, at any given time, concentrate on no more than three strategically important issues out of the inventory of material ESG issues the company's board has identified.

Strategically focusing on a few, high-priority material issues, and their aspects, is more likely to yield results and boost a company's competitive advantage.

Materiality Assessment

A materiality assessment is a strategic business tool that your company can use to identify and prioritise the issues and their aspects that are most important to your business and its stakeholders.

Prioritising material ESG issues and aspects not only saves you time and resources, it also allows your business to create its long-term ESG strategy and related targets.

The actions your company should typically take in conducting a materiality assessment are presented in Table 5.

Table 5 ***Phases and actions involved in conducting conduct a materiality assessment.***

PHASE	RELATED ACTIONS
Phase 1. **Define Purpose & Scope**	• Define the objectives of the materiality assessment. • Define the parts of the business, and its operations and value chain, that the assessment will cover.

PHASE	RELATED ACTIONS
Phase 2. **Identify Potential Issues & their Aspects**	• Create a comprehensive list of potentially material issues and their aspects using the company's chosen framework of ESG issues (e.g., FTSE Russell). • Align each potentially material ESG issue and aspect with the most appropriate components of the company's strategy, business model and policies.
Phase 3. **Engage Stakeholders**	• Engage with high interest-high power internal and external stakeholders, and record their views on the impact and importance of issues and aspects that were identified as potentially material.

PHASE	RELATED ACTIONS
Phase 4. **Assess & Prioritise**	Prioritise material topics by: ▪ Defining a methodology for scoring the views of high interest-high power stakeholders (e.g., investors) on the potential of each issue or aspect to impact the company's value or reputation. ▪ Defining a methodology for scoring the views of internal (e.g., employees) and external (e.g., regulators) stakeholders with high interest and high power on the importance of each issue and aspect to their interests. ▪ Plot a graph with impact to business on the horizontal axis, and importance to internal and external stakeholder interests on the vertical axis; insert each issue or aspect into the graph based on its scores; and so produce a materiality matrix (Figures 9 and 10) that visually presents the prioritisation of issues. ▪ Setting a threshold or cut-off point on the materiality matrix to separate the issues and aspects that will be considered as most material from the others.

PHASE	RELATED ACTIONS
Phase 5. **Validate & Report**	▪ Present the outcome of the materiality assessment to the company's board and executive-level managers (e.g., CEO, others in the 'C-suite') for their approval, and their recommendations on actions to be taken. ▪ Disclose the results in the company's ESG reports, explaining how the most material ESG issues will be addressed and integrated into the company's business strategy.

Figure 9 ***Structure of a materiality matrix. (The diagonal lines segregating the moderate, high and very high materiality zones are arbitrary and would depend on the thresholds the company sets for these zones in Phase 4 of the materiality assessment procedure outlined in Table 5.)***

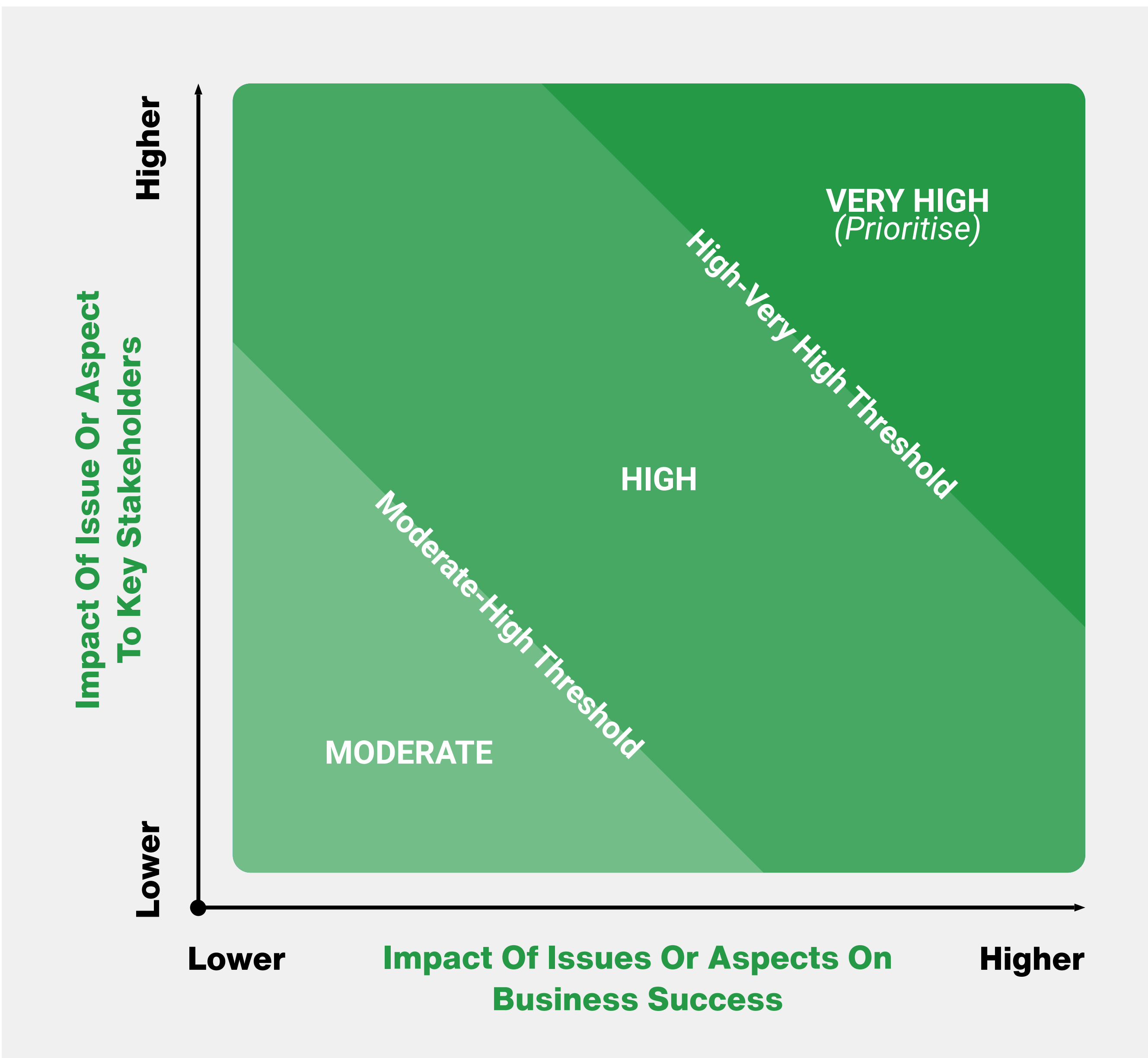
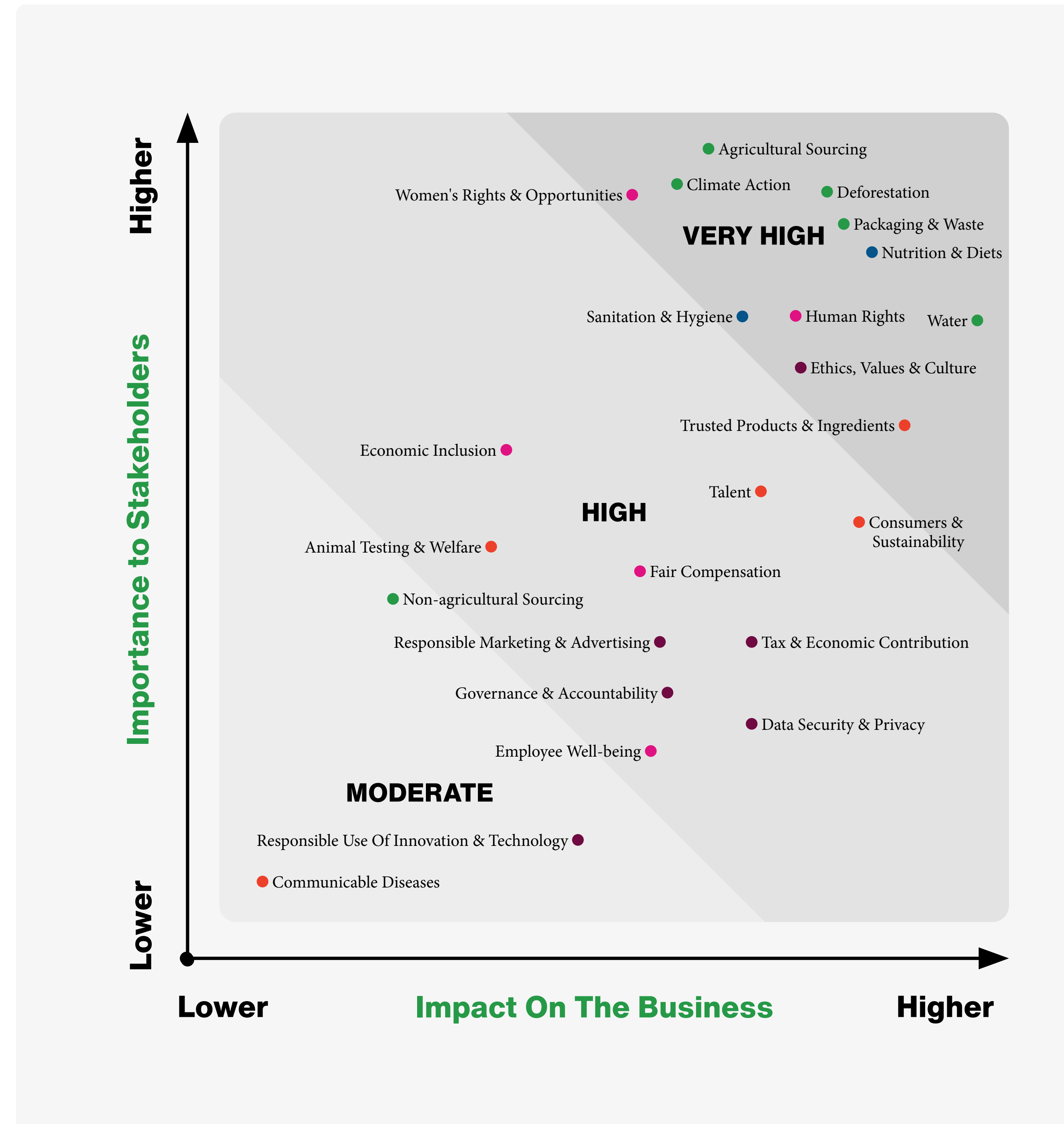


Figure 10 ***Unilever's materiality matrix, presented as an example that other companies can adapt.***



Tip 2:

It Is Not All Negative

Remember that "impactful" refers to both positive and negative impacts.

Do not focus solely on the risks, losses, or other potential negative outcomes associated with not implementing a particular strategy.

You should also factor in the opportunities that are uncovered while doing your assessment (e.g., attracting the best talent because your company made changes to improve employee wellbeing).

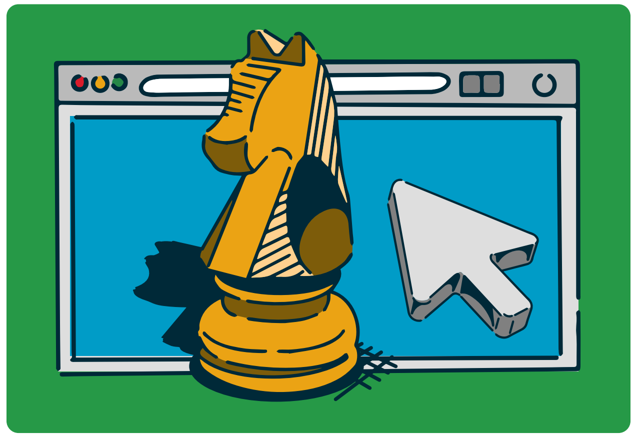
Benefits Of Your ESG Materiality Assessment

You derive several benefits by using the materiality assessment tool, and identifying and prioritising ESG issues and their aspects that are critical to your company before you create and communicate your ESG strategy.

IT Helps Clarify The ESG Risks And Opportunities Ahead

A good assessment will uncover risks and opportunities not readily apparent on your balance sheet.

While mitigating risk is an obvious benefit, finding opportunities can be even more valuable.



IT Increases The Strategic Value Of ESG

ESG issues are seen by some as supplementary to the "real" business of a company.

By prioritising ESG issues and aspects for the company to focus on, the materiality assessment creates a business case for endeavours that may have been previously dismissed as too costly or not having enough proof of results.

Your materiality assessment thus provides a blueprint for your company's ESG strategy.

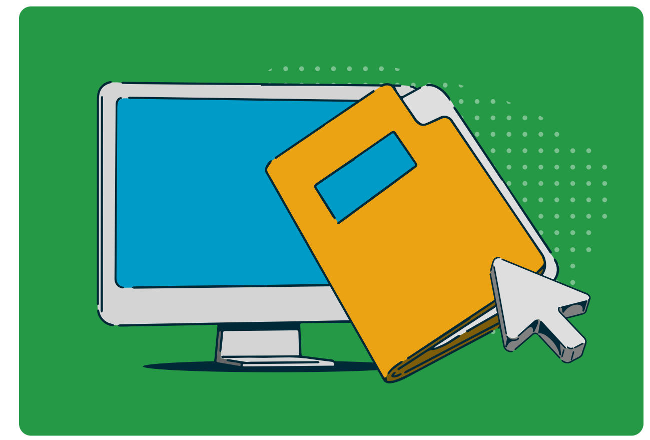
IT Responds To Stakeholder Expectations

Your materiality assessment will thus provide a clear framework for aligning your company's efforts and resources with your stakeholders' expectations.

Showing your stakeholders that your company shares their interests and priorities will increase their level of engagement, which

fundamentally strengthens results and improves satisfaction.

This is especially true for investors.



IT Provides The Structure For Your ESG Reporting

By identifying and prioritising the ESG issues and aspects that are most relevant to your company, your materiality assessment allows you to draft more-focused ESG reporting, which is more likely to be read and deliver benefits (e.g., investor interest, licences to operate).

CHAPTER 4

RISK MANAGEMENT

ESG risks are environmental, social, or governance events or conditions that, if they occur, would negatively impact the value of a company or an investment.

While ESG risks are not new, their prevalence has accelerated over the last several decades, and especially in the last 10 years (Figure 11).

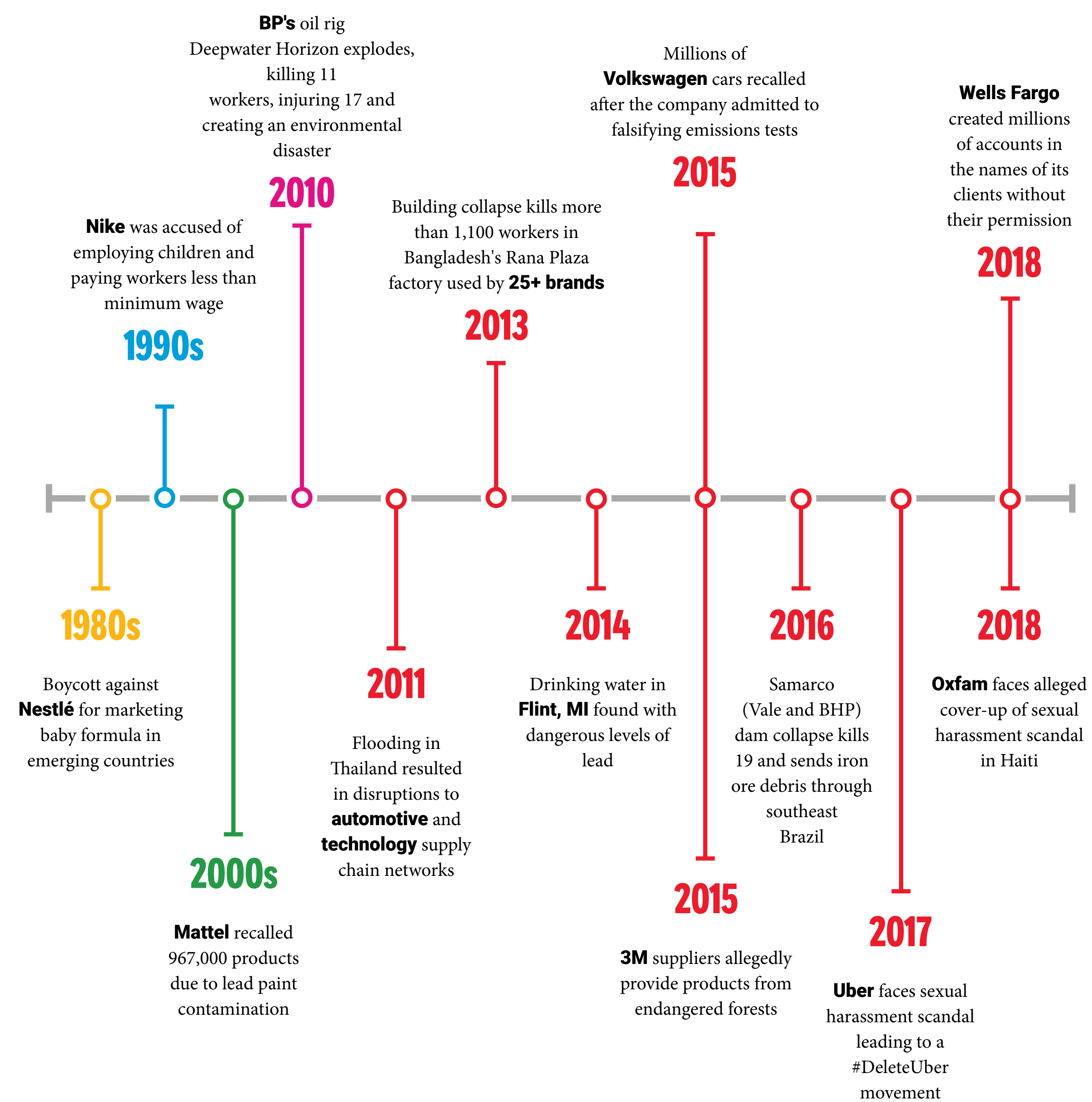
ESG risks dominate the World Economic Forum's Global Risks Report, and their capacities to seriously hurt a company's financial performance and attractiveness to investors are well recognised.

For example, BP's market value fell by 36 percent after the 2010 Deepwater Horizon accident. Volkswagen's share price fell 30 percent in 2015, after the company was found to have falsified emissions data for its cars.

Companies should thus understand the nature of their ESG risks, identify them, quantify them, and thereafter manage and mitigate them.

Companies should incorporate ESG risks into their business strategies, internal governance arrangements, and risk management frameworks.

Figure 11 ***Examples of companies that have experienced ESG-related impacts.***



ESG RISK FACTORS

ESG risk factors that are included in the most ESG frameworks are listed in Table 6.

You can add factors that are not listed, but which you feel are important to your business, in the blank spaces provided.

Table 6 ***ESG risk factors that are included in most ESG frameworks.***

ENVIRONMENTAL (How a business performs as a steward of the natural environment)	SOCIAL (How a company treats people and communities)	GOVERNANCE (How a company governs and polices itself)
• Greenhouse gas (GHG) emissions • Energy consumption and efficiency • Reliance on fossil fuels • Water, air, soil pollutants	• Labour and workforce relations, including implementation of fundamental ILO Conventions • Workforce freedom of association	• Vision and core values • Set of rules or principles defining rights, responsibilities and expectations between different stakeholders in the governance of the entity

Table 6 ***ESG risk factors that are included in most ESG frameworks. (Continued)***

ENVIRONMENTAL (How a business performs as a steward of the natural environment)	SOCIAL (How a company treats people and communities)	GOVERNANCE (How a company governs and polices itself)
• Water consumption, recycling and management • Waste production and management (water, solid, hazardous) • Consumption of non-renewable resources and raw materials • Impact on biodiversity, habitats and ecosystem services • Impact and dependence on ecosystems	• Child labour • Forced and compulsory labour • Trafficking in human beings • Workplace health and safety • Customer health and safety • Discrimination, diversity and equal opportunity	• Codes of conduct and business principles • Local and international laws, regulations and obligations (e.g., trade regulations, industry standards, international conventions) • Investor relations • Strategic planning • Accountability and internal controls • Transparency and disclosure

Table 6 ***ESG risk factors that are included in most ESG frameworks. (Continued)***

ENVIRONMENTAL (How a business performs as a steward of the natural environment)	**SOCIAL** (How a company treats people and communities)	**GOVERNANCE** (How a company governs and polices itself)
▪ Research and innovation in environmentally-friendly products and services ▪ Supply and value chain issues ▪ Physical impacts of climate change ▪ ____________ ▪ ____________ ▪ ____________ ▪ ____________	▪ Human rights policy ▪ Poverty and community impact ▪ Supply chain management ▪ Investment in human capital and communities (e.g., training and education) ▪ Product stewardship and customer rights, including rights to value for money and to information ▪ Marketing and advertising	▪ Internal and external auditing processes ▪ Executive pay ▪ Employee and contractor remuneration ▪ Board diversity and structure ▪ Organisational structure ▪ Independence of directors and conflicts of interest ▪ Rights and responsibilities of directors ▪ Tax strategy and planning

Table 6 ***ESG risk factors that are included in most ESG frameworks. (Continued)***

ENVIRONMENTAL (How a business performs as a steward of the natural environment)	**SOCIAL** (How a company treats people and communities)	**GOVERNANCE** (How a company governs and polices itself)
	▪ Customer privacy and personal data security (including cybersecurity) ▪ Access to credit and financial inclusion ▪ Community impacts ▪ Whistleblower protection ▪ Weapons manufacture, trade and use ▪ Pandemics ▪ ____________ ▪ ____________ ▪ ____________ ▪ ____________	▪ Fraud, bribery and corruption ▪ Stakeholder engagement ▪ Shareholder rights ▪ Intellectual property management and protection ▪ Competition and changing customer preferences or lifestyles ▪ Mergers and acquisitions ▪ ____________ ▪ ____________ ▪ ____________ ▪ ____________

Exercise 2.

ESG Risk Inventory

Examine the lists of factors in Table 6 and select those that may be ESG risks to your company if they occur.

List them to create your company's ESG risk inventory.

Feel free to add other risks that are not in the provided lists to you ESG risk inventory.

ESG Risk Assessment

Having identified your ESG risks, you need to assess how exposed your company is to each risk.

There are several ways to do this, but the method outlined below requires that you first evaluate the probability of each risk occurring, and the severity of the consequences should it occur.

Risk Indicators & Metrics

A risk indicator is a variable that you can measure or validate to ascertain the state or level of a given risk.

Appendix 4 provides a sampling of ESG risk indicators to get you started with listing indicators for your ESG risks.

For every indicator, there should be at least one metric that provides a system or standard for measuring or validating that indicator.

For example, a metric for the indicator "Total greenhouse gas emissions" could be "Tonnes of carbon dioxide equivalents emitted."

For the indicator "Equality in remuneration" the metrics could be "Average gender pay gap," and the "Ratio of annual total compensation for the highest compensated individual to the median annual total compensation for all other employees."

With risk indicators and their metrics, you can gauge the trajectory of each risk to determine the probability that it will occur within a given planning horizon (typically 3-5 years, but ideally 10 years).

For example, imagine a hypothetical law that will come into effect in five years, and which will impose a TTD 3 million penalty on companies that emit more than 10 tonnes of greenhouse gas (GHG) a year.

Your company now emits 50 tonnes of GHG per annum, and you have identified ways to reduce your emissions by 5 tonnes every year.

When the law comes into effect, you will still be emitting 25 tonnes of GHG annually (more than double the legislated level).

On your current trajectory, the probability of the risk is very nigh.

The trajectory of any given risk will also allow you to determine the severity of its consequences within the particular planning horizon.

Using the example above, if your company's average annual profit is TTD 1 million, you will be in violation of a law that could erase three years of profitability, and the severity of the consequences is very high.

Tip 3

Continuously Update Your Risk Inventory & Risk Indicators

Your risk inventory, and the related indicators and metrics, should be revised frequently to reflect your increased understanding of relevant ESG concepts and potential changes in the regulatory framework and societal preferences.

Moreover, it should be noted that some indicators are more relevant (i.e., more material) to certain industries or economic activities than others.

Your company may outperform another on a specific ESG factor, but that firm's status on that factor is truly comparable with your performance only if you are both in the same industry.

As an example, an indicator on carbon dioxide (CO2) emissions would be more material for companies with activities that generally require higher levels of energy consumption than for those with less energy-intensive activities.

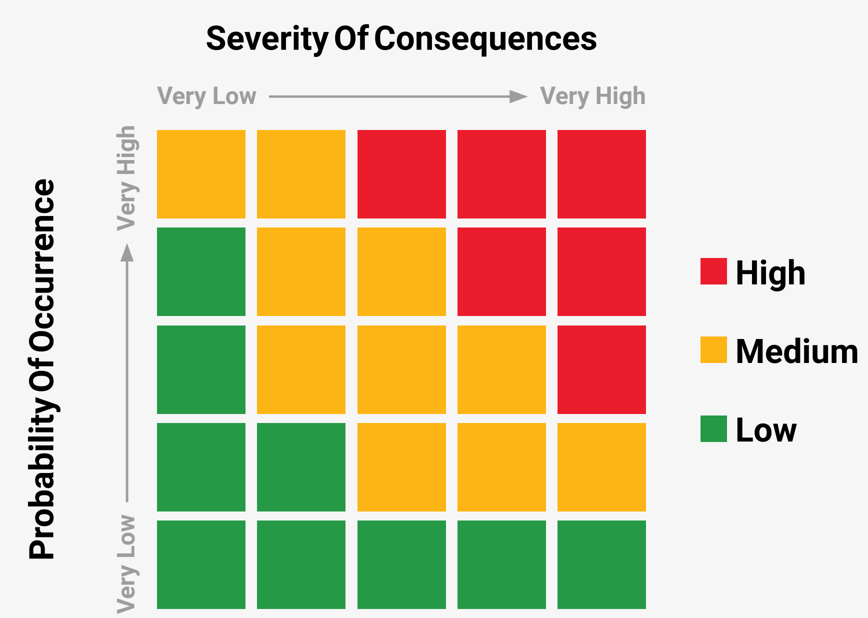
Risk Matrix

A risk matrix provides a graphical overview of a company's exposure to risks.

A risk matrix is a tool that visually presents the relationship between the probability of risks occurring against the severity of the consequences should the risks occur.

Risk matrices are grids (typically 5x5) that show the probability of risks occurring along the vertical axis and the severity of the risk's consequences along the horizontal axis (Figure 12).

Figure 12 ***Generic structure of a 5x5 risk matrix system, with colour-coded low, medium and high levels of threat for associated risks.***



To construct your company's ESG risk matrix, use your risk indicators and their metrics to score each risk's probability of occurring on a scale of 1 to 5, with 1 being very low and 5 being very high.

Additionally, score the severity of each risk's consequences on a scale of scale of 1 to 5, again with 1 being very low and 5 being very high.

Then place each risk in the risk matrix grid depending on where it falls on the probability and consequence scales.

You can now segregate the risks in your risk inventory into high, moderate, and low-threat groupings.

The different levels of threat posed by the risks are further highlighted in the risk matrix via a colour-coded system.

As with a traffic light, a risk that has an overall low threat level is colour-coded green.

If the threat is medium or moderate, the risk is shown in yellow.

A high threat is depicted in red (Figure 12).

This will help you prioritise your ESG risks, and allow you to devote more time and resources to managing risks that pose the greatest threats to your business.

It should be noted, too, that the numbers of green, yellow and red elements in the risk matrix's 5x5 grid are not fixed.

Rather, they are determined by a company's tolerance for and capacity to deal with ESG risks (i.e., the company's risk appetite). A company with a high tolerance or appetite for ESG risk will have an ESG risk matrix with more green and yellow elements, and fewer red ones.

A company with a low tolerance or appetite for ESG risk will have an ESG risk matrix with fewer green and yellow elements, and more red ones.

Each company will have to justify its tolerance (or appetite) for ESG risks, and the ratio of green, yellow and red elements in its ESG risk matrix, in its ESG reporting.

Indeed, because risk matrices are useful in communicating the risks that a company faces and the level of threat posed by those risks, an ESG risk matrix is a key component of ESG reporting.

Risk Response

Having identified, assessed and analysed your ESG risks and opportunities, how do your respond?

There are four potential risk response strategies to consider for handling your ESG risks: avoid, reduce, transfer and accept.

To decide on the best possible strategy, superimpose the four quadrants shown in Figure 13 on to your risk matrix.

Avoid

Use this option for red risks that can have very severe consequences and which have very high probabilities of occurrence.

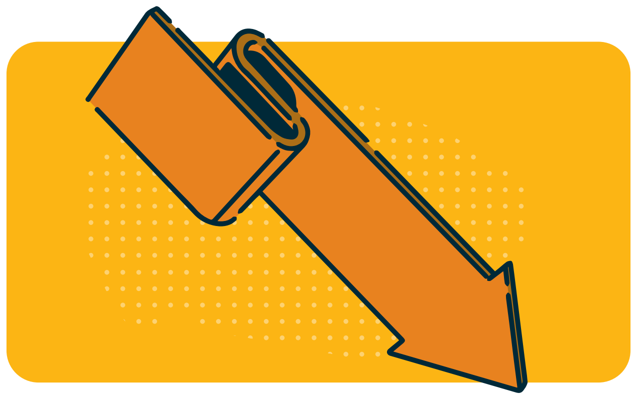
When you choose to avoid a risk that poses a very high threat (e.g., by quitting a particular action or opting not to start it at all), you eradicate any possibility of it posing a threat to your enterprise.

Executives and managers will choose this option for risks that the company has zero tolerance for (e.g., legal non-compliance, death or serious injury).

A recent example is many companies allowing employees to work from home to prevent them from contracting COVID-19 in the workplace.

These companies decided to avoid the risk of their employees contracting a potentially fatal disease.

Other examples of risk avoidance include halting the production of a particular product, or deciding against an expansion.



Reduce

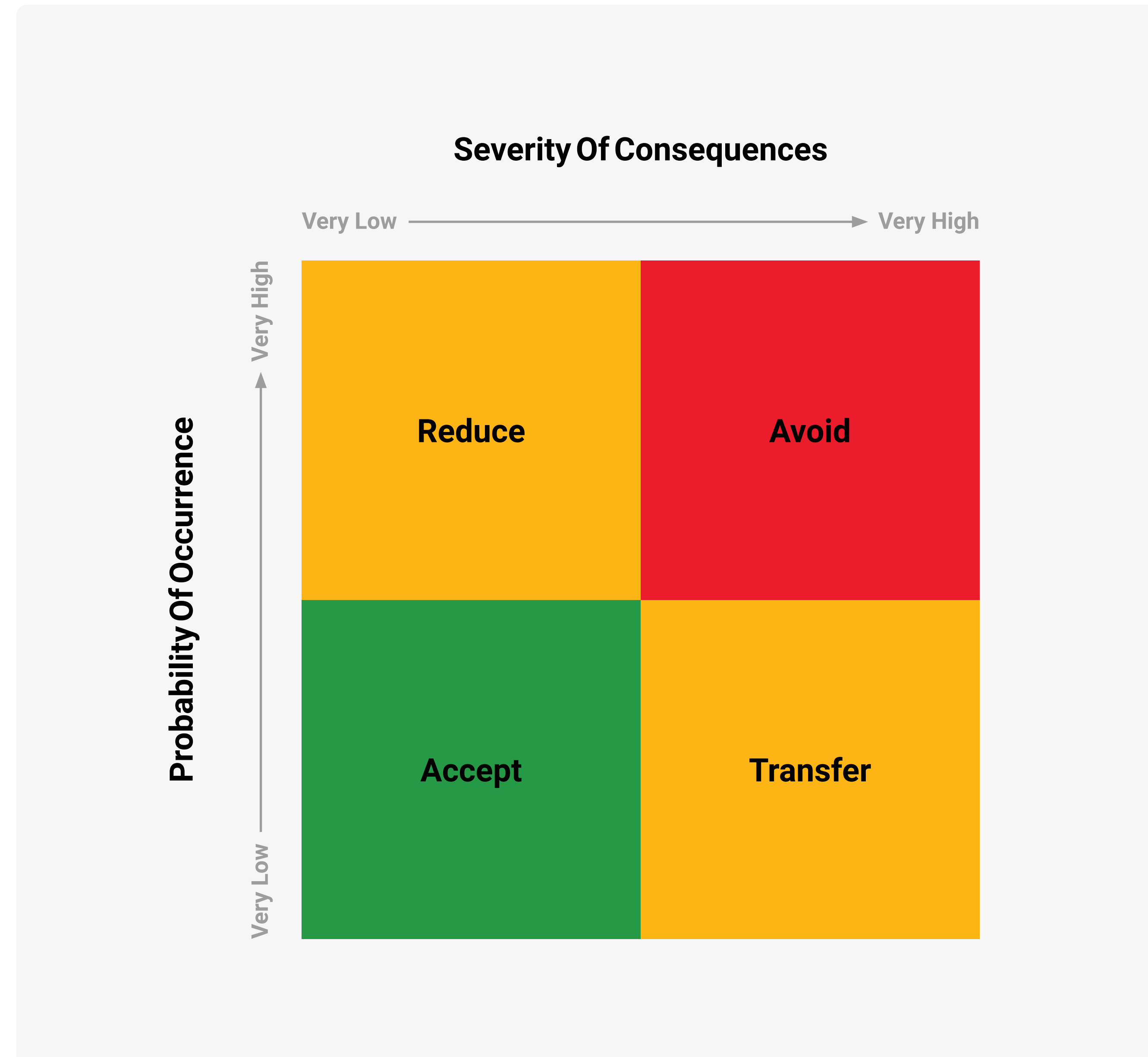
Use this option for yellow risks that have a high probability of occurrence but which have consequences that are either low in severity or easily mitigated.

This strategy entails taking steps to reduce the risk's impact or threat level by making its consequences less severe and/or the probability of the risk occurring.

If the risk is slightly above the company's appetite and tolerance level (e.g., veering towards or into the red part of the risk matrix), then reduction may be reasonable strategy for bringing it down to within acceptable limits.

An example is requiring that workers in potentially dangerous situations wear and use the necessary safety gear and equipment, and providing them with the training needed to function there as safely as possible.

Figure 13 ***Risk response strategies matched to the severity of the risks' consequences and the probability of their occurrence. The colours of the four quadrants were deliberately selected to echo their equivalents in the risk matrix.***



Transfer

Use this option for yellow risks that have a low probability of occurrence but which can have severe consequences.

Unlike the avoidance and reduction options, transference does not eliminate or reduce the probability or consequence of a risk occurring.

Instead, this risk response option delegates, or transfers, responsibility for the risk to a third-party.

A common risk transfer example is insurance.

Insurance does not prevent storms, or eliminate or reduce the damage they can inflict on a company's plant.

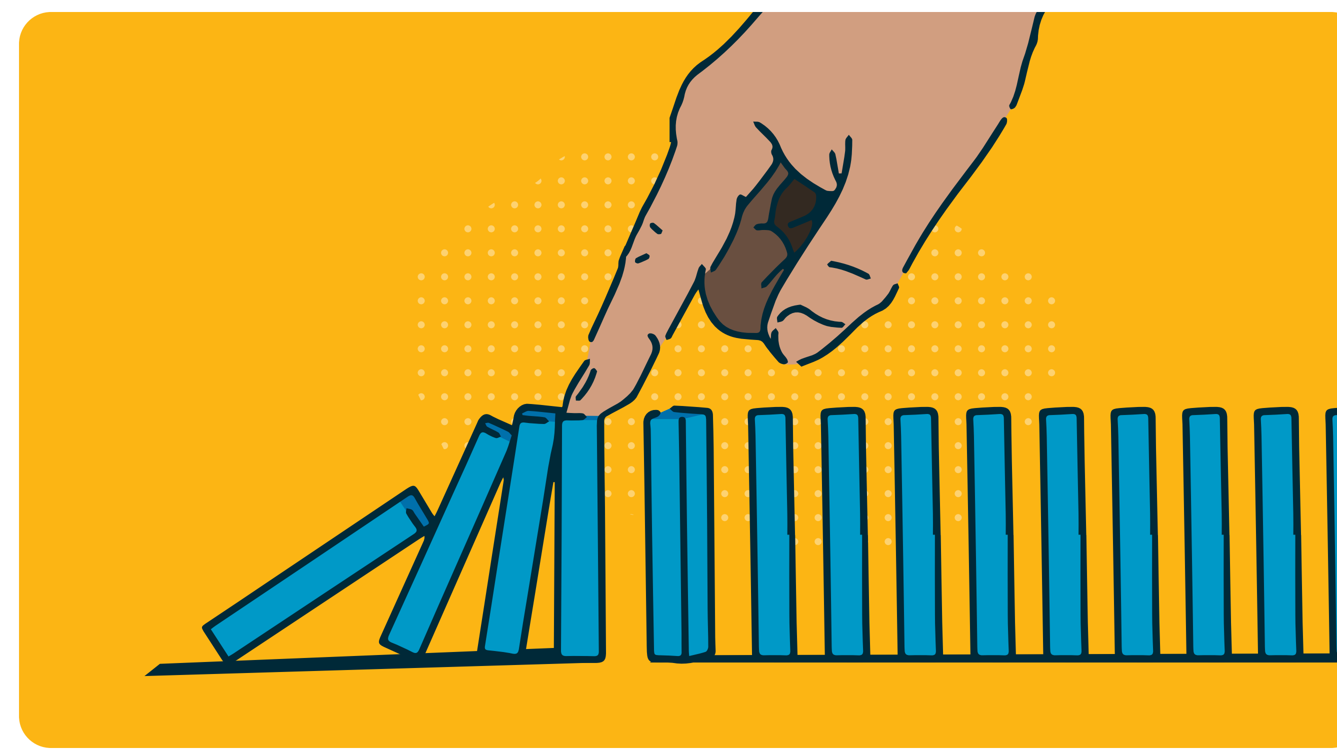
However, insurance provides a financial safety net in the event storms and their related damages do occur.

Besides insurance, another common risk-transfer method is indemnification clauses in contracts, which aim to protect a company from liability if a third-party or third entity is harmed in any way.

Indemnification clauses are commonly found in construction and service job contracts, rental contracts, purchase order agreements, lease agreements, consulting agreements and more.

Be cautious, though, about using risk transfer in responding to ESG risks as the response kicks in only after the risk materialises.

Transferring the financial risk of the issue or event may be relatively easy, but intangible risks like your reputation with customers, and your attractiveness to investors and talent, cannot be transferred to a third-party.



Accept

Use this option for green risks that have a low probability of occurrence and consequences that are not severe.

If a risk's probability and consequences are low, it does not make sense to expend resources to avoid, transfer, or reduce the risk.

In cases like this, you can simply accept the risk as-is and do nothing.

Risk acceptance is thus a passive decision since it requires no action.

Other risks that can fall into this category include emerging risks, or ones that may pose some sort of threat in the distant future.

An example could be choosing to install a solar power generation system that you have a full warranty for, but which research has shown fails at a rate of one in every 2 million systems.

Management Of ESG Risks

A framework exists for the holistic management of ESG-related risks.

This gives five areas that a company must integrate ESG risk management into, and recommends actions to facilitate this integration (Table 7).

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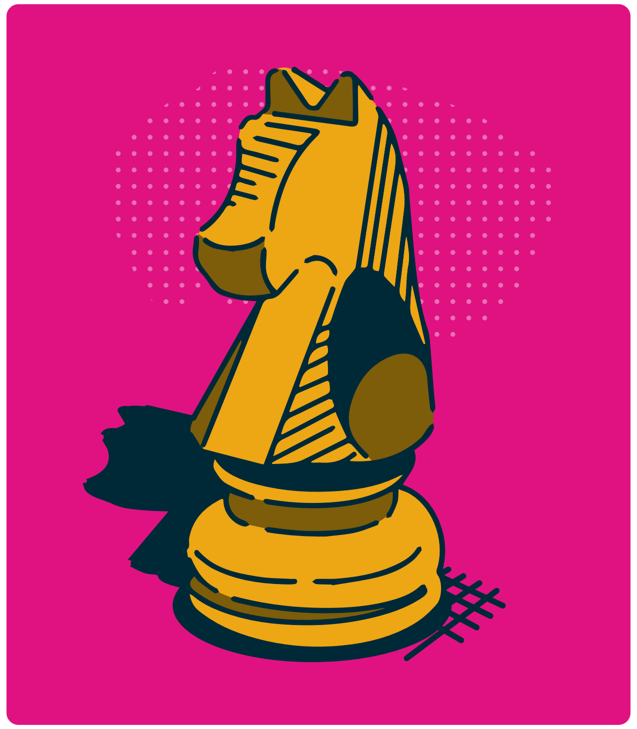
Table 7 ***Framework for the management of ESG-related risks by companies.***

AREA FOR INTEGRATION OF ESG RISK CONSIDERATIONS				
Governance & Culture	**Strategy & Objective Setting**	**Performance**	**Review & Revision**	**Information, Communication & Reporting**
RECOMMENDED ACTIONS FOR COMPANIES				
A company should: • Exercise board oversight of ESG risks and establish the necessary operating structures with assigned roles, ccountabilities, chains of command, and lines of reporting. • Include ESG-related skills and knowledge in its hiring and talent management in order to attract, develop and retain competencies that are of value in addressing ESG risks.	A company should: • Define its appetite and thresholds for ESG risks given its strategy, objectives and business model. • Identify and prioritise the ESG risks that will most impact value creation and stakeholder interests.	A company should: • Devise and implement appropriate and proportional ESG risk responses. • Devise assessment methods (with suitable indicators and metrics) to monitor the key ESG risks and the effectiveness of the responses to them.	A company should: • Review ESG risk responses to determine how well they perform, identify shortcomings, revise processes and capabilities. • Consider lessons learned and best practices to revise and improve how ESG risks are managed. • Use the review results to build the business case for ESG integration into the business strategy to strengthen buy-in the board and senior executives.	A company should: • Identify information channels for internal and external ommunication, and for reporting on ESG risks. • Communicate and report on material ESG risks both internally and externally, for better decision-making by company leaders and to reassure key stakeholders (e.g., investors, regulators, activists).

CHAPTER 5

STRATEGY & POLICY



Why Have An ESG Strategy?

A strategy is a high-level plan that is developed and implemented to help a business achieve its goals.

It outlines the plan of action that the company will use to achieve its vision and objectives, and to guide its decision-making processes to improve the business's chances of stability and success.

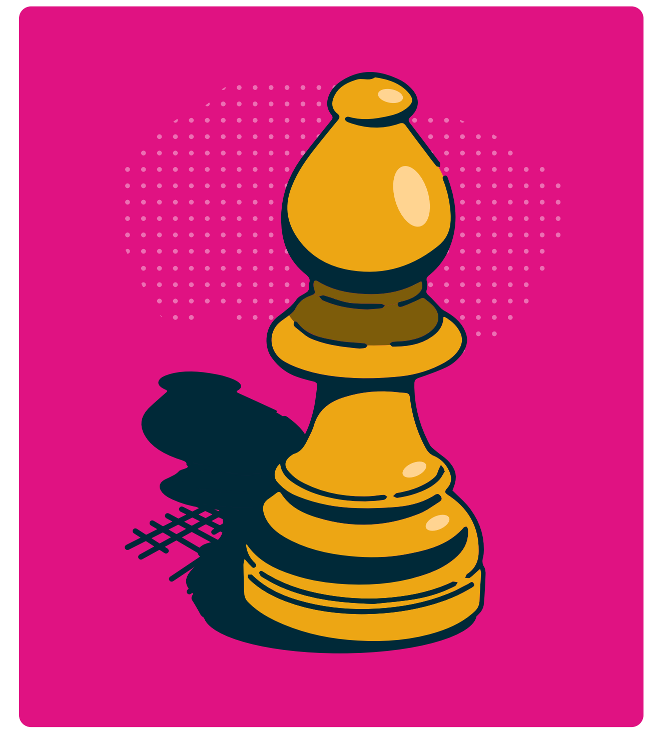
Results-focused strategies are evidence of sound management, and of companies' greater preparedness to adapt to changing markets and respond to evolving customer and investor needs.

Developing an ESG strategy is a key milestone for any company that aspires to operate responsibly.

It demonstrates to stakeholders that the company's overall business model, and its current and future operations, will regard environmental, social and governance factors as intrinsically important.

This could enhance a company's market differentiation and brand, and boost its competitive advantage by making the business more attractive to those who buy

or invest responsibly, as well as to a growing number of governments and companies that include ESG requirements in tenders and contracts.



It could drive innovation of products, services and processes with sustainability attributes to address unmet needs.

A strong ESG strategy correlates with improved process efficiencies and increased cost savings.

An ESG strategy includes considerations related to capital allocation, supply chain management, marketing, and partner choice and investments, many of which create ESG risks and opportunities.

As such, an ESG strategy corresponds with stronger risk identification and management processes that enhance a company's resilience, and which relieve regulatory pressure by facilitating policies and procedures that allow the company to comply with legislative and reporting requirements.

It promotes better relationships with stakeholders, who can obtain a better understanding of the company's overall commitments and actions.

An ESG strategy also makes the company's ESG performance easier to monitor, manage and report.

Ultimately, an ESG strategy is a tool that directors can use to help management move beyond viewing ESG as merely a compliance exercise, and to see it instead as purpose-driven with respect to the company's performance across multiple dimensions.

Developing and implementing an ESG policy may seem like additional demands on already-overburdened companies.

However, almost every company may find that they have existing business processes and priorities that can be categorised under ESG's broad banners.

It is just a matter of identifying them.

Once identified, the foundation for an ESG strategy is created.

We recommend a graduated, staged approach.

Begin with the topic areas where information is readily available, then build upon your ESG strategy in subsequent years.

ESG Strategy Pyramid

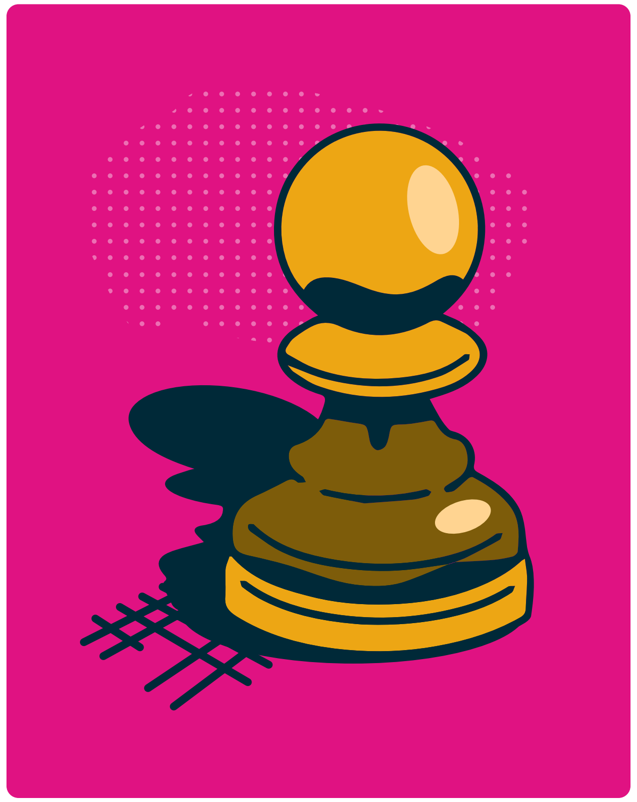
A strategy pyramid is a visual tool that companies can use to create strategies.

It can help a company proceed, in a top-down fashion, from its aspirational, corporate-level goal (values and vision) to develop an achievable, business-level approach (mission and strategic objectives) that then leads to specific, functional tactics (actions) that themselves produce tangible and measurable results and outcomes (Figure 14).

A strategy pyramid can be used to fashion a company's overall business strategy or its ESG strategy.

Indeed, completing the company's overall and ESG strategies side-by-side (as in Figure 14) can maximise alignment between these two strategies, and indicate if adjustments to either strategy are required.

Before the ESG era, companies' sustainability strategies were distinct from their main corporate strategies, and separate from financial planning and risk management.



However, the increasing demand for disclosure of ESG risks, opportunities and performance has highlighted the importance of integrating sustainability considerations into the overall corporate strategy because they are business-relevant, financially-material, and central to strategic planning.

A business's chances of being simultaneously responsible and profitable are greatest when the company's overall-business and ESG strategies are aligned.

While it is easier to change the ESG strategy to match the overall business strategy than it is to make the reverse alteration, changing the business strategy is sometimes required (e.g., following new laws).

In using the strategy pyramid, whether it is to create an overall business strategy or an ESG strategy, you should ensure that each layer of your pyramid aligns with the sections above it.

This will guarantee a coherent strategy rather than a disjointed one.

A company should also delegate responsibilities and accountabilities for each level and component of its business and ESG strategies to the business's directors and senior executives.

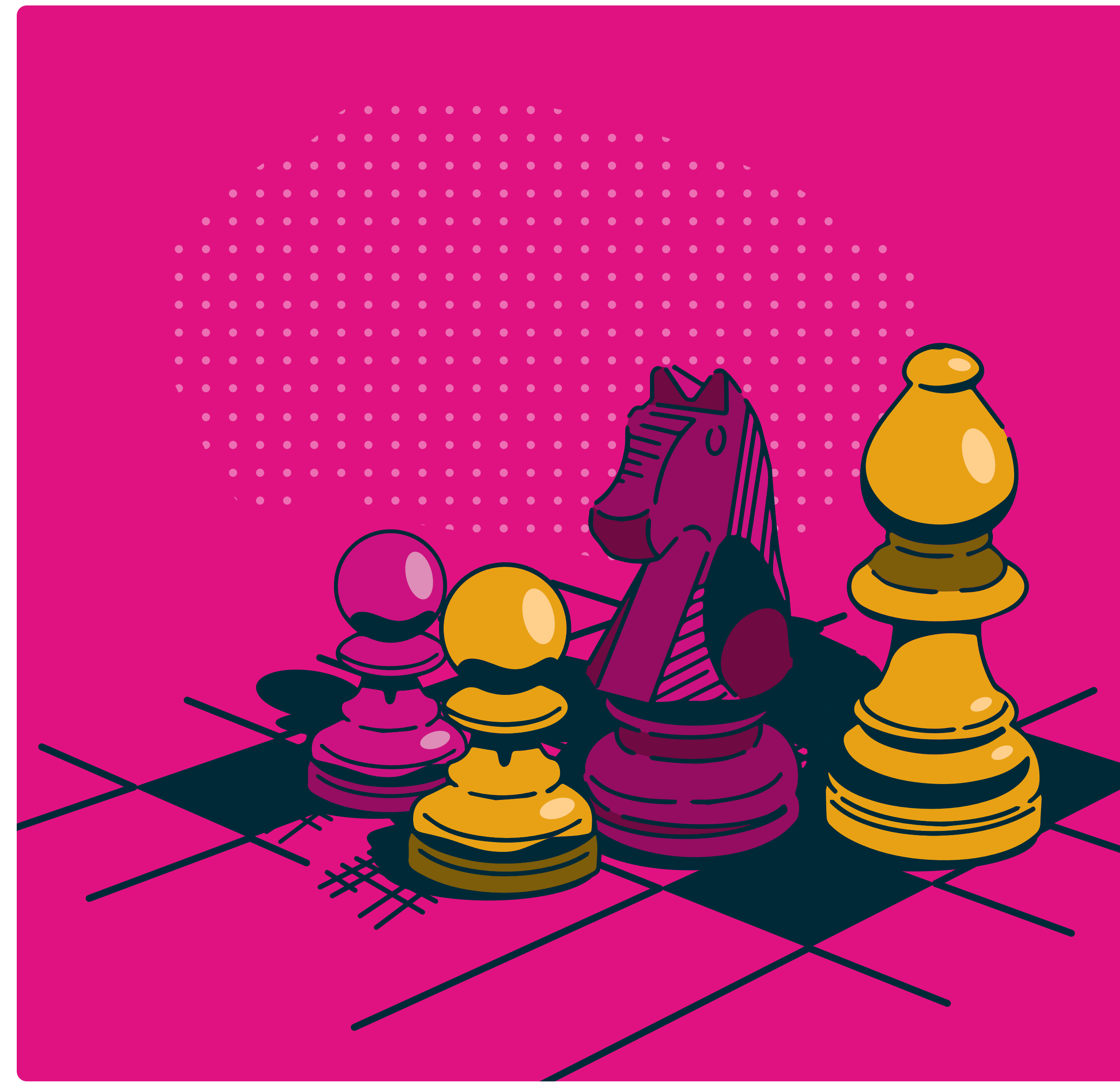
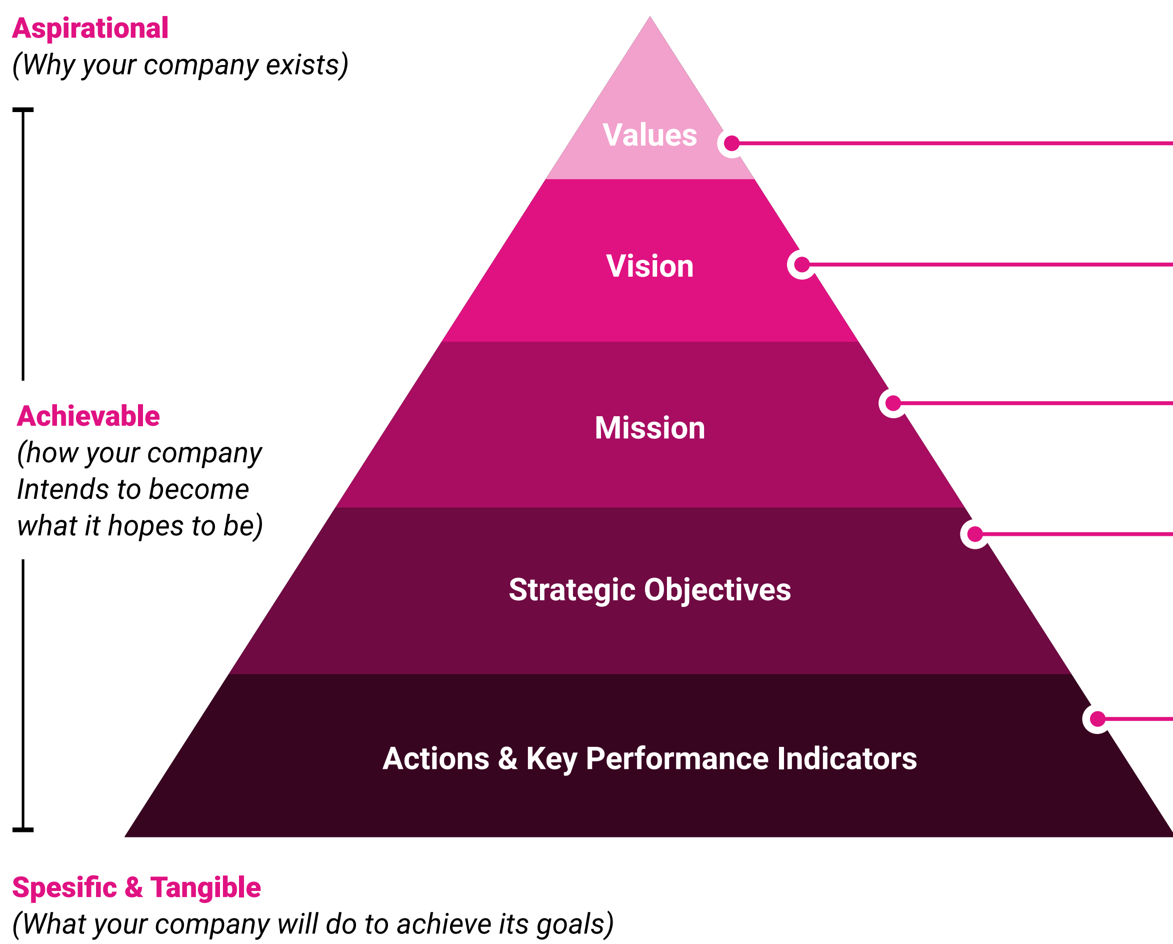


Figure 14 ***A strategy pyramid that companies can apply to ESG integration. Completing the business's overall strategy and its ESG strategy side-by-side makes it easy to tell if the two strategies are aligned, and if adjustments to one or both are required to maximise the alignment. (Definitions of terms in the figure are provided in Appendix 5.)***



MEANING	FOR OVERALL COMPANY	FOR ESG AT COMPANY	ALIGNMENT* *(Low, Medium, High)*
What does the company stand for? *(Ethics, Beliefs)*			
Where is the company going? What does it aspire to achieve? *(Hope, Ambition)*			
What does the company do? What does the company do it for? *(Motivation, Purpose)*			
How will the company progress? *(Goals, Sequencing)*			
What does the company have to do? How does it know things are working? *(Actions, Owners, Timeframes, Resources, Outcomes)*			

* *The lower the alignment between your overall business strategy and your ESG strategy, the greater the chance that both strategies will be unsuccessful.*

Additional Ways To Maximise Alignment Of Business And ESG Strategies

Keep in mind that how ESG issues are framed for discussion across the company will influence whether they are viewed as essential sources of value or as "soft topics" that link primarily to brand reputation.

For example, the knee-jerk reaction to climate change at a beverage company might be to say, "It does not directly impact the business."

That is until a more in-depth analysis reveals the climate's relationship to the production of priority food ingredients, and the risks it poses to the company's supply chain and manufacturing operations.

The company's materiality assessment (see Chapter 3), which identified and prioritised ESG topics that are most relevant to the business and its internal and external stakeholders, will be valuable here.

With material ESG priorities defined, an ESG strategy can be designed to strengthen initiatives and address gaps related to those priorities.

Alignment of the overall business and ESG strategies is also hindered by organisational silos that often exist between departments within a company.

Ideally, a Core ESG Team should lead ESG strategy development with the addition of members from the board and operations,

to ensure ESG priorities are integrated holistically across the company (see Figure 4).

ESG Policies & Procedures

As with other areas of business, policies and procedures are vital to good governance of ESG.

If your company's ESG strategy is the blueprint of its ESG ambition, your business's ESG policies and procedures are the building blocks you will use to realise it.

However, with ESG being a relatively recent addition to the business landscape, it lags behind other areas when it comes to corporate policies and procedures.

A policy is a deliberate set of guidelines that outline an organisation's plan for tackling an issue.

It provides a statement of intent with regard to the given issue, providing a through-line from the organisation's vision and values to its intended outcomes for the issue.

By so doing, a policy guides decisions on, approaches to, and day-to-day operations in the related issue.

Policies are implemented through procedures.

A procedure explains a specific action plan, with step-by-step instructions for carrying out a policy.

Procedures tells employees when and how they should deal with a situation.

Using policies and procedures allows a company's employees and representatives to know the type of culture the business is striving for, what behaviour is expected of them, and how to achieve these.

Policies and procedures promote operational efficiency because they document individual and team responsibilities, and enable persons from all parts of the business to work towards intended outcomes in consistent and predictable fashions.

Knowing the company's policies and procedures, employees and representatives should clearly understand how to approach their work without the need for trial-and-error or micromanagement.

Conversely, without written policies and procedures, unnecessary time and effort are spent trying to agree on a proper course of action.

With strict guidelines already in place, employees simply have to follow the procedures, and

managers merely have to enforce the policies.

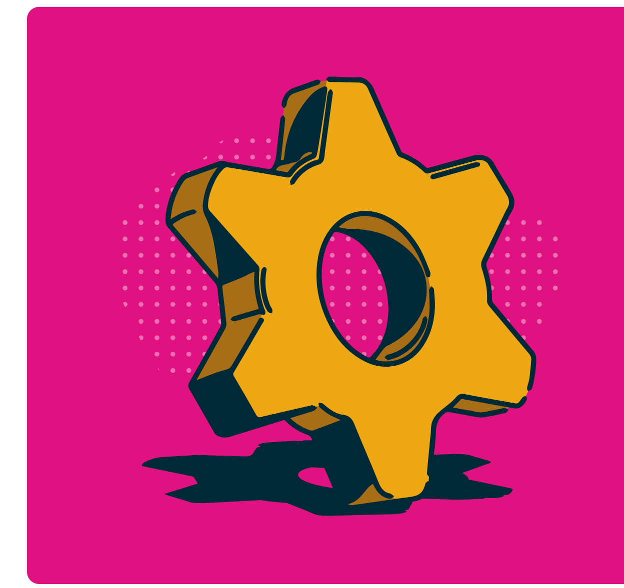
Implementing policies and procedures also improves the way a company looks from the outside.

Formal policies and procedures help companies ensure compliance with relevant regulations, industry and other standards, and community expectations, which in turn assure quality controls and resilience to risks (e.g., punishment for violations).

They also demonstrate that companies are efficient, professional and stable.

This can lead to stronger business relationships and a better reputation with the public, stakeholders and investors.

Indeed, a well-considered ESG strategy, and its supporting policies and procedures, satisfy many of the key performance indicators that are used by ESG rating agencies.



How To Develop ESG Policies And Procedures

When creating a policy or procedure for a particular material ESG issue, start by reviewing the company's ESG strategy to decipher the intended outcomes for the issue, and how those outcomes relate to the business's values, vision and mission.

Creating policies and procedures should also be a collaborative process, and company leaders should consult employees and their representatives from different levels of the company, and those who will be influenced by the policies.

This will ensure the policies and procedures are relevant to the real-world situations in which they will be applied, and that they will stand a greater chance of being adopted by their intended audience.

In addition to being aligned with a company's ESG strategy and stakeholders' views, a good ESG policy should:

- Set out the purpose and rationale of the policy, providing the reasoning that led to its creation (e.g., a new law that the company must comply with) and relevant contextual information (e.g., how the policy relates to the company's ESG and overall business strategies).
- Provide the scope for the policy, with an outline of the areas it covers, mention of the areas which do not apply, and explanations for the coverage of some areas and the exclusion of others.
- Provide definitions for terms, and explanations of any acronyms or abbreviations, that are used.
- List who the policy applies to, with roles for executives and management in communicating and monitoring the policy; for employees and representatives in following and implementing the policy; and for both groups in reporting compliance using stated chains of command.
- State unambiguously what the policy considers acceptable or unacceptable behaviour, and how compliance will be supported and non-compliance enforced.
- Set out the benefits of complying with the policy (e.g., productivity, equal employee treatment) and the consequences of non-compliance (e.g., non-compliance with laws, reduced workplace safety).
- Provide links to the related procedures by which the policy will be implemented, and to templates (if available) for reporting on the policy's implementation.
- Provide the document's change history, including the dates when the policy was developed and last updated, with the latter indicating if the policy is still current or in need of revision.

Examples of ESG policies are available here, here, here and here.

Having crafted a policy for a material ESG issue, you can develop procedures for its implementation.

The key components of a good procedure are:

- Linkage to the policy that the procedure relates to, including the policy's reference number (if there is one).
- A brief description of the purpose of and rationale for the procedure (e.g., compliance with given internal policy and/or imposed regulation).
- A statement that outlines the procedure's scope, listing and explaining the areas that are covered and which do not apply.
- Definitions for terms which may be unfamiliar or misinterpreted, and explanations for any acronyms and abbreviations used.
- A summary of the procedure's roles, with lists and descriptions of the key tasks each role is to perform, and with each role holder's responsibilities, accountabilities, performance metrics, and reporting lines clearly stated.
- The actual procedure to be performed, described with sufficient detail and aids (e.g., flow diagrams) to allow a trained person to perform the procedure without supervision, and with clear indications of how satisfactory and unsatisfactory application of the procedure are determined.
- Any forms or templates to be used during or after application of the procedure, and which should include spaces for role holders to record the procedure's use and raise procedural issues that need resolving.
- The document's change history, including dated records of changes made, to allow previous users to easily recognise alterations and adjust their behaviour, and to guide future revisions of the procedure.

A template procedure, which can easily be adapted to suit most ESG-related procedures, is available here.

Using And Revising ESG Policies And Procedures

Once you develop ESG policies and procedures, the next step is to inform and train employees and company representatives on them.

You cannot expect employees to follow guidelines they are unaware of.

This is even more true for ESG, which entails issues that many of your company's workers and representatives will be unfamiliar with.

Persons are more likely to embrace a rule when they understand its purpose and do not view it as a form of control or punishment.

For this reason, keep a positive attitude during training sessions for ESG policies and procedures, and leave plenty of time for employee questions.

In addition, be sure to schedule regular refresher training sessions to keep employees on track.

Every industry has its own set of laws, regulations, standards and best practices, many of which are constantly evolving.

This is especially true for ESG and, as such, your company's ESG policies and procedures should not be written once and left alone for decades.

Rather, your ESG policies and procedures should grow and change with your company, adapting to the business's needs and to industry standards.

Reviewing your ESG policies and procedures at least annually, and updating them as necessary, are key to their success.

You should also ensure that employees and company

representatives can access policies and procedures at any time (e.g., via mobile devices), as trying to locate them in critical, high-pressure situations is not practical.

Why You Need To Enforce Policies And Procedures

ESG policies and procedures can help a company address or avoid problematic ESG issues, or capitalise on ESG-elated opportunities, but only if they are enforced.

Enforcement begins with a company's leadership effectively communicating the policies and procedures to employees and company representatives, and ensuring they are accessible and understood.

The leadership must then hold employees and representatives responsible for following the company's policies and procedures.

When the leadership does not enforce policies and procedures, the company is put at risk.

If a person, organisation or government makes an allegation against your company, having formal policies and procedures in place strengthens your case.

For example, consider the hypothetical situation of someone suing your company for hiring discrimination, claiming that she was not given a job she interviewed for because of her disability.

Having an anti-discrimination policy in place is a strong piece of evidence in your defense.

Adequately enforced policies and procedures are also needed for putting proper safeguards and safety measures in place, to prevent incidents (e.g., worker injury, accidental discharges).

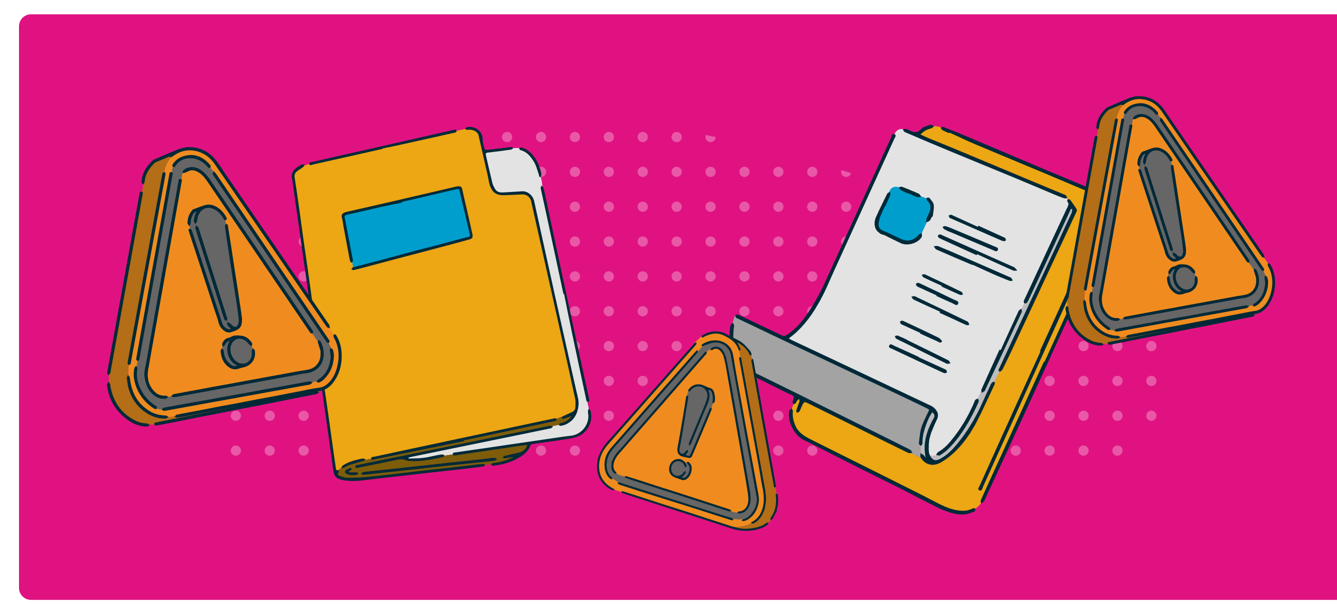
If an incident does take place, well-enforced policies and procedures get operations back to normal at a faster rate.

For example, if an accidental discharge of pollutants occurs, employees and their managers must feel compelled to take certain actions.

The policy and procedure could detail not just the required actions, but also dictate the format, content and reporting channels for the incident report.

After the incident, reviewing policies, procedures, and incident reports can help the company identify what went wrong.
The company can then take steps to prevent similar accidental discharges in the future.

Policies and procedures also keep companies from overlooking incidents, and prevent them from evolving into a crisis.



CHAPTER 6

KEY PERFORMANCE INDICATORS & TARGETS

What To Measure

Your board and executives have bought-in to ESG, you and your key stakeholders have identified the ESG issues and aspects that are most material and which present the biggest risks, and you have devised and started implementing a strategy with policies, procedures and activities to help you meet your ESG objectives.

The next step is measuring your progress toward your stated ESG objectives because, as the saying goes, "If you can't measure it, you can't manage it."

Self-assessment of your company's ESG status is also the cornerstone of your ESG reporting and pursuit of a favourable ESG rating, which can improve your attractiveness to investors and licences to operate.

A key challenge companies face is, however, knowing what to measure.

As stated in Chapter 3, each ESG rating scheme provides a framework that divides ESG's three pillars into issues, and which lists the aspects of each issue that the scheme considers when assessing a company's performance on that issue.

The aspects listed for an issue were selected because experts believe that, by addressing them, a company will create the greatest and most-timely benefits for both the issue and the business.

Additionally, addressing facets of an issue that are not among the listed aspects will add nothing to the company's score for the particular issue, and to its ultimate ESG rating from the scheme.

Thus, after a business decides on an ESG rating scheme and its related ESG framework, the company can look to the aspects that are listed for the scheme's issues to see what needs to be measured.

Unfortunately, there is no standard framework for dividing ESG pillars into issues, and issues into aspects; and each ESG rating scheme has unique lists of issues and aspects.

This Guide uses the FTSE Russell ESG framework because of the scheme's reputation among investors.

The FTSE Russell framework is also easy to understand, apply, and adapt to other rating schemes, with manageable lists of ESG issues and related aspects.

The FTSE Russell framework divides the three ESG pillars into

14 issues, and divides these 14 issues into a total of 213 aspects (with between six and 25 aspects per issue).

213 aspects might seem daunting, but about half of them are sector-specific, and many will not be relevant to your business.

In addition, about 60 aspects entail either the establishment of policies and procedures, or quantitative measures that are routinely monitored by companies (e.g., electricity consumption, water use).

While it is misleading to say that measuring your progress on ESG issues is easy, the process is not as difficult as you may believe.

The FTSE Russell framework's full lists of issues and aspects are given in Appendix 6.

An abridged version, with only the six issues that contribute most to a company's overall ESG rating, is presented in Table 8.

Table 8 ***The FTSE Russell ESG framework's aspects that are related to the six issues that contribute most to a company's ESG rating. The aspects for all 14 issues in the framework are given in Appendix 5.***

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Climate Change	• Greenhouse gas (GHG) emissions and energy reduction • Collaborative initiatives • Board oversight • Short-term quantitative targets • Long-term quantitative targets • Adaptation to physical impacts • Quantified progress against targets	• Targets to reduce fleet GHG emissions • Progress against targets on product GHG • GHG emissions per unit of revenue • GHG emissions per MWh produced • Coal reserves per unit revenue • Total energy consumption • Disclosure of oil and gas reserves

Table 8 ***The FTSE Russell ESG framework's aspects that are related to the six issues that contribute most to a company's ESG rating. The aspects for all 14 issues in the framework are given in Appendix 5. (Continued)***

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Climate Change	▪ Financial quantification of costs and research and development (R&D) ▪ Independent verification of GHG or energy ▪ Intensity of GHG emissions reported	▪ Fleet fuel efficiency (by country/region, if applicable)
Environmental Supply Chain	▪ Policy addresses energy use and GHG emissions ▪ Policy addresses water use and biodiversity ▪ Policy addresses environmental issues and pollution	▪ Property portfolio policy on environmental issues ▪ Property portfolio targets on GHG, energy, water use ▪ Certification to a building management standard

Table 8 ***The FTSE Russell ESG framework's aspects that are related to the six issues that contribute most to a company's ESG rating. The aspects for all 14 issues in the framework are given in Appendix 5. (Continued)***

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Environmental Supply Chain	▪ Policy addresses waste and resources ▪ Risk assessment and due diligence ▪ Monitoring including audits and results ▪ Communication and training of suppliers ▪ Encourage suppliers to reduce and report	▪ "Green leases" for tenants of property portfolio ▪ Building management systems, smart meters, biodiversity ▪ Aggregate GHG emissions on properties ▪ Aggregate energy data on properties ▪ Aggregate water usage data on properties
Labour Standards	▪ Policy addresses core ILO conventions	▪ Black Economic Empowerment

Table 8 ***The FTSE Russell ESG framework's aspects that are related to the six issues that contribute most to a company's ESG rating. The aspects for all 14 issues in the framework are given in Appendix 5. (Continued)***

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Labour Standards	▪ Policy addresses non-discrimination ▪ Policy addresses working hours and living wage ▪ Commitment to frameworks on labour standards ▪ Policy on under-privileged and youth unemployment ▪ Policy translated and communicated ▪ Risk assessment and due diligence	▪ Full time staff voluntary turnover rates ▪ Percentage of employees that are contractors or temporary ▪ Amount of time spent on employee development training

Table 8 ***The FTSE Russell ESG framework's aspects that are related to the six issues that contribute most to a company's ESG rating. The aspects for all 14 issues in the framework are given in Appendix 5. (Continued)***

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Labour Standards	▪ Actions to address labour issues and improve diversity ▪ Incidents of non-compliance and action taken	
Human Rights and Community Indicators	▪ Support for international standards ▪ UN Guiding Principles on Business and Human Rights ▪ Children's Rights and the Business Principles	▪ Policy addresses freedom of expression ▪ Policy addresses data privacy ▪ Policy/Principle/Code on indigenous rights

Table 8 ***The FTSE Russell ESG framework's aspects that are related to the six issues that contribute most to a company's ESG rating. The aspects for all 14 issues in the framework are given in Appendix 5. (Continued)***

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Human Rights and Community Indicators	• Commitment to local employment • Impact assessment on new and existing operations • Stakeholder engagement consultations and reports • Grievance mechanisms in place • Disclosure of human rights incidents and actions • Participation in external schemes	• Policy addresses security guard issues • Donations/community investments made to not-for-profit organisations

Table 8 ***The FTSE Russell ESG framework's aspects that are related to the six issues that contribute most to a company's ESG rating. The aspects for all 14 issues in the framework are given in Appendix 5. (Continued)***

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Human Rights and Community Indicators	• Output of community investments quantified	
Social Supply Chain	• Policy addresses the core ILO Conventions • Policy addresses working hours and living wage • Policy addresses health and safety • Policy translated and communicated • Risk assessment on new and existing suppliers	• Property policy on social issues and community engagement • Property accessibility: disabled persons, also public transport • Signatory and reporting to UN Principles for Responsible Investment (UN PRI) • ESG integration into investment, and long-term investment

Table 8 ***The FTSE Russell ESG framework's aspects that are related to the six issues that contribute most to a company's ESG rating. The aspects for all 14 issues in the framework are given in Appendix 5. (Continued)***

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Social Supply Chain	• Results of supplier monitoring/auditing • Policy integrated into buyer training and purchasing • Capacity building in suppliers • Member of recognised supply chain initiative	• Engagement with companies in portfolio on ESG issues • Signatory and reporting to Principles for Responsible Insurance • ESG integration into insurance process • Signatory to UN SSEI (Sustainable Stock Exchange Initiative) • Support ESG products, and guidance for issuers on ESG disclosure

Table 8 ***The FTSE Russell ESG framework's aspects that are related to the six issues that contribute most to a company's ESG rating. The aspects for all 14 issues in the framework are given in Appendix 5. (Continued)***

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Social Supply Chain		• Member of and reporting to the Equator Principles • ESG integrated into lending policies and strategies • Results of supplier monitoring/auditing and actions on non-compliance
Anti-Corruption	• Policy addressing countering bribery • Policy addressing anti-corruption • Board oversight of anti-corruption policy	• Political contributions made • Number of staff dismissals due to non-compliance with anti-corruption policy • Cost of fines, penalties, settlements in relation to corruption

Table 8 ***The FTSE Russell ESG framework's aspects that are related to the six issues that contribute most to a company's ESG rating. The aspects for all 14 issues in the framework are given in Appendix 5. (Continued)***

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Anti-Corruption	▪ Risk assessment of operations and intermediaries ▪ Due diligence of new business partners ▪ Whistle-blowing mechanism in place ▪ Communication and training ▪ Procedures for high-risk operations	

As seen in Table 8, aspects are of two types:

- Those that the company should be applying, via its strategy and practices, in order to address the given issue.
- Those that the company should be using in self-assessing its performance and progress on the issue.

An aspect's type and name should allow you to decipher what it entails.

For instance, the climate change issue has "Greenhouse gas (GHG) emissions and energy reduction" as an application aspect.

This means that a company should be implementing a strategy and practices to address its GHG emissions and to reduce its consumption of energy from by non-renewable sources.

Also for climate change, the assessment aspect "Long-term quantitative targets" means that the company should have targets for what it hopes to accomplish with regard to climate change.

For the environmental supply chain issue, the application aspect called "Risk assessment and due diligence" means the company's strategy and practices should identify and address environmental risks in its supply chain.

For the anti-corruption issue, the assessment aspect entitled

"Political contributions made" means that the company should maintain records on its political contributions.

The meaning of some aspects may, however, not be as obvious and require some research.

A company should examine the lists of aspects for all the ESG issues, and create an inventory of aspects that it considers worthy of measurement.

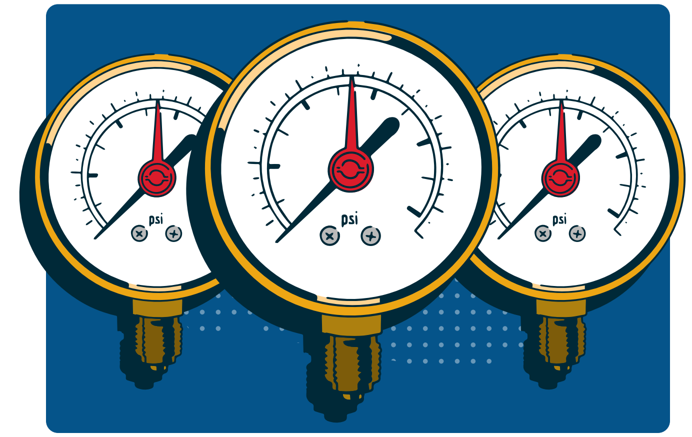
It should emphasise measuring aspects of issues that either have material importance or pose significant risks to the business's overall and ESG-specific strategies.

A business should also pay attention to aspects that its chosen ratings scheme considers important for the company's industry or geographical location.

The company should be able to defend its decision to prioritise or ignore any particular aspect.

How To Measure

While most of you already know how to measure your company's progress in any given area, the terminology and process are provided here to assist those who are less certain of what is involved.



Indicators

An indicator is something you can measure to tell you about your progress towards an intended result, or to let you know when the intended result has been achieved.

If the intended result is critical to an organisation's strategic objectives, the indicator used to measure progress towards that result is called a key performance indicator (or KPI).

An indicator specifies what is to be measured (e.g., "emissions of air pollutants" and "discrimination").

It does not specify the magnitude or direction of change that is desired (e.g., "five percent decline in emissions of air pollutants" and "reduced discrimination" are incorrect as indicators).

Indicators can be:

- Quantitative — These are measures of quantities, amounts, rates and ratios, and are reported as numbers (e.g., total energy consumption, ratio of female to male board members and executives).
- Qualitative — These usually entail people's judgements or perceptions on the given

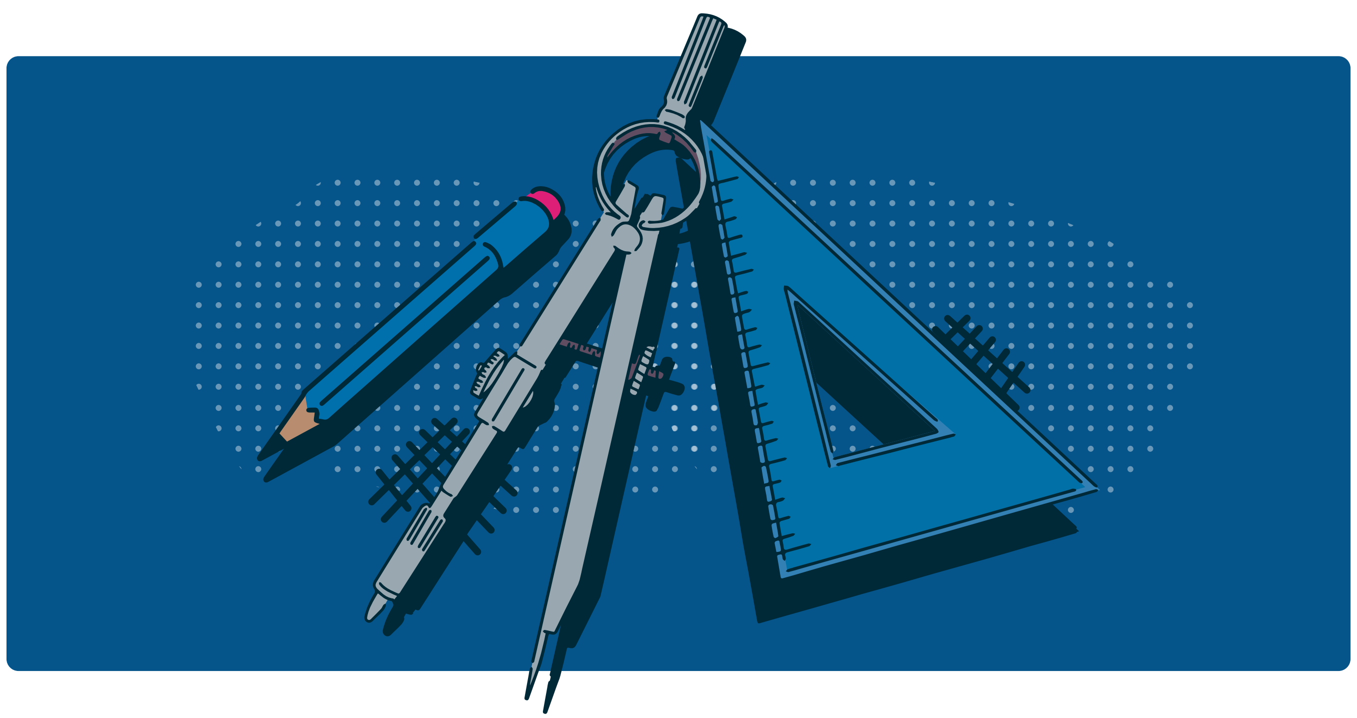
matters, and are reported as words (e.g., worker representatives' perception of the company's whistleblower mechanism, auditor's opinion).

For ESG, KPIs are used to measure the performance of a company and its supply chain on important aspects of ESG issues.

ESG rating schemes list the aspects of ESG issues that they expect companies to measure progress on.

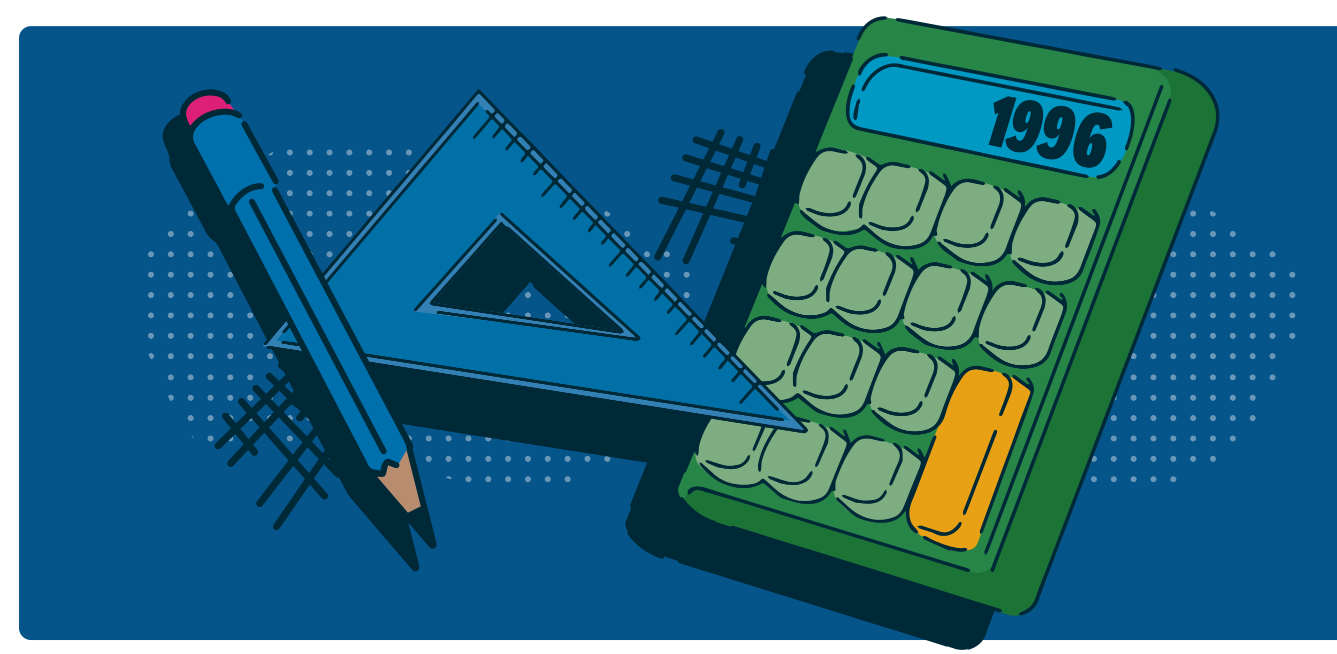
However, they recognise the different contexts and capacities of companies, and allow businesses to develop their own KPIs for the listed aspects.

The process by which an aspect of a strategically-important ESG issue is converted to a KPI is called cascading.



As illustrated in Figure 15, it entails asking two questions for each aspect:

- What must your company accomplish in order to be successful in the given aspect? (This gives you the critical success factors for the given aspect.)
- What would you measure to know you are either progressing toward or have accomplished a critical success factor? (This gives you the KPIs for the given aspect.)



A GUIDE TO INTEGRATING AND REPORTING ESG
ESG IS YOUR BUSINESS

Figure 15 ***Development of key performance indicators from aspects of typical ESG issues via cascading.***

ASPECT OF KEY ESG ISSUE	CRITICAL SUCCESS FACTORS	KEY PERFORMANCE INDICATORS
	WHAT MUST YOU ACCOMPLISH TO BE CONSIDERED SUCCESSFUL IN THE GIVEN ASPECT?	WHAT WOULD YOU MEASURE TO GAUGE PROGRESS TOWARD THE CRITICAL SUCCESS FACTOR?
Greenhouse Gas (Ghg) Emissions And Energy Reduction	Reduced contribution to the amount of GHG emitted during generation of grid electricity	Annual amount of energy purchased from grid that relies on fossil fuels (gigawatt-hours per annum)
	Reduced amount of GHG emitted by the company's vehicle fleet and equipment	Annual amount of GHG emitted by company's fleet and equipment (see Appendix 7 for method of calculation) (metric tonnes of carbon dioxide equivalents per annum)
Policy Addressing Anti-Corruption	Effective application of an anti-corruption policy throughout the company	Explicit board and executive commitment to the policy (formal inclusion of policy into company's charter, strategy and/or action plan)
		Perceptions of key stakeholders (civil society, government, investors, business associations, employee representatives) of corruption within and by the company (negligible, low, moderate, high)

Tip 4

There Is No Need To Reinvent The Wheel

ESG rating schemes do not rate you in comparison to all other companies, but rather in relation to other companies in your industry, and maybe even against other companies in your industry in similar geographic locations.

If you will be rated against your industry peers by using their self-assessments, which they undertook using indicators for aspects of industry-relevant ESG issues, you can copy these companies' KPIs—especially if you are struggling to develop your own.

Examine the annual, ESG or integrated reports of companies in your industry, and especially of those in small-island developing states like Trinidad and Tobago.

If your peers (and especially those with high ESG ratings) are using the same or similar indicators, maybe you should use them as well, either unchanged or modified to suit your context.

Also, it is important to consider the availability of data, the effort required to obtain it, and any changes to systems or processes needed when selecting your performance indicators.

If you are implementing performance indicators for the first time, keep it simple.

Use data that is readily available in the company, and reverse engineer them to create KPIs.

In all instances, if you need to collect new data, ensure that the benefits outweigh the cost and effort of obtaining them.

Targets

Once indicators have been identified, you need to devise targets.

A target is a goal for a given indicator.

Unlike indicators, each target indicates the direction and magnitude of change to the value of the corresponding indicator that the company desires.

Qualifiers like "5 percent increase", "improved", and "lowered" are common in target statements.

This direction and magnitude of change is stated in relation to the baseline value for the given indicator.

The baseline is value for the indicator just before you commenced activities to address the related aspect of an ESG issue.

For example, if the aspect you hope to measure is "workplace health and safety," a suitable KPI may be "Number of workdays lost per annum to injuries, accidents, fatalities and illness."

If in the year prior to implementation of new health and safety (H&S) policies and procedures there were five workdays lost to injuries, accidents, fatalities and illness, then this will be your baseline value.

Your target might be "a 60 percent reduction to the number of workdays lost per annum to injuries, accidents, fatalities and illness within two years of implementing the new H&S policies and procedures."

If in two years you have three (i.e., 60 percent of five) fewer lost days per annum due to injuries, accidents, fatalities and illness, you have met your target.

The more you miss your target, the more you need to revise your approach.

For instance, if your target was three fewer days and you had two fewer, only minor changes to your new H&S policies and procedures may be needed.

If the number of lost days increased from the baseline value when you targeted a decrease, your new H&S policies and procedures may need significant changes, or even replacement.

You should make each of your targets SMART:

- Specific (i.e., well defined, clear, and unambiguous).
- Measurable (i.e., with specific criteria that measure your progress toward the accomplishment of the goal).

- Attainable (i.e., not impossible to achieve).
- Relevant (i.e., aligned with your strategic objectives, expertise and experience).
- Time-limited (i.e., with a deadline for accomplishment to create a sense of urgency).

SMART target examples:

- Reduce cumulative annual GHG emissions, in metric tonnes carbon dioxide equivalents, by 30 percent by 2030 (simple methods for calculating your GHG emissions are outlined in Appendix 7).
- Maintain or exceed 30 percent women on the company's board of directors from 2023 onward.
- Minimum wage of TTD 15 an hour for the lowest-paid, full-time employees, increasing to TTD 17 an hour by 2024.

Your targets will help you demonstrate progress when things are going right, and provide early warning signals when things are going wrong.

Your targets are also extremely beneficial because they give everyone in your business a clear sense of what they should be aiming for.

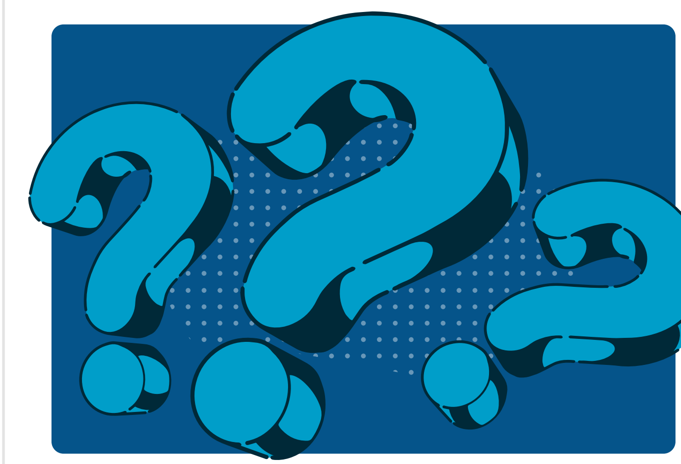
Strategic visions can be difficult to communicate, but by breaking your top-level objectives down into smaller concrete targets you will make it easier to manage the process of delivering them.

In this way, the targets you set form a crucial link between your strategy and your day-to-day operations.

For this reason, the following best practices are recommended when setting and working towards your ESG-related targets:

- Seek buy-in from the directors and "C-suite" because their clout is needed to ensure full engagement of all parts of the business, as well as mobilisation of the resources needed to advance toward your targets and measure your progress.
- Focus first on aspects of the most material ESG issues, so that your company's limited resources are not wasted on pursuing targets that are not significant to your company and stakeholders.
- If possible, use the same baseline years for all or most of your targets, as this will allow you to compare your performance on any given KPI with your performance on your other KPIs.
- Lay out a detailed plan on how to attain your ESG targets in terms of the involvement of your company's internal and external stakeholders, the resources needed (e.g., facilities and equipment), and the schedule required.

- Set clear roles, responsibilities, accountabilities and reporting lines for those who are responsible for measuring your KPIs, analysing and reporting on your progress towards your ESG targets, and reviewing, verifying or auditing your ESG performance data.
- Ensure that those who are responsible for measuring your KPIs, and for analysing your progress towards your ESG targets, understand the nature and purpose of the data they will collect and use, and provide training to address any capacity gaps.
- If possible, engage a third-party consultant to evaluate the operating effectiveness and efficiency of your data measurement, analysis, storage and sharing systems, which will improve confidence in your ESG performance data.



How Your ESG Rating Will Be Determined

If you decide to seek an ESG rating from an ESG rating scheme, the verifiable data you collect using your KPIs and metrics will be used to by the scheme to score your performance on and exposure to each issue.

With the FTSE Russell scheme, for example:

- Your performance score can be between zero (no disclosure) to five (best practice).
- Your exposure score can be between zero (no exposure) to three (high exposure).

In the FTSE Russell rating scheme, the environment, social and governance pillars have five, five and four related issues, respectively.

You will thus receive:

- Five issue performance scores and five issue exposure scores for the environment pillar.
- Five issue performance scores and five issue exposure scores for the social pillar.
- Four issue performance scores and five issue exposure scores for the governance pillar (Figure 14).

Your issue scores within a given pillar are then inserted into the rating scheme's model (basically, an equation or algorithm), which will generate a performance score and an exposure score for the pillar.

Recognising that some issues are more relevant to certain industries, as well as in particular geographic locations, the models used by your chosen rating scheme will assign weightings to your performance and exposure score for each

issue based on your industry and location.

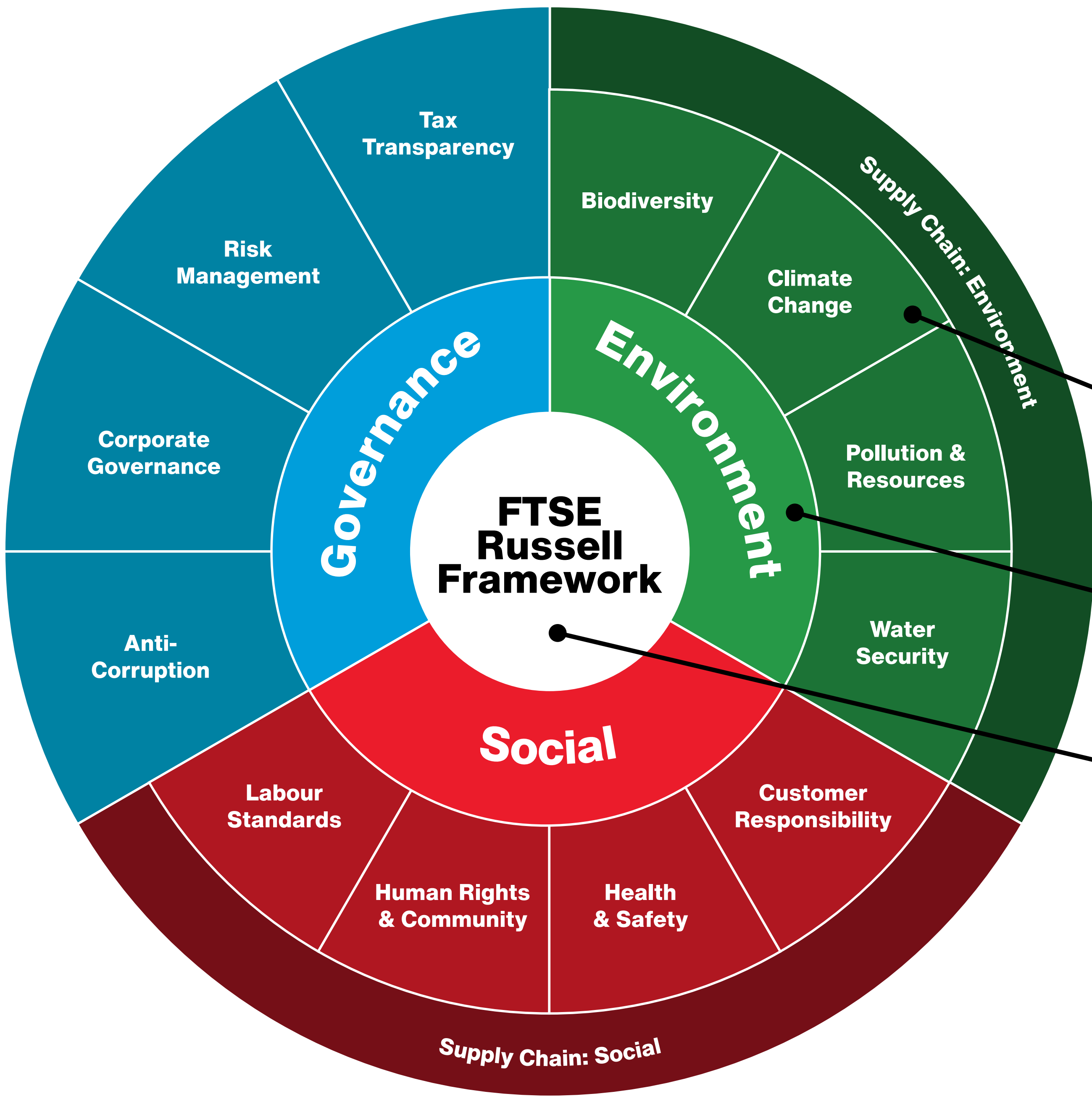
Higher exposure companies are assessed using tougher standards than lower exposure companies.

Similarly, while all three pillars are relevant to every business, the extent of each pillar's relevance to a company depends on the industry and location in which the business operates.

Again, higher exposure companies are assessed using tougher standards than lower exposure ones.

Thus, the rating scheme will assign weightings to your performance score and exposure score for each pillar.

Aggregating your weighted pillar scores will then yield your overall ESG rating (Figure 16).



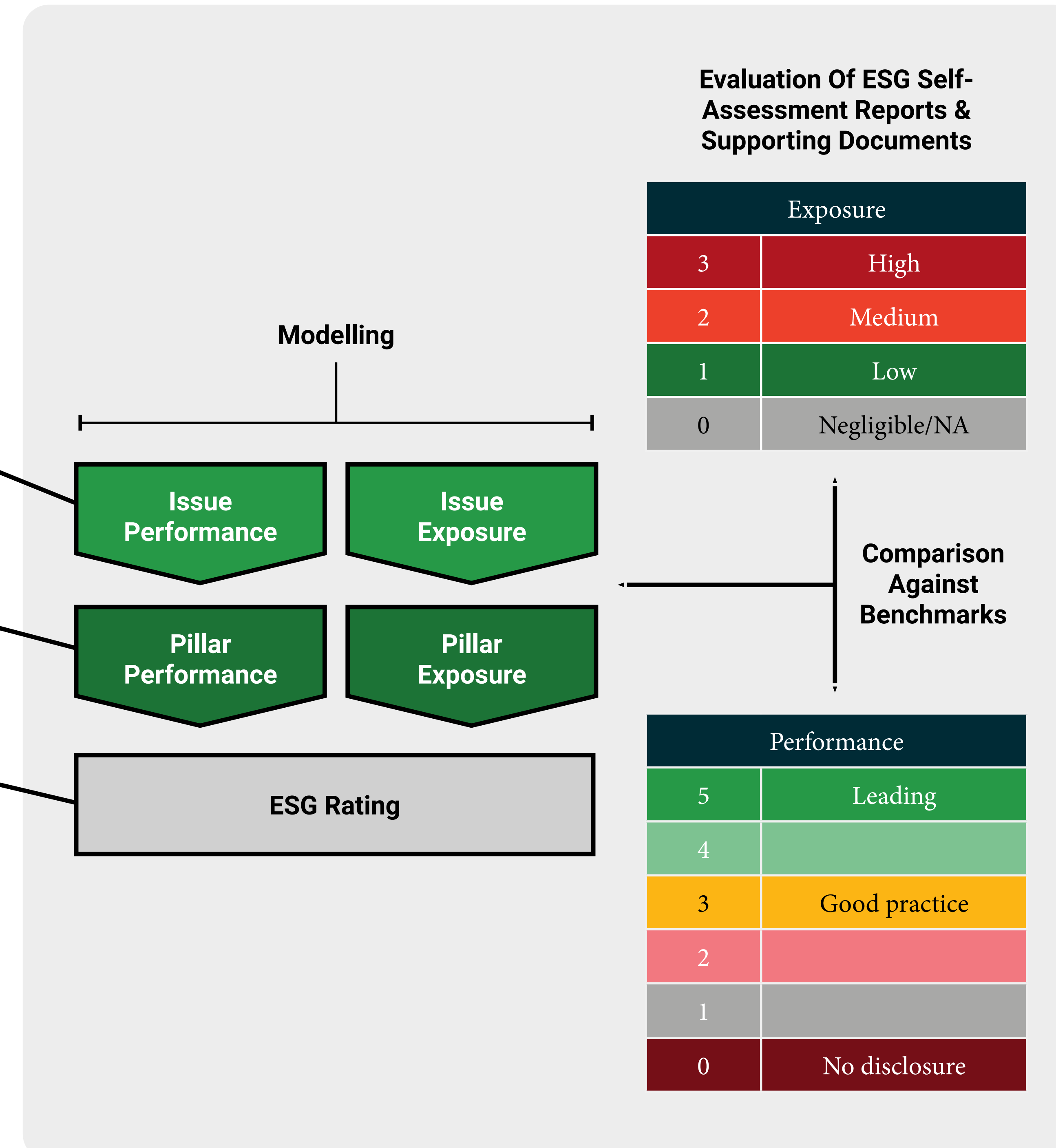


Figure 16 ***FTSE Russell scheme's process and data hierarchy for determining a company's ESG rating.***

CHAPTER 7

REPORTING & ASSURANCE

Reporting Formats

Companies can report ESG information in their annual report, in a standalone ESG report, or in what is called an integrated report.

There are advantages and disadvantages to each reporting format, and the approach a company should use depends on the target audience for its ESG reporting, and the information that audience needs.

Regardless of the format chosen and intended audience, a company should ensure that its ESG reporting:

- Contains data that are investment-grade in quality.
- Provides justifications for the selection of certain issues as material.
- Explains the strategic relevance of the identified material ESG issues to the business.

Annual Report

Companies can include explicit references to ESG issues within their annual reports.

Including ESG issues in the annual report can be efficient as it allows the company to merge the process of gathering and verifying ESG data with other information processes that are already in place.

It also means that ESG data is readily available to investors and other stakeholders at the same time as wider information about the company.

In practice, though, this approach can add to the length and complexity of a company's annual report, and tends to lead companies to discuss relatively few ESG issues in their reporting.

In addition, ESG-related content may not fit the flow and structure of a typical annual report.

These issues can be resolved by having only the key ESG information (pertaining to the previous year and to future strategies, plans and targets) in the annual report.

More-detailed ESG information (e.g., methodologies, policies and historical data) can be published online or in appendices, where they do not clutter the annual report.

Examples of annual reports that include ESG issues can be found here, here, and here.

Standalone ESG Report

A standalone ESG report provides a clear "home" for a company's ESG content, consolidating the information in a single location.

Also, while annual reports have regulatory deadlines, ESG reports do not.

Furthermore, a standalone ESG report need not align with the style of the annual report, and companies can adopt a style of presentation for raw data, tables and charts that is best suited to its ESG information.

Having a separate ESG report can, however, imply that the company considers ESG to be unconnected from its core business.

This can be addressed by the company aligning key areas of its annual report and ESG report.

For example, if a performance trend is highlighted in the annual report, it should also be addressed in the standalone ESG report.

Examples of standalone ESG reports can be found here, here, and here.

Integrated Report

Integrated reporting is a special, ESG-centric approach to producing a company's annual report.

A non-integrated approach to producing an annual report involves presenting data on material ESG issues alongside information on the company's strategy, governance, performance and prospects.

In an integrated approach, ESG information is not presented alongside the typical contents of an annual report.

Instead, the commercial, social and environmental context in which the company operates is intertwined into, and inseparable from, considerations of the company's strategy, governance, performance and prospects.

This reporting approach aims to offer investors and other stakeholders a more holistic insight into the business's performance and impact.

Those who choose an integrated report may also face problems of annual report length and complexity.

However, integrated reporters should beware of the implications of reducing the information that is presented.

While brevity is welcomed by many, and enables a focus on the most business-critical ESG concerns, it can mean that investors, regulators and others do not get the breadth of information they need.

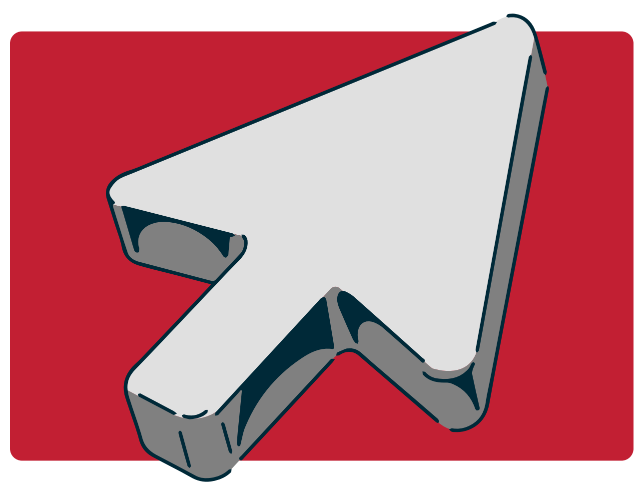
Investors are also a diverse bunch in terms of how they seek and find information.

Some review published reports directly, whereas others access company information through third-party data and research providers and index publishers.

This means that data needs to be easily collectable by these intermediaries.

Consequently, integrated reporting should be supplemented by additional, more detailed ESG information delivered via the company's website or through published data appendices.

Examples of integrated reports can be found here, here, and here.



BOX 2.

Characteristics Of Investment-Grade Data

Regardless of the format it chooses for ESG reporting, a company should strive to make the report's data investment-grade.

Investment-grade data have the following characteristics.

Accuracy

The data should be without error and there should be no problem with using them to make critical business decisions.

The company should ensure that data sources are reliable and verifiable, either through its internal assurance processes or by engaging independent, third-party assurers.

The company should also indicate the key assumptions that underpin its reporting.

Boundries

Companies need to take two distinct sets of boundaries into account:

- Timeframes—ESG data should match the company's fiscal year and the period for its annual report as this will allow investors to cross-use the two data sets (e.g., to normalise ESG data by revenues).

- Operations—ESG data should employ the same principles as financial data (e.g., if a company has partial ownership of certain subsidiaries, data should be reported on a percentage ownership basis to reflect the proportional exposure the company has regarding those subsidiaries).

Comparability & Consistency

To allow comparability between a company and its peers, a company should use indicators and metrics that are widely used in its sector, and aim to gather and report data the way its sector peers do.

Companies should consider using standard denominators when normalising data (e.g. per month, per staff member, per 100,000 dollars expended).

The methods used to collect and calculate data should remain consistent year-on-year.

If data compilation methodologies or underlying assumptions change, the company should explain why the changes were made and, where possible, recalculate data from previous years using the new methodologies and assumptions so investors can decipher trends.

Data Provision

Generally, investors will want to normalise ESG data themselves so that they can apply their own models consistently across companies.

They therefore expect companies to provide raw as well as normalised data.

Timeliness

It is best practice to provide ESG data at the same time as the annual report and accounts are published, or as soon as possible afterwards.

A company may need to communicate sooner when a

significant incident or controversy has taken place, or has been alleged.

In these situations, investors and other key stakeholders do not expect to wait for the next annual reporting cycle.

External Assurance

A company may seek to strengthen the credibility of its ESG data through external assurance.

This can be conducted through the same processes as financial reporting; i.e., using qualified auditors.

It is recommended that that the scope and process adopted for external assurance are clearly described in the company's ESG reporting.

Balance

Companies should provide an objective picture of their performance, presenting both favourable and unfavourable information clearly and in full.

Efforts to avoid or obscure certain information or aspects of performance will create mistrust.

Key Elements Of An ESG Report

The main purpose of an ESG report is to provide investors with enough information to allow them to determine if investing in your company will be beneficial to them.

The report also aims to give the company's leadership information that will help them make better decisions regarding the long-term health of the business and better engage with their stakeholders.

The key concepts of an ESG report are transparency, credibility and materiality.

The company should be as transparent as possible about its ESG practices and disclose the metrics it used to determine its ESG status.

The company should have a credible method of reporting that discloses how it calculates its values for each metric, and provides any disclaimers about the results.

The key elements of an effective ESG report are:

- The goal for the report and its intended audience.
- Information to help the audience read the report, including:
    - A table of contents;
    - An executive summary that states the company's ESG goals and policies, lists the main ESG risks and opportunities, and provides synopses of each report category;
    - A glossary of terms;
    - A bibliography;
    - A conclusion that highlights what has been achieved and what are the next steps for future work; and
    - Material to help readers gauge the company's performance against its aspirations and targets, its competitors, local laws and international norms, and industry benchmarks for the given issues.
- The use of sections to highlight different aspects of ESG at the company, with each section containing a short introduction that provides context for the information it contains, including how that information relates to the companies ESG goals and policies.
- Information on the company's organisational structure, including the departments that are responsible for the various ESG issues.
- Information about the company's board of directors, including the list of all current members, their commitments to ESG, and how their education and experience are aligned with ESG issues.

- Descriptions of employees' roles in ESG activities, with examples of how the company is improving their capacities to be more environmentally and socially responsible.
- Information on the company's engagements with stakeholders, outreach to communities, and philanthropic accomplishments.
- Information presented in ways to ease reader understanding and sustain interest, including using graphs, figures and 'dashboards', and providing material that could disrupt the report's flow (e.g., methodologies, "boilerplate" information) in appendices.

Getting The Most From Your Reporting

There are steps that you can take to ensure your report is of maximum value to investors and other stakeholders.

Make It Easy To Find And Access

Ensure that the report is prominent.

Promote it on the corporate website, include a link within news releases to the markets, and summarise findings in presentations to investors.

In addition, provide data in standard formats (e.g., spreadsheets) that can be opened and examined with widely used software and applications.

In electronic and online documents, you can hyperlink any given piece of information to other relevant facts, figures and statements.

Consider Language

Ensure the language used, and its accessibility, meet the needs of your investor and stakeholder base.

Organisational Learning

Continuous improvement requires a commitment to learning.

In the absence of learning, companies and the individuals within them simply repeat old practices, and improvements will either be fortuitous or short-lived.

A learning organisation is one that is skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights.

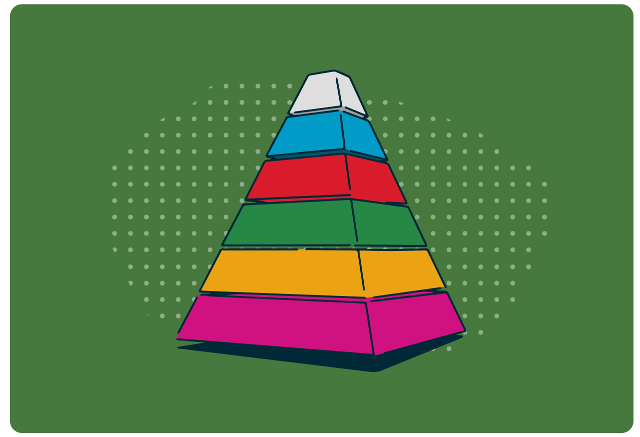
By becoming and ESG learning organisation, the company can aspire to have its ESG reporting go beyond compliance, which would obviously make them more appealing to investors.

It will also allow the company to progressively increase the alignment between its ESG reporting and its material issues, and enable a richer data flow to and dialogue with investors.

An organisational learning self-assessment tool is provided in Appendix 8.

CONCLUSION

A company will most successfully and usefully integrate ESG into its business when it has the key ingredients of this Guide's three sections in place (see Figure 1).

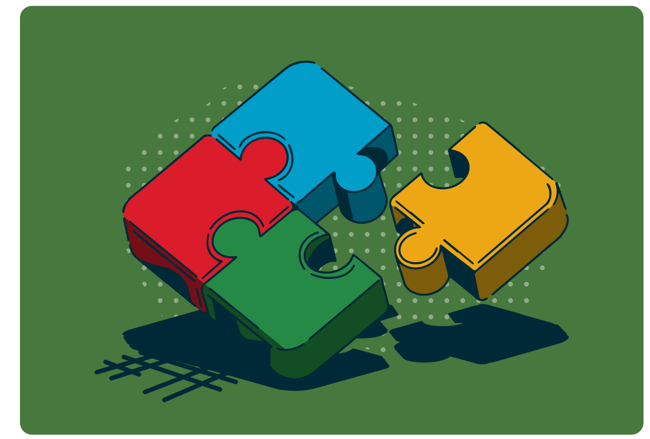


ESG Fundamentals

The company has:

- Made the business case for ESG integration, and has created the sense of purpose needed for the board and top management's buy-in and ongoing support.
- Identified and focused on the top priority ESG issues that are most important and material to the business and

its stakeholders (in particular, investors).



ESG Integration

The company has:

- Built proactive ESG governance with sufficient board oversight.
- Identified and addressed its ESG-related risks.
- Developed vision-led and goal-driven ESG strategies.
- Developed a robust data management system for setting targets and tracking progress.

ESG Reporting

The company:

- Regularly communicates and reports on its ESG-related vision and performance, with a focus on key audiences (e.g., the investor community).

- At least annually, develops and publishes ESG reporting that is in line with local and international reporting standards for its given industry.

- If feasible, engages a third party to conduct independent assurance on the ESG report and data.

Exercise 3.

Test Your New ESG Knowledge And ESG Standing

Earlier in this document, you attempted a list of questions that ESG investors ask companies before investing (Appendix 2).

Having completed this Guide, and commenced the actions it prescribes, try the questionnaire again.

Has your ESG knowledge improved?

Is your company now in a better position to integrate ESG and attract ESG investors?

The United Nations and the American Chamber of Commerce of Trinidad and Tobago are your partners in ESG integration, and are committed to helping you address any remaining ESG gaps.

For assistance and additional information, contact rcs-rcott@un.org and trade@amchamtt.com.

USEFUL RESOURCES & LINKS

1. New York Stock Exchange, "ESG Guidance: Best Practices for Sustainability Reporting". https://www.nyse.com/esg-guidance

2. London Stock Exchange Group, "Your Guide To ESG Reporting: Guidance For Issuers On The Integration Of ESG Into Investor Reporting And Communication". https://www.lseg.com/sites/default/files/content/GReen/LSEG_Guide_to_ESG_Reporting_2020.pdf

3. "The EU ESG Regulatory Regime: A Detailed Guide". https://insight.factset.com/the-eu-esg-regulatory-regime-a-detailed-guide

4. United Nations Development Programme, "Mapping The Oil And Gas Industry To The SDGs: An Atlas". https://www.undp.org/publications/mapping-oil-and-gas-industry-sdgs-atlas#

5. Harvard Law School Forum On Corporate Governance, "The Corporate Director's Guide To ESG". https://corpgov.law.harvard.edu/2021/12/15/the-corporate-directors-guide-to-esg/

6. Stanford Global School Of Business, "Seven Myths Of ESG". https://www.gsb.stanford.edu/sites/default/files/publication/pdfs/cgri-closer-look-94-seven-myths-esg_1.pdf

7. Stanford Law School, "Measuring Corporate Virtue And Vice". https://www-cdn.law.stanford.edu/wp-content/uploads/2021/06/Brest___Honigsberg__Measuring_Corporate_Virtue_and_Vice_page_proofs.pdf

8. Nasdaq, "ESG Reporting Guide 2.0: A Support Resource For Companies". https://www.nasdaq.com/docs/2019/11/26/2019-ESG-Reporting-Guide.pdf

APPENDICES

ESG IS YOUR BUSINESS

A Guide to integrating and reporting ESG for Trinidad and Tobago Businesses

APPENDIX - 1

ESG And The Law

Companies are legal entities that act within the bounds of the law.

Your company will have a process to minimise the risk of non-compliance with current, imminent, and possible laws and regulations that affect your business.

Company law was once focused mainly on the fiduciary duties of directors to act “in the best interest of the company” by protecting shareholders’ interests and using the business’s funds for commercial purposes to facilitate financial returns on investments.

While company finances and shareholder interests are still central in company law, greater recognition of the consequences of unsustainable business have led many jurisdictions to mandate that firms and their directors also consider environmental, social and governance issues in their decisions and actions.

For example, the EU issued the Non-Financial and Diversity Disclosure Directive, which requires companies to publish information related to ESG issues.

In the US, the Dodd Frank Act requires companies that are purchasing certain minerals to ensure they are not “conflict” commodities.

The UK, through its Companies Act 2006, requires that company directors take certain ESG considerations into account in their decision-making.

Canada’s courts have determined that, in considering the “best interests” of companies and shareholders, directors may need to consider the interests of other non-financial stakeholders.

In France, the Civil Code now dictates that a company must state its “purpose,” which must incorporate environmental and social responsibilities.

In most jurisdictions, what is typically termed ‘ESG law’ seems predicated on the tenet that “what gets measured gets managed.”

ESG law is, thus, generally aimed at encouraging environmental, social and governance best practice in business through disclosure and reporting of data that reassure regulators and stakeholders that companies are satisfying the minimum standards for ESG performance.

In many jurisdictions, new law has focused initially on making companies more environmentally sustainable, and on ensuring that firms contribute to defined environmental objectives, do “no significant harm,” and comply with technical screening criteria.

For example, the EU’s [Environmental Taxonomy Regulation] has, since 2020, provided technical screening criteria that economic activities must satisfy to be considered environmentally sustainable.

In March 2022, the USA's Securities and Exchange Commission proposed new rules that require firms disclose the prospective risks and material impacts caused by climate change, their greenhouse-gas emissions and reduction targets, and their governance processes to manage climate impacts and risks.

New laws to enhance businesses' social and governance performance may have not kept pace with environmental legislation, but they are emerging, and 'ESG law' that mandates reporting and disclosure under such legislation will likely follow shortly after.

For instance, the EU's Social Taxonomy Regulation, which provides a common code for investors, businesses and regulators regarding what is sustainable from a social perspective, is being finalised.

It is just a matter of time before similar ESG taxonomies and regulations are in place in Trinidad and Tobago and the wider Caribbean, as well as in many countries where local companies do business.

How To Prepare

A good way to prepare for disclosure-based legislation is to grasp the information and

use the tools provided in this Guide, and develop a robust and comprehensive ESG framework for your business.

As you do, you may realise that tensions can exist between your company's ESG performance and the fiduciary duties of its directors.

For example, in the mineral extraction sector, where high volumes of energy and water are often required, reducing water use can entail a significant cost and commercial implications.

There may thus be an 'upper limit' in the extent to which sustainability initiatives will be supported by directors and companies that is tied inextricably to the commercial impact of the measure concerned.

While acting within the law, companies should determine the threshold at which regulatory efficiency occurs and develop an ESG strategy by which the company can function at or beyond this threshold.

Companies can also prepare by determining their baseline values for ESG indicators that are of high materiality.

This will accelerate your progress when standards are set by the regulators, as you can only plot a route to your destination when you know your point of origin.

Additionally, governance and oversight must be at the core of any ESG strategy to ensure compliance as legislation emerges.

Companies can take advantage of the considerable amounts of information that is publicly available from around the globe to avoid reinventing the wheel.

Look at how EU and US businesses, and those in other middle-to-high-income small island developing states, respond to disclosure requirements that are newly imposed on them.

Emulate companies that are exemplars, adapting their approaches to new ESG legislation to your company's context.

Remember, too, that deploying an ESG strategy will take time and resources, and results cannot be expected overnight.

However, "failing to prepare is preparing to fail," and businesses that have prepared for emerging ESG legislation will be better at managing their legal risks.

They will also derive competitive advantages by being able to make and implement decisions that reduce the frequency and severity of legal problems, and which enhance their reputations and licences to operate.

Why Prepare?

Financial institutions and investors are increasingly incentivising sustainability.

Opportunities are emerging locally and regionally for companies to access attractive financing, should they verifiably meet sustainability objectives and criteria.

Given the financial implications, the criteria and standards by which companies' ESG performance is measured and disclosed, and the prevention of fraudulent ESG disclosures, are increasingly regulated.

The volume and intrusiveness of ESG legislation will grow exponentially.

As ESG legislation becomes more robust in Europe and North America, so does the criteria for qualifying to collaborate and develop business opportunities with organisations domiciled in these jurisdictions.

Your company's regional and international growth can be propelled where a robust ESG strategy is in place—particularly if you are an ESG 'early adopter' in your industry.

It is more costly to be reactive to new legislation.

Being proactive with regard to ESG will save you money, enhance your reputation and brand, and open doors of opportunity locally, regionally, and globally.

APPENDIX - 2

ESG Due Diligence Questionnaire

This tool was created for private equity investors to conduct due diligence on their portfolio companies. It can also be used by your business to assess how far your business, or a company you are considering as a partner, has progressed in relation to the management of ESG matters.

1. GENERAL	
Business Overview	Describe the type of operations associated with the business (e.g., office, manufacturing/production, warehousing, logistics, etc.).
	Answer:
	Describe the key countries the business operates in. Provide details of operations in emerging markets/developing countries.
	Answer:
	List the countries the company's key suppliers and distributors operate in.
	Answer:

1. GENERAL	
Business Overview	Provide details of the total number of employees (split by permanent/ full-time and part-time). If the company's operations use a significant number of contractors, also provide a breakdown.
	Answer:

2. ESG GOVERNANCE	
Maturity Of ESG Systems And Processes	What is management's view of the overall maturity status of its existing ESG policies, processes and systems, where 1 = mature (policy, procedures, systems are coordinated centrally, are well established and embedded, reviewed and continuously improved); 2 = partly developed and implemented at a departmental level (developed and implemented within departments but not centrally coordinated, and are not subject to regular review and improvement, and not consistently applied; 3 = immature (no formal policies and systems in place).
	Answer:

2. ESG GOVERNANCE	
ESG Policy	Does the company have a separate standalone ESG policy (i.e., in addition to an environmental or health and safety policy) which provides details of its approach and commitments to management of key ESG risks and opportunities?
	Answer:
	Please provide details. Describe the key commitments included within the policy (e.g., compliance with regulations, continuous improvement, training, monitoring etc.)
	Answer:
Improvement Programme	Has the company developed an ESG improvement programme? How is this implemented?
	Answer:

2. ESG GOVERNANCE	
Resources (Roles And Responsibilities)	Has the company assigned a designated point person for day-to-day ESG matters? Provide details.
	Answer:
Competence And Training	What relevant experience/qualifications do they have? Is this person specifically trained in ESG? Does the company provide ESG training to staff? If so, provide details of the type of training, how often, whether it includes senior management.
	Answer:
ESG Committee/ Steering Group	Has the company established an ESG committee to monitor performance and if so, who is it chaired by and how often does it meet?
	Answer:

2. ESG GOVERNANCE	
Materiality Assessment	Detail the process the company has undertaken to determine what key ESG topics are relevant to its business and which should inform the basis of its policies. What stakeholders were engaged in this process?
	Answer:
	What does the company consider to be the material risks and opportunities in relation to ESG for the business?
	Answer:
Corporate Risk Register	Summarise the key ESG issues which are included within the company's corporate risk register.
	Answer:

2. ESG GOVERNANCE	
ESG Risk Register	Does the company have a separate ESG risk register? If yes, please provide details of key risks and control measures.
	Answer:
	Are specific key performance indicators used to monitor performance and, if so, provide details of these (e.g., carbon emission, safety statistics)?
	Answer:

2. ESG GOVERNANCE	
Monitoring And Reporting	Describe arrangements in place for monitoring and reporting ESG issues and performance to senior management/the board. In the response, confirm what key performance indicators are monitored (if any); how frequently reporting is undertaken; and how information is collated and stored (e.g., use of IT systems, etc.).
	Answer:
	Does the company publish an external ESG/CSR/Sustainability report, or a designated section in its annual accounts? If yes, provide a copy.
	Answer:

2. ESG GOVERNANCE	
ESG Audit And Review	Are ESG processes and systems reviewed/audited either internally or externally on a regular basis and are the results reported back to the board? If yes, provide details of the types/frequency of these audits, who they are conducted by and key issues identified in the last audit.
	Answer:
Reputation Risk Assessment	Has the company conducted an ESG risk assessment of media, stakeholders and other public sources external to the company?
	Answer:

2. ESG GOVERNANCE	
Standards, Certifications And Member Associations	Provide details of any additional ESG relevant standards applied and certifications and/or memberships held, such as the application of the IFC Environmental, Health and Safety Guidelines; International Labour Standards; G4 Sustainability Reporting Guidelines; members of the Carbon Disclosure Project.
	Answer:
	Is the company a member of the Global Reporting Initiative, UN Global Compact, or any other ESG-relevant organisation?
	Answer:

3. ENVIRONMENT	
Environmental Policy	Does the company have an environmental policy which sets out clear commitments and targets to improve the company's environmental footprint? Does this also cover climate change issues that could be relevant to the company? Provide details and indicate who in the organisation signs off the policy (e.g., CEO).
	Answer:
	How often is the environmental policy reviewed and updated?
	Answer:

3. ENVIRONMENT	
Organisational Arrangements/ Resources	Provide details of who is responsible for environmental management on a day-to-day basis, including key roles and responsibilities, if different to the above (e.g. Board member responsibility, ESG/ Sustainability manager).
	Answer:
Risk And Opportunity Assessment	Has an environmental risk and opportunity assessment of the company's activities been completed? If yes, provide details of the key risk(s)/opportunities, control measure(s) and improvements.
	Answer:
Training	Provide detail of any environmental induction/training provided to staff and senior management
	Answer:

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3. ENVIRONMENT	
Certification/ Standards	Has the company implemented an environmental management system to manage environmental matters, and has this been externally certified (e.g., to ISO 14001 or equivalent standard)?
	Answer:
Environmental Improvements	Provide details of any significant projects/initiatives that have been implemented to improve environmental performance/standards/ compliance at the company (e.g., waste/energy projects that have resulted in carbon/consumption reductions as well as cost savings; enhanced communications to improve environmental awareness).
	Answer:

3. ENVIRONMENT	
Environmental Permits/ Licences/Consents	Provide a list of the key environmental permits/licences/consents that the company is required to comply with and provide an overview of what data is collected to evidence compliance.
	Answer:
	Confirm that the company is fully compliant with all relevant environmental permits/licences/consents, and that there have been no regulatory issues/cases of non-compliance/enforcement action in the last three years.
	Answer:
Incidents/Breaches	Provide details of any serious incidents/regulatory breaches in the last three years. In your answer, provide details of the nature of the incident, what improvements were made/lessons learnt, and whether there was any regulatory action (enforcement/prosecution/quantity of fine).
	Answer:

3. ENVIRONMENT	
Emergency Preparedness And Response	Provide details of what arrangements are in place to respond to/ manage any environmental and safety incidents such as oil/chemical spills, gas leak/explosive atmospheres and other environmental nuisances. Indicate whether scenario testing is undertaken as part of these and if environmental insurance cover is in place.
	Answer:
Carbon And Other Greenhouse Gas (GHG) Emissions	Does the company monitor and report its carbon and/or other GHG emissions (e.g., methane, nitrous oxide, etc.)? Is it legally required to do so and how is this done?
	Answer:
	Has the company conducted a baseline assessment of its carbon/ GHG footprint and has it implemented any measures to make any reductions? If yes, provide details of the emissions and any targets/ initiatives implemented.
	Answer:

3. ENVIRONMENT	
Climate Change	Has the company conducted a climate change risk assessment to ascertain whether its operations could be at risk (e.g., business disruption, damage to assets and production) from current/evolving climate change regulation and/or physical changes brought about by climate change (flooding, drought, severe weather events, coastal erosion, etc.)? If yes, provide key outcomes/actions from the assessments.
	Answer:

3. ENVIRONMENT	
Resource Efficiency/ Management	What are the company's primary energy (e.g., gas, coal, diesel, grid electricity) and water sources (river or groundwater extraction, public mains) and what initiatives/plans (if any) have been put in place to monitor, reduce consumption and improve efficiencies?
	Answer:
	Provide details of key findings/recommendations from any resource efficiency (e.g., energy, waste, water) audits completed within the last three years. Please summarise any improvement measures implemented.
	Answer:

3. ENVIRONMENT	
Waste Management	Provide details of key waste streams generated and how these are managed/disposed of, including any particular waste management initiatives that have been implemented to minimise or reuse/recycle wastes. In your response, provide tonnages (if available) and confirm the method of data collection.
	Answer:

3. ENVIRONMENT	
Chemicals/Hazardous Substances Handling And Supply Chain	Describe any chemicals/hazardous substances used or present on site, including storage and handling arrangements (drums, tanks, aboveground/underground storage, etc.). Is management aware of any potential disruption to the supply of these (e.g., through regulatory phase-out)? Have there been any spills/leaks in excess of 200 litres?
	Answer:
	Is the company considering the use of more environmentally friendly and safer raw materials/chemicals in the production process? How is this being addressed? Provide details. In your answer, provide details of any work the company has done in relation to engaging with its suppliers on this topic.
	Answer:

3. ENVIRONMENT	
Soil And Groundwater Contamination	Is the company aware of any former or current soil/groundwater contamination issues at the site(s) and is there a need to conduct remediation and inform the local regulator? In your response, provide details of the type of contamination and the associated costs for cleanup, including status on any remedial plans.
	Answer:
	Explain how the company assesses contaminated land risks in the acquisition of new assets.
	Answer:

3. ENVIRONMENT	
Product Stewardship	Does the company take responsibility for the environmental impacts of its products throughout their life cycle? For example, does the company take into consideration at the end of life, the disposal options available for their products? Are these considerations taken into account at product design stages? If so, provide details.
	Answer:
Financial Provisions	Has the company recognised any financial provisions in the accounts to address any environmental liabilities such as contaminated land/ environmental restoration and aftercare requirements/removal of asbestos, etc.? Please provide further details.
	Answer:

4. SOCIAL	
Health and Safety (H&S) Policy	Does the company have a health and safety (H&S) policy which is signed off by the CEO or equivalent?
	Answer:
	Does the company have a H&S risk register and is this reviewed on a regular basis? If yes, state how often it is reviewed and by whom.
	Answer:
	Has the company implemented a formalised H&S management system, which sets out clear organisational responsibilities and management arrangements for implementing the H&S policy? Has the management system been certified by a third party? Provide a high-level overview of the key elements of the management system.
	Answer:

4. SOCIAL	
Health and Safety (H&S) Policy	Does the company have formal processes for undertaking workplace risk assessments, providing communication and training to employees, and conducting audits? How often are these risk assessments reviewed/updated?
	Answer:
Accidents/Incidents	Does the company monitor incidents/accidents? If so, provide a breakdown of statistics for the last three years, including near misses, number of lost days, frequency rates, etc.
	Answer:
Insurance/ Compensation Policy	Confirm the insurance policies in place and the extent of cover with regards to employee industrial injury claims. Confirm the total number of open and potentially pending claims including details of claim reserves and potential financial/legal implications.
	Answer:

4. SOCIAL	
Enforcement	Has the company been subject to enforcement action by the regulators for breaches of relevant H&S legislation in the last three years? If so, provide details of the nature of the incident, enforcement action, fines, remedial actions and lessons learned.
	Answer:
Social Related Claims	Have you had any serious social-related complaints/claims/enforcement actions over the last three years, associated with employees or key stakeholders such as customers or suppliers? If so, provide details.
	Answer:

4. SOCIAL	
Human Resources	Do all employees have a formal contract of employment?
	Answer:
	What is the minimum age of workers and contractors?
	Answer:
	Provide details of the company's grievance mechanism for its employees and contractors.
	Answer:
	Provide evidence that the company adheres to local minimum wage standards.
	Answer:

4. SOCIAL	
Human Resources (Continued)	Does the company have any involvement in employment practices of sub-contractors? What is done to ensure their fair and ethical treatment, and are any minimum standards applied?
	Answer:
	Does the company employ migrant workers and, if so, describe details of the processes used to ensure minimum standards of human rights are adhered to? In your response, detail any associations/NGOs the company is associated with in relation to migrant workers.
	Answer:
	Does the organisation comply with ILO standards? Is this stated in associated human resources (HR) policies, etc.?
	Answer:

4. SOCIAL	
Anti-Discrimination Policy	Does the company have a policy that supports anti-discrimination? If so, provide details of the company's key commitments/control measures.
	Answer:
Diversity Policy	Does the company have a policy that supports diversity and equal opportunity? If so, provide details of the company's key commitments/control measures.
	Answer:
Freedom Of Association And Collective Bargaining	What form of worker representation is there at the company? Are all staff able to share their views and concerns? Are workers free to join a union and engage in collective bargaining? Please provide details of the associated unions.
	Answer:

4. SOCIAL	
Modern Slavery/Human Rights/Child Labour	What policies and processes does the company have in place to identify, assess and address risks across the firm and its supply chain with respect to human rights, labour standards and modern slavery? Are you compliant with any local regulations relating to modern slavery?
	Answer:
Data Privacy And Security	Provide details of the company's data security policy. Have there been any breaches in cyber security within the last three years?
	Answer:
Certification/ Standards	Has the company implemented an information technology (IT) security management system? Is it certified to the international standard ISO 27001 for information security?
	Answer:

4. SOCIAL	
Consumer Health And Safety	What steps are taken to ensure the health and safety of consumers?
	Answer:
Responsible Purchasing Policy	Does the company have a responsible purchasing policy/code of conduct for suppliers? If so, provide details of this and evidence of how this is being applied/monitored.
	Answer:
Supply Chain Risk Management	Does the company conduct supply chain risk assessments involving its procurement, supply chain and logistics departments? Provide further details and examples of the risk assessments/strategy implemented. Provide examples of key issues identified and dealt with.
	Answer:

4. SOCIAL

Community Investment And Stakeholder Engagement Programmes	Is the company involved in any community investment/stakeholder engagement activities (including philanthropy, volunteerism, engagement with civil society)? If so, provide detail of the community and civil society organisations involved, type of activities, amount of time/resources invested, level of engagement, etc.
	Answer:

5. COOPERATE GOVERNANCE

Corporate Governance	How is corporate governance managed across the company and its operations? Provide details of any associated key policies.
	Answer:

5. COOPERATE GOVERNANCE

Board Structure And Role	How is the composition of the board determined? Provide details.
	Answer:
	How is diversity taken into consideration when appointing members?
	Answer:
	Are shareholders consulted in relation to board composition? If so, how?
	Answer:
	Is a member of the board assigned responsibility for ESG/sustainability/CSR matters within the company? If yes, state the individual responsible and details of any relevant training.
	Answer:

5. COOPERATE GOVERNANCE	
Board Structure And Role (Continued)	How many of the board are executive directors and non-executive? Provide names/positions of each individual.
	Answer:
	Is there an independent chairman of the board?
	Answer:
	How are issues raised by the board communicated with management?
	Answer:
	How many women are on the board and what percentage does this represent?
	Answer:

5. COOPERATE GOVERNANCE	
Board Structure And Role (Continued)	Is ESG discussed at the board level? If so, how often does this take place and does this follow a set agenda/terms of reference? Provide details of the key issues regularly discussed.
	Answer:
	Is there a remuneration committee in place? Does this committee engage with the board?
	Answer:
	What other committees are in place (e.g., risk, audit, ESG/sustainability/CSR? Are these championed by a dedicated person? Provide details.
	Answer:

5. COOPERATE GOVERNANCE	
Ethics In Business Activity	Does the company have a code of ethics? Provide details and confirmation of how this is delivered to staff within the company.
	Answer:
Code Of Conduct	Provide details of the company's corporate code of conduct. How is this delivered to staff within the company?
	Answer:
Corruption/Fraud Detection	What does the organisation currently do to safeguard against illegal practices? Has the organisation had any issues in relation to illegal practices (i.e., corruption/fraud) in the past? How has this been detected and resolved?
	Answer:

5. COOPERATE GOVERNANCE	
Breaches/Enforcement	Provide details of any corporate governance and/or ethics-related employee claims/breaches/enforcement/litigation action relating to issues such as anti-bribery and corruption, cases of unfair labour practices, human rights abuses, and other malpractices. Provide details of any prosecution (fines, imprisonment) and corrective/improvement action post the event(s).
	Answer:
Executive Compensation	How is compensation between individuals within the company aligned to take into consideration the performance-to-pay ratio?
	Answer:
Gifts Policy	Provide details of the company's gifts/corporate entertaining policy. How is this regulated? Have there been any recorded breaches?
	Answer:

5. COOPERATE GOVERNANCE	
Audit Committee	Does the company have an audit committee? Provide details of its composition, Terms of Reference and policies.
	Answer:
Whistle-Blowing Policy	Does the company have a whistle-blowing policy? Is this service independently managed, and is it anonymous? Is it available at all times of the year?
	Answer:
	Who is responsible for resolving the grievances resulting from the whistle-blowing service? Are these incidents reported to the board?
	Answer:

5. COOPERATE GOVERNANCE	
Anti-Bribery Or Anti-Corruption (ABC) Policy	Provide details of the company's ABC policy. How many employees have received ABC training to date?
	Answer:
	Does the company have a process in place to conduct ABC due diligence on new suppliers, contractors etc.? Provide details of the process and how it is implemented.
	Answer:

APPENDIX - 3

Brief Descriptions Of FTSE Russell Framework's Issues

The essence of each of the 14 issues in the FTSE Russell framework is presented here in five sentences or less per issue.

This distillation will, of course, oversimplify each issue.

Boards and executives who decide to address any ESG issue are advised to research the issue more deeply and/or seek expert advice.

Environmental Issues

Climate Change

All companies are responsible for some of the greenhouse gas (GHG) emissions that cause global climate change, and should:

- Implement measures to progressively reduce the GHG emissions that are within the company's control (e.g., making facilities more energy efficient, making fleets less dependent on fossil fuels).
- Develop and/or promote products and services that require less energy or fossil fuels during manufacture and delivery to the customer, and which consume less energy or fossil fuels during use, or emit less GHG emissions after disposal.
- Consider aiming for carbon neutrality by implementing measures to offset its remaining greenhouse gas emissions (e.g., progressively replacing fossil fuel power sources with renewable ones, implementing carbon capture and/or storage schemes).
- Assess its vulnerability to climate change's physical effects (e.g., susceptibility of the company and its suppliers to floods, coastal erosion, wildfires), and take steps to reduce, mitigate or adapt to these risks (e.g., sea wall at coastal facilities, move away from exposed locations and suppliers).

Water Use

Every company has a water footprint that includes the water incorporated into its products or services, the water it and its supply chains pollute, and the water that evaporates or is sent to another basin or the sea as a result of its operations; and which can exacerbate imbalances in water and sanitation access.

A company should:

- Assess its water footprint and compliance with regulations (e.g., permits for discharges and abstractions); develop strategies and policies for responsible management of water resources within its direct operations and supply chains; invest in operational efficiencies (e.g., closed-loop production processes, recycling); and set reduction targets.

- Work with municipalities, communities and other stakeholders to reduce pollution and improve environmental quality in the catchments and basins where the company and its suppliers operate, and so ensure the reliability and adequacy of water supplies and sanitation for all local users.

- Engage in environmentally and socially responsible infrastructure development, including by siting its facilities in locales with adequate and reliable sources of water, and working with suppliers there to improve their water management practices.

- Establish or engage in participatory platforms (e.g., national dialogues) and other democratic processes with the aim of strengthening water governance, decision-making and oversight, and advancing collaboration and public awareness on water-resource issues.

Biodiversity

Companies can harm biodiversity (i.e., the variety of life) if they, or their supply chains, disrupt natural habitats, the species they contain, and the ecosystem services they provide (e.g., watersheds).

A company should:

- Assess the risks it poses and the harm it has caused to habitats and ecosystem services, and develop and implement policies, plans and practices that minimise the environmental impacts resulting from its decisions on land, water and habitat use (e.g., smaller plants, proper disposal of toxic wastes).

- Undertake measures to preserve or to restore natural ecosystems, and if these are neither possible nor fully effective, compensate for losses via actions that will lead to a net gain in ecosystem services (e.g., reforestation schemes that offset damage to one habitat by enhancing another).

- Implement policies and plans that cause the company and its suppliers to extract renewable resources (e.g., fisheries) at or under their rate of natural replenishment, and extract non-renewable resources (e.g., minerals) below the rate at which they can be substituted with renewable options.

- Where possible, participate in biodiversity certification schemes (e.g., REDD+, where companies offset their carbon footprint by preserving vulnerable forests of equivalent carbon value).

Pollution & Resources

Companies and their supply chains contribute to pollution (e.g., emissions, discharges, solid wastes, noise), and frequently use renewable and non-renewable resources at rates beyond their capacities to naturally replenish or be substituted with renewable alternatives.

A company should:

- Measure the volumes and environmental impacts of the pollution and waste caused by its operations, products and services across their entire life cycles (from generation of the electricity used, through production, packaging and delivery, to use and disposal), and implement policies and measures to progressively reduce the volumes and impacts of those pollutants and wastes.

- Develop and promote more environmentally friendly products and services that contain or release fewer hazardous chemicals (e.g., sulphur dioxides); can be recycled, reused or repurposed by consumers; depend on more-sustainable supply chains (e.g., recycled glass over single-use plastic); and consume less resources during their manufacture and use.

- Implement programmes to prevent and respond to environmental accidents that include a chain of command with assigned responsibilities, risk evaluation procedures, operational protocols, communication channels, periodic revision of approaches, and repercussions for negligence.

Environmental Supply Chain

Companies should integrate good environmental practices, not just in their own operations, but also throughout their supply chains, as this is where a business's most significant environmental impacts can occur (e.g., toxic waste, water pollution, loss of biodiversity, damage to ecosystems, hazardous air emissions, greenhouse gas emissions, and energy use in offices, plants and vehicles).

A company should:

- Strategically extend its environmental stewardship into the supply chain, and work with its suppliers and distributors to ensure they comply with environmental regulations, to progressively improve their environmental performance, and to minimise all significant environmental impacts that arise throughout the life-cycles of the company's products or services.

- "Green" its supply chain by favouring suppliers that have been certified as having environmental management systems that are compliant with environmental laws (e.g., ISO 14001 certification), and which are progressively improving in terms of pollution, resource use, climate change, protecting or restoring natural habitats, and maintaining adequate records (e.g., ISO 26000).

- Applying a "precautionary approach" in its own operations and those of its suppliers, by designing products and services so that their production lines will involve less energy, non-renewable materials and wastes; treated wastewater and recycled water streams; the substitutions of hazardous chemicals with innocuous ones; and other favourable factors (e.g., less noise, odours).

Social Issues

Health & Safety

Occupational health and safety (H&S) involves protecting workers and contractors from dangerous working conditions that can harm to their physical and mental health.

A company should:

- Develop and implement a robust H&S policy and hierarchy of controls (i.e., elimination, substitution, engineering controls, administrative controls, work procedures, and personal protective gear); communicate these to all workers and contractors; and monitor adherence to all safety practices.

- Analyse the H&S risks involved in all its activities and, at the company's expense, provide the training and safety equipment workers need to prevent and deal with occupational accidents, injuries and diseases.

- Record and investigate all H&S incidents, and use lessons learned to eliminate incidents or significantly reduce their severity (including their tendencies to cause unplanned plant shutdowns and lost work hours).

- Respect the rights of its workers and representatives to timely and complete information relevant to their safety, participate in H&S investigations and decision-making, refuse work that is reasonably considered as dangerous, and report H&S matters to the authorities without fear of reprisal.

Labour Standards

Employees and contractors who provide work and services to companies have rights that companies should respect.

Companies should:

- Obey labour laws (e.g., child labour) even if enforcement is poor; abide by international norms (e.g., those of the [International Labour Organisation]) where legislation is lacking; shun partners (e.g., suppliers, subcontractors) whose labour practices are unfair, exploitative or abusive; and avoid the excessive use of casual workers, except where the nature of the work is genuinely short-term.

- Provide wages, overtime pay and other remuneration at rates that reflect national laws, collective agreements and the work's market value; and provide decent conditions of work with regard to the hours of normal and overtime

work, weekly rest, paid leave, holidays, health and safety, maternity protection, training and advancement opportunities, and the ability to achieve work-life balance.

- Avoid discriminating against anyone either directly (e.g., race, gender, union affiliation) or indirectly (e.g., hours that favour childless employees); reconsider relationships with suppliers, subcontractors and others that knowingly discriminate; and develop, implement and monitor policies to not just eliminate all forms of discrimination, but to also improve diversity.

- Not obstruct workers (e.g., by intimidation) who seek to form or join organisations and to bargain collectively to advance their interests; and to a reasonable extent, provide worker representatives with access to the workers, their workspaces, and information that presents a true picture of the company's finances and activities.

Human Rights & Community Indicators

Companies have responsibilities to respect [all human rights] (i.e., the basic rights to which all human beings are entitled), even when the state is unable or unwilling to fulfil its duty to protect them, and to improve the quality of life for all members of the communities where they operate.

Companies should:

- Examine their and their partners' past, current and upcoming decisions, activities, products, services and projects to identify negative impacts on human rights that occurred or may arise, and implement policies, actions and processes to ensure they do not contribute to rights infringements.

- Provide training to employees, contractors (especially security guards who may use force), and members of fenceline communities (especially indigenous peoples) to help them understand their rights (e.g., property, data privacy, peaceful assembly rights), respect the rights of others (e.g., legal due process), and be aware of their options if they believe their rights have been infringed.

- Establish an accessible and transparent mechanism for those who believe their human rights have been abused to bring their grievance to the company's attention and to seek redress, and which does not prevent those with grievances from also seeking legal recourse in the courts.

- Promote social and economic development in their fenceline communities by favouring local suppliers of products and services in procurements, contributing to education, lifelong learning and

entrepreneurship programmes for community members (and especially women and disadvantaged groups), and donating to local not-for-profit organisations.

Customer Responsibility

Companies have responsibilities to provide good, safe products and services that satisfy customers, deliver what they promise, and to be honest and forthright in their interactions and communications.

Companies should:

- Provide high quality, competitively priced products that, under foreseeable conditions of use and disposal, are safe for users and other persons, their property and the environment; and undertake withdrawal, recall and other procedures when products and services are potentially unsafe.

- Provide accurate, understandable and helpful product information (e.g., nutritional content, safety hazards, instruction manuals) that allows customers to compare the company's products and services with those of competitors, derive maximum benefit from their use, and know their rights (e.g., warranty periods, personal data privacy) and available avenues to seek redress for just claims.

- Employ marketing materials (e.g., advertisements) that do not deceive customers, perpetuate stereotypes (e.g., gender, race, disability), and harm the interests of children and vulnerable groups; and train client-facing sales staff so they are equally honest and respectful.

- Where a contract with a customer is involved (e.g., hire purchase agreements, financial and investment products), ensure that sufficient information is provided on the contract's costs, terms, conditions, duration and cancellation periods in easily understandable language and a readable font.

Social Supply Chain

A supply chain for a product or service is made up of multiple businesses, from procurement of natural resources all the way to distribution, and if one company in the chain is criticised by stakeholders for antisocial actions, damages are borne not only by that company, but by all the companies in the chain.

A company should integrate the following into its policies and operations, and work with suppliers to have them do the same:

- Human rights and labour rights, including prevention of child labour; forced labour; underpaid labour; inhumane treatment of workers; employment discrimination; unreasonable work hours; and unsafe, unhealthy or unsanitary workplaces; as well as respect for the freedom of association and collective bargaining by workers.

- Anti-corruption fair trade measures, including prevention of bribery and corruption; inappropriate payments and favours; abuse of a dominant bargaining position; predatory credit; tax avoidance; and actions that restrict competition; as well as respect for the rule of law and the value of independent assurance (e.g., audits).

- Quality and safety control systems, including for maintaining and increasing the quality and safety of products and services (e.g., warranty, recall); providing accurate information to customers, regulators and audiences for the company's marketing; transparently resolving customer grievances; and compensating those with reasonable claims.

- Disclosing, monitoring and protecting information, including timely disclosure of problems relating to the categories outlined above (i.e., maintaining transparency); and defences against computer viruses, hackers, and leaks of private information (especially that of customers and third parties).

Governance Issues

Anti-Corruption

Companies can be perpetrators or victims of corruption (e.g., bribery, fraud, embezzlement, exploiting connections with persons in authority), which is the use of entrusted power for private gain.

To prevent corruption, a company should:

- Identify its exposure to corruption (including via its relationships), and implement and maintain policies, systems and practices that counter corruption (e.g., due diligence of new business partners, reporting violations of the criminal law to authorities).
- Train employees and representatives in recognising and countering corruption; provide incentives for their progress; and empower them to report incidents of corruption by adopting whistle-blower mechanisms that enable reporting and follow-up action without fear of reprisal.
- Ensure that the remuneration of its directors, employees and representatives is appropriate and for legitimate services only.

- Be transparent with its policies and activities related to lobbying, political contributions and political involvement (including by persons who are retained to advocate and lobby on the company's behalf).

Tax Transparency

In an era of increased scrutiny into tax evasion (e.g., ‘Panama Papers’), taxes being used to deter business models that are detrimental to societies and the environment (e.g., plastic packaging tax), and institutional investors (e.g., Dutch pension fund, BlackRock) avoiding businesses that are thought to be tax evaders, responsible and transparent tax behaviour is becoming more important to companies.

Companies should:

- Develop and implement a tax-governance policy that encourages reasonable transparency; makes the board ultimately accountable for the oversight of taxes; commits the business to fulfilling its tax responsibilities in accordance with tax laws and international norms; and requires disclosure of any loopholes the company has exploited (e.g., treaty shopping, tax intermediaries, shell corporations).
- Develop a tax risk statement that is adequately disclosed in tax returns, and which

articulates the company's tax risks, including accountability issues, the adequacy of its tax planning systems for existing and imminent taxes, and the business's capacities to predict and apply new taxes that may impact business (e.g., those aimed at promoting more responsible corporate behaviour).

- Consider joining voluntary reporting frameworks, such as the Global Reporting Initiative (GRI), that satisfy or surpass the tax disclosure requirements of most jurisdictions.

Risk Management

Companies should regularly identify and assess the actual and potential risks (e.g., financial, operational, reputational, security, environmental, legal) that hinder achievement of their objectives and execution of their strategies, and implement plans and processes to effectively manage risks and their impacts.

A company should:

- Establish a risk management framework that involves all levels of the company (with clear policies, procedures, responsibilities and disclosure requirements, including for directors); have plans that state how the business will handle and overcome unforeseen risks; and regularly review the adequacy of these mechanisms to identify, assess, mitigate, monitor and report on risks.

- Undertake risk assessments, including SWOT (strengths, weaknesses, opportunities, threats) analyses for the whole company, and for each of its policies, activities, products and services; and then quantify and prioritise risks based on their probability, impact and mitigation costs so directors can make informed decisions on the company's approaches to dealing with or tolerating risks.

- Use the risk mitigation approach that best suits each threat or vulnerability, including avoidance (e.g., not offering credit to those with unacceptable credit ratings), acceptance (e.g., using air freight even though one in every 10 million freight flights crash), reduction (e.g., a code of conduct for directors, regular maintenance of production-line equipment), and transference (e.g., insurance).

- Continuously monitor risks, and investigate incidents, to ensure all risk mitigation mechanisms and efforts are working and effective; lessons learned and best practices are leveraged to improve strategies, action

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plans and procedures; and contingencies are formulated for addressing a variety of risk scenarios.

Corporate Governance

To improve overall performance, promote trust among shareholders and other stakeholders, manage risks, and pre-empt unwanted legal issues, companies should have processes, practices and structures through which they manage their business and affairs, set and work towards financial, operational and strategic objectives, and monitor, measure and report on their performance.

A company should:

- Develop and maintain a board with directors who are qualified and competent (with knowledge and expertise relevant to the business), diverse (with the varied perspectives and skill sets needed for informed decision-making), and able to commit sufficient time to their duties, and have a succession plan to ensure the board's composition reflects the requirements and standards of the day.

- Have a governance framework with defined roles and responsibilities (for chair, board committees, chief executive officer, managers, etc.); provisions to ensure directors are independent (i.e., neither members of

management nor having conflicting interests that could interfere with their judgment); and systems to evaluate performance and make principled compensation decisions.

- Ensure that its policies are in line with the company's goals and strategy, the law and applicable regulations, the culture of the organisation, and the business's risk thresholds, and that they are sufficiently accessible and understood so that everyone understands the way things should be done and how they are expected to behave.

- Adequately document and transparently disclose its governance processes and procedures (e.g., the rights and obligations of shareholders, protections for minority shareholders, attendance and voting results at board meetings); and the board, management and overall company's performance in implementing the business's strategy and advancing to its goals.

APPENDIX - 4

Examples Of ESG Risk Indicators And Metrics For Use In Developing Risk Matrices

This list of risk indicators is non-exhaustive.

It is provided solely to get you started with developing indicators, targets and metrics for use in assessing the risks you have identified, and to construct your risk matrix.

For example, tax transparency is not considered amongst the factors listed below.

What would you develop as indicators and metrics for the issue of tax transparency?

ENVIRONMENTAL RISK FACTORS		
RISK FACTOR	**RISK INDICATOR**	**METRIC**
Emissions	Total greenhouse gas (GHG) emissions	Tonnes of carbon dioxide equivalents (CO2e)
	Emissions of air pollutants	Weight in tonnes of air pollutants
	Emissions of water pollutants	Weight in tonnes of water pollutants
	Emissions of inorganic pollutants	Weight in tonnes of inorganic pollutants
	Carbon footprint	Tonnes of carbon dioxide (CO2)
	Policies or initiatives on reduced use and production of fossil fuels	Presence/lack of reduction policies or initiatives in place on the use and production of fossil fuels
	Compliance with Paris Agreement targets	Proportional contribution to national emissions reduction commitments
	Policies or initiatives on reducing emissions	Presence/lack of reduction policies or reduction policies or initiatives in place on emissions
Energy efficiency	Energy consumption intensity	In Gigawatt hours (GWh)
	Use of renewable sources of energy	% or total energy usage
		Presence/lack of initiatives to reduce the use of non-renewable energy

ENVIRONMENTAL RISK FACTORS		
RISK FACTOR	RISK INDICATOR	METRIC
Water usage	Water consumption intensity	% or total weight in tonnes of water consumption
Waste production	Production of hazardous waste	% or total weight in tonnes of hazardous waste
	Reusability/Recyclability	% or total weight in tonnes of non- recycled waste production
		Presence/lack of initiatives to reduce the production of waste
Biodiversity And Ecosystems	Presence/operations (own, via value chain) in geographic areas impacted by soil degradation	% or total
	Presence/operations (own, via value chain) in geographic areas and industries that are particularly dependent on biodiversity and ecosystem services	% or total
	Presence/operations (own, via value chain) in protected areas or areas of high biodiversity value outside protected areas	% or total
	Operations (own, via value chain) affecting IUCN Red List species and/or national conservation list species	% or total

ENVIRONMENTAL RISK FACTORS		
RISK FACTOR	RISK INDICATOR	METRIC
Environmental Hazards	Presence/operations (own, via value chain) in areas likely to be affected by heatwaves	% or total
	Presence/operations (own, via value chain) in areas likely to be affected by water scarcity	% or total
	Presence/operations (own, via value chain) in areas likely to be affected by floods	% or total
	Presence/operations (own, via value chain) in areas likely to be affected by coastal erosion	% or total
	Presence/operations (own, via value chain) in areas likely to be affected by wildfires	% or total

SOCIAL RISK FACTORS		
RISK FACTOR	**RISK INDICATOR**	**METRIC**
Community/Society	Relations with local communities (networks)	Establishment of business in rural and economically and socially underdeveloped areas
	Social impact of products and services	Products' potential to reach rural areas and groups of society where development gaps exist
Employee Relationships/ Labour Standards	Freedom of association and right to organise	Observation and implementation of due diligence policies on issues addressed by ILO fundamental conventions 1 and 2
	Forced labour	Observation and implementation of due diligence policies on issues addressed by ILO fundamental conventions 3 and 4
	Minimum age and child labour	Observation and implementation of due diligence policies on issues addressed by ILO fundamental conventions 5 and 6
	Equal representation	Average ratio of female to male board members
		Average ratio of females to males in total workforce

SOCIAL RISK FACTORS		
RISK FACTOR	**RISK INDICATOR**	**METRIC**
Employee Relationships/ Labour Standards	Equal remuneration	Observation and implementation of due diligence policies on issues addressed by ILO fundamental convention 7
		Average gender pay gap
		Average ratio of the annual total compensation for the highest individual to the median annual total compensation for all employees (excluding the highest-compensated individual)
		Ratio of annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest compensated individual)

SOCIAL RISK FACTORS		
RISK FACTOR	**RISK INDICATOR**	**METRIC**
Employee Relationships/ Labour Standards	Discrimination	Observation and implementation of due diligence policies on issues addressed by [ILO fundamental conventions]
		Number of incidents of discrimination (i) reported and (ii) leading to sanctions
	Human capital management and employee relations (training and development opportunities)	Share of employees attending training courses in a given year
		Frequency of performance assessment per employee
	Workplace health and safety	Rate of accidents
		Number of workdays lost to injuries, accidents, fatalities and illness
Customer Relationships	Customer protection and product responsibility	Extent to which products are monitored once introduced on the market
		Extent to which product recall procedures are in place
		Number of incidents of product recalls/withdrawals

SOCIAL RISK FACTORS		
RISK FACTOR	**RISK INDICATOR**	**METRIC**
Customer Relationships	Customer protection and product responsibility	Handling and degree of transparency on management's actions following product recalls/ withdrawals
		Lack/presence of a supplier code of conduct
	Personal data security and privacy	Number/rate of data security incidents in which personally identifiable information (PII) was at risk
		Explanation/disclosure of policies and practices relating to user privacy
		Monetary losses (total amount) incurred as a result of legal proceedings associated with user privacy
		Degree of transparency on management's approach to identifying and addressing data security risks

SOCIAL RISK FACTORS		
RISK FACTOR	**RISK INDICATOR**	**METRIC**
Customer Relationships	Rights of customers to obtain information about ESG factors	Percentage of significant product/service categories that comply with information and labelling that includes information on sourcing, content (i.e., substances that could have an environmental or social impact), safe use of the product or service, disposal of the product and environmental or social impacts
		Degree of transparency on the management's approach to marketing and labelling ESG-related information
		Publication of information on ESG performance (in the form of stand-alone reports or by integration into annual reports)
	Quality and innovation in customer relations	Number of customer complaint incidents

SOCIAL RISK FACTORS		
RISK FACTOR	**RISK INDICATOR**	**METRIC**
Human Rights	Contribution to human rights projects	Engagement in social projects aimed at supporting and advancing human rights issues in regions of concern
		Number of cases of severe human rights issues and incidents
		Presence/lack of processes and measures for preventing trafficking in human beings
		Presence/lack of human rights due diligence
		Presence/lack of a human rights policy
Poverty/Famine	Contribution to poverty reduction	Engagement in poverty reduction/aid programmes
		Employment opportunities for economically less advantaged groups

GOVERNANCE RISK FACTORS		
RISK FACTOR	**RISK INDICATOR**	**METRIC**
Ethical Considerations	Integrity of conduct/ conduct frameworks	Alignment with the UN Guiding Principles on Business and Human Rights
	Values and ethics	Alignment with the Global Alliance Code of Ethics
	Bribery and corruption	Compliance with UN Convention against Corruption
		Identification of insufficient actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery
		Convictions and violations of anti-corruption and anti-bribery laws (number of cases and amount of fines)
		Presence/lack of anti-corruption and anti-bribery policies
	Accountability/rule of law	Alignment with the Worldwide Governance Indicators (World Bank)
Strategy And Risk Management	Strategy implementation, operational execution and monitoring	Alignment with the UN Guiding Principles on Business and Human Rights
	Internal controls and risk management policies and procedures	Alignment with the UN Guiding Principles on Business and Human Rights

GOVERNANCE RISK FACTORS		
RISK FACTOR	**RISK INDICATOR**	**METRIC**
Inclusiveness	Discrimination	Gap between males and females or any other minority groups in the given region in education access and/or outcomes, representation in government positions and/or boards, salary income, etc.
		Lack of a diversity strategy in place (e.g., age, gender, minority groups)
		Percentage of employees and individuals in governance bodies as per the various diversity categories defined in GRI standard 405-1.
Transparency	Observance of disclosures of information rules and practices	Reliance on high quality, broadly recognised national or international frameworks when preparing non-financial statements, including disclosure of the framework chosen
		Compliance with Non-Financial Reporting Directive or national equivalent

APPENDIX - 5

Definitions & Examples Of Strategy Pyramid Terms

Action — A task or activity that needs to get done within a given time and with specified resources (e.g., train staff, conduct environmental impact assessment, install filter for particulate pollutants).

Ambition — The company's drive for success or its cherished desire (e.g., to be the most attractive Caribbean company to ESG investors).

Beliefs — The perceptions that are tied to value creation and which can greatly impact the progress of a business (e.g., responsible businesses stand the greatest chances of survival and long-term success).

Ethics — The moral principles indicating what the business considers "right" and "wrong", and which guide the way a business conducts itself (e.g., honesty, accountability, respectability).

Goal — A target that a business plans to achieve in a set time (e.g., "Certified green buildings will make up 50 percent of our company's real estate portfolio by 2025").

Hope — The position that the business has a place in making things better (e.g., Tesla's hope is "To accelerate the world's transition to sustainable energy").

Key Performance Indicators — A measurable variable or parameter that demonstrates how effectively a company is achieving key business objectives (e.g., greenhouse gas emissions, health and safety).

Mission — An action-oriented statement that explains a company's purpose (e.g., Amazon's mission is "To offer customers the lowest possible prices, the widest selection, and the utmost convenience").

Motivation — The reason for engaging in business that provides the driving force for the business's choice of alternatives, and which is used to encourage staff to give their best (e.g., profit, doing good).

Outcomes — The events, occurrences, or changes in conditions, behaviour or attitudes that occur as a consequence of the business's actions (e.g., environmental impact, market penetration).

Purpose — The reason why a company was initially founded (e.g., the purchase and sale of real estate; manufacturing and logistics for medical supply devices).

Resources — The people, capital and/or material goods required for the successful execution and completion of an activity or project (e.g., money, time, knowledge).

Sequencing — Prioritising and determining the most appropriate order (or critical path) in which business steps should be undertaken (e.g., environmental impact assessment precedes construction).

Strategic Objectives — The purpose statements that describe what the company will do to try to fulfill its mission (e.g., create more diverse revenue streams, reduce wastes over the next year).

Owner — The person or group who bears responsibility for successful and efficient implementation of an activity or project (e.g., head of the audit committee, head of the R&D department).

Timeframe — The time that spans the duration of an activity or project, from start to finish.

Values — The principles, standards and attitudes that the company stands for and which its staff is expected to display (e.g., integrity, professionalism, respect for diversity, innovation).

Vision — An inspirational statement of an idealistic future the company can contribute to (e.g., Wikipedia's vision is "A world in which every person is given free access to all human knowledge").

APPENDIX - 6

The FTSE Russell ESG Framework's Lists Of Issues And Related Aspects

Lists are colour-coded by ESG pillar, with the environmental, social and governance pillars being green, orange and blue, respectively.

ESG ISSUES	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Climate Change	• Greenhouse gas (GHG) emissions and energy reduction • Collaborative initiatives • Board oversight • Short-term quantitative targets • Long-term quantitative targets • Adaptation to physical impacts • Quantified progress against targets • Financial quantification of costs and research and development (R&D)	• Targets to reduce fleet GHG emissions • Progress against targets on product GHG • GHG emissions per unit of revenue • GHG emissions per MWh produced • Coal reserves per unit revenue • Total energy consumption • Disclosure of oil and gas reserves • Fleet fuel efficiency (by country/region, if applicable)

ESG ISSUES	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Climate Change	• Independent verification of GHG or energy • Intensity of GHG emissions reported	
Water Use	• Policy commitment to address water use • Risk assessment in water stressed regions • Actions taken to reduce water use • Quantified progress against targets • Independent verification • Collaboration with others on efficient water usage	• Total water usage • Percentage of water recycled • Quantified water usage targets
Biodiversity	• Policy commitment on biodiversity • Commitment to net positive biodiversity impact • Biodiversity targets • Assessment of biodiversity risks	• Commitment to rehabilitation of mining sites • Round Table for Sustainable Palm Oil (RSPO) • Percentage certifications for palm oil • Percentage certifications for forest products

ESG ISSUES	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Biodiversity	▪ Biodiverse habitats near operations, or restored ▪ Biodiversity Action Plans (BAPs) and audits ▪ Participation in biodiversity certification schemes	▪ Percentage certifications for responsible/sustainable seafood
Pollution and Resources	▪ Policy to reduce pollution, waste, resources ▪ Targets to reduce pollution, waste, resources ▪ Progress on targets for pollution, waste and resources ▪ Quantified water discharge and resource use ▪ Independent verification ▪ Financial quantification of costs and R&D ▪ Life cycle assessments and industrial ecology	▪ Nitrogen oxides (NOx) and Sulphur oxides (SOx) emissions ▪ Volatile Organic Compounds ▪ Recycled and non-recycled waste ▪ Cost of environmental fines and penalties ▪ Percentage of sites covered by ISO 14001 certification

ESG ISSUES	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Environmental Supply Chain	▪ Policy addresses energy use and GHG emissions ▪ Policy addresses water use and biodiversity ▪ Policy addresses environmental issues and pollution ▪ Policy addresses waste and resources ▪ Risk assessment and due diligence ▪ Monitoring including audits and results ▪ Communication and training of suppliers ▪ Encourage suppliers to reduce and report	▪ Property portfolio policy on environmental issues ▪ Property portfolio targets on GHG, energy, water use ▪ Certification to a building management standard ▪ "Green leases" for tenants of property portfolio ▪ Building management systems, smart meters, biodiversity ▪ Aggregate GHG emissions on properties ▪ Aggregate energy data on properties ▪ Aggregate water usage data on properties

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Health and Safety	• Policy addresses health and safety (H&S) and contractors • Commitment to continuous improvement • Targets to reduce incidents • Board oversight and presence of H&S Committee • Address global health (HIV/AIDS, malaria, tuberculosis) • Performance and progress against targets • Risk assessment and due diligence • Employee involvement in improvements • Performance monitoring and management • Incidents investigated, reported and action taken • Independent verification • Programme for a global health issue	• Policy and procedures for unplanned plant shut-downs • Policy and procedures for radiation incidents and events • Policy and procedures for radiation hazard assessment • Policy and procedures for radiation to employees and community • Policy and procedures radioactive waste • Work-related fatalities over 3 years per 1000 employees • Percentage of sites with OSHAS 18001 certification • Number of staff trained on health and safety standards • Lost time incident rate over last 3 years • Number of unplanned plant shutdowns over 3 years • Number of incidents on IAEA INES event scale • Total weight/volume of radioactive waste over 3 years • Radiation exposure for community and employees over 3 years

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Labour Standards	• Policy addresses core ILO conventions • Policy addresses non-discrimination • Policy addresses working hours and living wage • Commitment to frameworks on labour standards • Policy on under-privileged and youth unemployment • Policy translated and communicated • Risk assessment and due diligence • Actions to address labour issues and improve diversity • Incidents of non-compliance and action taken	• Black Economic Empowerment • Full time staff voluntary turnover rates • Percentage of employees that are contractors or temporary • Amount of time spent on employee development training

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Human Rights and Community Indicators	• Support for international standards • UN Guiding Principles on Business and Human Rights • Children's Rights and the Business Principles • Commitment to local employment • Impact assessment on new and existing operations • Stakeholder engagement consultations and reports • Grievance mechanisms in place • Disclosure of human rights incidents and actions • Participation in external schemes • Output of community investments quantified	• Policy addresses freedom of expression • Policy addresses data privacy • Policy/Principle/Code on indigenous rights • Policy addresses security guard issues • Donations/community investments made to not-for-profit organisations

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Customer Responsibility	• Responsible advertising and marketing • Policy on negative impact on customers • Membership of industry initiatives or use of Codes • Guidelines and training • Vulnerable groups or their issues recognised • Initiatives to protect vulnerable groups • Research and development	• Responsible selling for client-facing sales staff • Access to medicine strategy and programmes • Access to nutrition strategy and programmes • Adoption and adherence to WHO Code on Infant Formula • Non-compliance and corrective action on breast-milk substitutes (BMS) marketing • Verification and reporting on marketing of BMS
Social Supply Chain	• Policy addresses the core ILO Conventions • Policy addresses working hours and living wage • Policy addresses health and safety • Policy translated and communicated • Risk assessment on new and existing suppliers	• Property policy on social issues and community engagement • Property accessibility: disabled persons, also public transport • Signatory and reporting to UN Principles for Responsible Investment (UN PRI) • ESG integration into investment, and long-term investment

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Social Supply Chain	• Results of supplier monitoring/auditing • Policy integrated into buyer training and purchasing • Capacity building in suppliers • Member of recognised supply chain initiative	• Engagement with companies in portfolio on ESG issues • Signatory and reporting to Principles for Responsible Insurance • ESG integration into insurance process • Signatory to UN SSEI (Sustainable Stock Exchange Initiative) • Support ESG products, and guidance for issuers on ESG disclosure • Member of and reporting to the Equator Principles • ESG integrated into lending policies and strategies • Results of supplier monitoring/auditing and actions on non-compliance

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Anti-Corruption	• Policy addressing countering bribery • Policy addressing anti-corruption • Board oversight of anti-corruption policy • Risk assessment of operations and intermediaries • Due diligence of new business partners • Whistle-blowing mechanism in place • Communication and training • Procedures for high-risk operations	• Political contributions made • Number of staff dismissals due to non-compliance with anti-corruption policy • Cost of fines, penalties, settlements in relation to corruption

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Tax Transparency	• Policy commitment to tax transparency • Align tax payments with revenue generating activity • Tax policy oversight by Board • Public statements on tax transparency by CEO/CFO	• Verification of tax data • Disclosure of corporation tax paid globally (if applicable)
Risk Management	• Code of Conduct • Risk management framework • Reference to external standards • Board oversight over Code of Conduct and risk management	• Legal and compliance leads have Board access • Board oversees risk management • Non-executive board risk management expertise • Repeated fines/settlements >USD 100m

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Risk Management	• Whistle-blowing mechanism in place • Non-compliance procedures and reporting • Reviews of Code compliance against Code of Conduct • Committee or senior executive responsible for risk • Scenario planning and stress testing • Response plans and emergency procedures	• Bank for International Settlements (BIS) Tier 1 Capital Ratio • BIS Core Tier 1 Capital Ratio • Leverage Ratio (Tier 1 Capital to Total Exposures) • Liquidity Coverage Ratio (LCR) • Provisions for fines and settlements in audited accounts

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Corporate Governance	▪ Separate chairman and CEO ▪ Details of Directors expertise and experience ▪ Commitment to diversity on the Board ▪ Board meeting frequency and attendance rate ▪ Committee and Charter for remuneration ▪ Remuneration has long-term mechanisms and ESG ▪ Disclosure fixed and variable remuneration	▪ Part of variable remuneration deferred for 3 years or more ▪ Claw-back or malus exists for remuneration ▪ Bonuses are capped at a particular percentage of salary ▪ Variable compensation considers performance relative to risk ▪ Percentage of Independent Directors on the Board ▪ Percentage of women on the Board

ESG ISSUE	ASPECTS FOR INCLUSION IN COMPANY'S STRATEGY AND PRACTICES ON ISSUE	ASPECTS FOR USE IN ASSESSING PERFORMANCE ON ISSUE
Corporate Governance	▪ Disclosure of fees paid to auditors ▪ Shareholder voting rights ▪ Provisions to protect minority shareholders ▪ Disclosure of voting results	▪ Number of days before AGM agenda published ▪ Maximum number of years for which executive remuneration is deferred ▪ Percentage executive remuneration deferred ▪ Percentage of executive salary to which bonuses are restricted ▪ Percentage of salary of other staff to which bonuses are restricted

APPENDIX - 7

How To Measure Your Company's Carbon Footprint

The most well-known greenhouse gas (GHG) is carbon dioxide (CO2).

However, there are other GHGs, such as methane and nitrous oxide.

Measuring the comparative impact of these is complicated as different gases vary both in how long they remain in and how much they warm the atmosphere.

For example, nitrous oxide has a 100-year warming effect 265-298 times more than CO2.

To simplify matters, GHG emissions are often expressed as CO2e (CO2 equivalents), which indicates the mass of CO2 that would produce the same climate-warming effect as the actual mass of the given GHG.

A company's carbon footprint captures its total CO2e on an annual basis.

By determining its carbon footprint, a company can identify the best strategy for reducing its emissions and setting robust targets, and be ready for the demands the impending net zero transition will bring.

How Do I Determine My Footprint?

Step 1. Identify and Catalogue GHG Emissions Sources

Just about every activity in your company's operations and supply chain generates GHG emissions, either directly or indirectly.

As such, you should define the organisational boundaries as to what will constitute your company for the purpose of reporting GHG emissions (e.g., subsidiaries, facilities, operations).

You should then compile an inventory of GHG emissions sources within your company's organisational boundaries.

To create an inventory of emissions, companies divide emissions sources into categories.

This will allow your company to use specific methodologies to accurately ascertain the emissions from each source category.

Breaking down your emissions into sources also allows you to find hotspot areas where emissions reductions should be focused, and to identify areas of risk and opportunity for your firm.

GHG emissions are categorised based on the level of control the company will have over the given emitting activities (generally whether they are direct or indirect); and on the nature of the sources.

The matrix of categories below can help you catalogue your company's GHG emissions (guiding examples are provided in red).

		CATEGORISATION BY LEVEL OF CONTROL COMPANY HAS OVER EMISSIONS		
		Scope 1 (direct GHG emissions that are controlled by a company as they arise from the company's own operations)	**Scope 2** (indirect GHG emissions associated with the energy the company acquires from the grid, and which the company controls via the amount of energy its operations consume)	**Scope 3—Optional** (indirect GHG emissions from activities outside the company's operations, and which the company can influence but not control)
CATEGORISATION BY NATURE OF THE SOURCE	**Stationary Combustion** (combustion of fuels in stationary equipment)		Grid energy consumed by lighting, plant equipment, air conditioning, refrigeration, water heaters, etc.	GHG emissions from outsourced computing and cloud services, etc.
	Mobile Combustion (combustion of fuels in transportation devices such as automobiles and vessels)	Combustion of fuels in the company's cars, trucks, airplanes, boats, ships, barges, vessels, etc.		GHG emissions from transport of raw materials by suppliers, business travel, employees' commute to work, etc.
	Process Emissions (emissions from physical or chemical processes, such as CO2 from catalytic cracking in petrochemical processing)	CO2 from from the company's catalytic cracking, petrochemical processing, etc.		Emissions generated in the company's supply chain, such as extraction and production of purchased materials and fuels, etc.
	Fugitive Emissions (intentional and unintentional releases, such as equipment leaks)			Emissions generated from waste disposal, etc.

Step 2. Select a GHG Emissions Calculation Approach

There are two main methods for estimating GHG emissions from sources:

1. Direct measurement.

2. Indirect calculation.

Direct measurement of emissions is performed via a Continuous Emissions Monitoring System (CEMS).

The CEMS method continuously measures the GHG emitted into the atmosphere from the exhausts of combustion and industrial processes.

It involves installed sensors and specialists that may be beyond most companies, and is not common.

Indirect calculation is more common.

This involves the application of widely-accepted emission factors.

An emission factor is a coefficient that allows you to convert a source's activity data into its GHG emissions.

It gives the average emission rate of a given source, relative to units of activity.

For example, natural-gas-generated grid electricity (Scope 2) emits 0.244 kg CO2e per kWh with 5 percent uncertainty.

Thus, if your company consumes 300,000 kWh of electricity per year from Trinidad and Tobago's natural-gas-based electricity grid, the carbon footprint for your grid-electricity consumption would be 73,200 kg CO2e, or 73.2 metric tonnes CO2e (± 3.66 t CO2e).

You can find annually updated emission factors here.

Click on the relevant spreadsheet.

Yours will probably be this one.

By summing the emissions for the sources in your GHG inventory, you can calculate your total GHG emissions for the year and determine your carbon footprint.

Step 3. Collect Data From Your Catalogued Emissions Sources and Choose Emission Factors

Choose a 12-month period to collect activity data (if reporting for the first time, choose the most recent 12-month period for which you have data).

For most small to medium-sized companies, and for many larger businesses, Scope 1 GHG emissions will be calculated based on the purchased quantities of commercial fuels and then using appropriate emission factors.

Scope 2 GHG emissions will primarily be calculated from metered electricity consumption and then applying appropriate emission factors (which may be supplier specific, or more general).

Scope 3 GHG emissions are currently optional in most ESG ratings schemes because data for Scope 3 activities are often difficult to obtain.

Scope 3 GHG emissions will primarily be calculated from activity data such as employee fuel use in commuting to and from work, passenger air miles for work-related travel, and then applying the appropriate emission factors.

If you opt to determine your Scope 3 emissions, you should make reasonable estimates and explain your reasoning.

Overall, other examples of the numbers you will want to measure include:

- Natural gas use (e.g., total cubic metres or MMBtu used, from gas bills).
- Water supply (e.g., total water supplied in cubic metres, from water bill).
- Water treatment (e.g., total water treated in cubic metres, from water bill).
- Routine and business-related employee travel (e.g., employee receipts with details of travel, including if by air, car, rail, bus or some other mode; estimated distance travelled via odometers, distance-calculation websites, and so on).
- Waste disposal and recycling (e.g., tonnes of wastes sent to landfills or recycling facilities, from waste collection provider).

In most cases, if source- or facility-specific emission factors are available, they are preferable to more-generic emission factors.

The better the quality of data, the more accurate the measurements or calculations of your emissions.

Heavily-industrialised companies are generally faced with a wider range of methodologies for determining their emissions.

They should seek guidance from experts or from sector-specific guidelines that are usually provided by their industry associations.

There are also online calculators that can also help you derive your GHG emissions.

These include The Carbon Trust and The McKay Carbon Calculator.

Step 4. Apply Calculation Tools

Companies may substitute their own GHG calculation methods, provided they are more accurate than or are at least consistent with standard GHG emissions approaches.

There are two main categories for such calculation tools:

1. Cross-sector tools that can be applied to different sectors, and which include stationary combustion, mobile combustion, hydrofluorocarbon (HFC) use in refrigeration and air conditioning, and measurement and estimation uncertainty.

2. Sector-specific tools that are designed to calculate emissions in specific sectors such as aluminum, iron and steel, cement, oil and gas, pulp and paper, office-based organisations.

Examples are provided in the table below, and most companies will need to use more than one calculation tool to cover all their GHG emission sources.

Applying sector-specific tools may require specialists or support from industry groups.

	CALCULATION TOOLS	**MAIN FEATURES**
Cross-Sectoral Tools	Stationary Combustion	▪ Calculates direct and indirect CO2 emissions from fuel combustion in stationary equipment ▪ Provides default fuel and national average electricity emission factors
	Mobile Combustion	▪ Calculates direct and indirect CO2 emissions from fuel combustion in mobile sources ▪ Provides calculations and emission factors for road, air and water transport
	HFC from Air Conditioning and Refrigeration Use	▪ CalcuLates direct HFC emissions during manufacture, use and disposal of refrigeration and air conditioning equipment in commercial applications ▪ Provides three calculation methodologies: a sales-based approach; a life-cycle stage-based approach; and an emission-factor-based approach

	CALCULATION TOOLS	MAIN FEATURES
Cross-Sectoral Tools	Measurement and Estimation Uncertainty for GHG Emissions	▪ Introduces the fundamentals of uncertainty analysis and quantification ▪ Calculates statistical parameter uncertainties due to random errors related to calculation of GHG emissions
Sector-Specific Tools	Ammonia Manufacture	▪ Calculates direct GHG emissions (CO2) from ammonia production. This is for the removal of carbon from the feedstock stream only; combustion emissions are calculated with the stationary combustion module
	Cement	▪ Calculates direct CO2 emissions from the calcination process in cement manufacturing ▪ Provides two calculation methodologies: the cement-based approach; and the clinker-based approach

	CALCULATION TOOLS	MAIN FEATURES
Sector-Specific Tools	Lime	▪ Calculates direct GHG emissions from lime manufacturing (CO2 from the calcination process)
	Pulp and Paper	▪ Calculates direct CO2, CH4, and N2O emissions from production of pulp and paper. This includes calculation of direct and indirect CO2 emissions from combustion of fossil fuels, bio-fuels, and waste products in stationary equipment
	Guide for Small Office-Based Organisations	▪ Calculates direct CO2 emissions from fuel use, indirect CO2 emissions from electricity consumption, and other indirect CO2 emissions from business travel and commuting

APPENDIX - 8

Organisational Learning Self-Assessment Tool

This tool can be used to assess organisational learning as it relates specifically to ESG, or more generally for all aspects of a company.

Context	Organisational learning leads to innovation, better programming, better monitoring and evaluation, and improved organisational performance.
Purpose	This self-assessment tool is meant to help companies identify areas of strength and areas for improvement with regard to the state of learning in their organisations.
Structure	There are 18 short questions that require respondents to score their company's performance and capacity in three key components of organisational learning. Based on those scores, the company's organisational learning status is assessed. There are also seven self-reflection questions to help you and your company discuss what action may be required.

COMPONENT 1

Organisational Habits & Behaviours

These are the formal and informal day-to-day practices, processes, and attitudes of staff and board members that bring a learning culture to life.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

Question	Score (1 to 5)
1. My company (or department or team) makes time for sharing and reflection. ▪ Brainstorming new ideas is encouraged. ▪ There is time to debrief after an event, programme or meeting occurs to discuss what worked, what did not, and possible next steps. ▪ When there is time for reflection, it is time well spent with good facilitation and opportunities for all relevant staff to contribute. ▪ There are opportunities to share and hear from others within the company's normal day-to-day routine, with designated time and space.	

COMPONENT 1

Organisational Habits & Behaviours

These are the formal and informal day-to-day practices, processes, and attitudes of staff and board members that bring a learning culture to life.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

2. My company (or department or team) engages outside stakeholders in the process of learning.

- There are advisory groups for programmes or projects that involve multiple partners, such as service users/clients, other local organisations, or investors.
- Outside stakeholders know who to go to with questions or to discuss an idea or issue.
- Outside stakeholders are valued for their contributions and are encouraged to share their ideas.
- The company is willing to share what it has learned and any challenges it faced with others.

COMPONENT 1

Organisational Habits & Behaviours

These are the formal and informal day-to-day practices, processes, and attitudes of staff and board members that bring a learning culture to life.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

3. My company (or department or team) uses evaluation to learn.

- Evaluation addresses important questions relevant to the work.
- Evaluation findings are discussed, even when the findings are inconclusive or incomplete.
- Evaluation findings are used in decision-making.

COMPONENT 1

Organisational Habits & Behaviours

These are the formal and informal day-to-day practices, processes, and attitudes of staff and board members that bring a learning culture to life.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

4. My company (or department or team) handles setbacks well.

- When things do not go as planned, there is space and time to talk through the issues.
- When unexpected information about our work comes up, it is considered.
- Mistakes or failures are acknowledged and openly discussed.
- Mistakes and failures are not used to shame but seen as opportunities to improve.
- There is space for staff to share dissenting opinions.

COMPONENT 1

Organisational Habits & Behaviours

These are the formal and informal day-to-day practices, processes, and attitudes of staff and board members that bring a learning culture to life.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

5. My company (or department or team) is adaptable.

- People throughout the company are aware of the things that have been learned in the last year and how they informed practice.
- The company is doing things differently than it did a year or two ago.
- There is a willingness to make small course corrections or big changes in programme design when needed.
- When changes are implemented, they are based on evidence.

COMPONENT 1

Organisational Habits & Behaviours

These are the formal and informal day-to-day practices, processes, and attitudes of staff and board members that bring a learning culture to life.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

6. My company (or department or team) emphasises strong communication. ▪ Reports or findings are shared publicly, even if they reveal weaknesses or unexpected findings. ▪ It is clear who is responsible for capturing, distilling, applying, and sharing knowledge. ▪ Information is presented (most of the time) in an engaging way.	

COMPONENT 1

Organisational Habits & Behaviours

These are the formal and informal day-to-day practices, processes, and attitudes of staff and board members that bring a learning culture to life.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

COMPONENT 1 TOTAL	
COMPONENT 1 AVERAGE (Total Score Divided By 6, Such As 24/6 = 4)	

Comments on Component 1:

COMPONENT 2

Leadership & Strategic Direction

These refer to the ways in which executive directors, board members, or senior managers inform and guide the direction of the company or their department.

It may also include the specific policies, strategic plans, or staff structures put in place by leadership.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

Question	Score (1 to 5)
7. My company has clear learning goals that are relevant and well understood. ▪ These goals identify what the company hopes to learn and why these things are important. ▪ The goals are tied to strategic plans and other key documents. ▪ Learning goals are frequently discussed and referenced by leaders. ▪ Learning goals evolve over time in response to experience.	

COMPONENT 2

Leadership & Strategic Direction

These refer to the ways in which executive directors, board members, or senior managers inform and guide the direction of the company or their department.

It may also include the specific policies, strategic plans, or staff structures put in place by leadership.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

8. My company's leadership promotes and rewards learning. ▪ Completion of a project, programme or event is celebrated and discussed, with a focus on whether it met its objectives and it contributed to learning. ▪ Professional development is supported and encouraged. ▪ Sharing critical feedback is welcomed. ▪ There are incentives or rewards for those who promote learning.	

COMPONENT 2

Leadership & Strategic Direction

These refer to the ways in which executive directors, board members, or senior managers inform and guide the direction of the company or their department.

It may also include the specific policies, strategic plans, or staff structures put in place by leadership.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

9. My company's leadership and strategic direction values learning as part of organisational planning.

- Learning is discussed in staff recruitment interviews or onboarding process.
- Leaders act as role models when it comes to a focus on learning.
- Staff or team structures are regularly reviewed to ensure that individual learning is shared with others.

COMPONENT 2

Leadership & Strategic Direction

These refer to the ways in which executive directors, board members, or senior managers inform and guide the direction of the company or their department.

It may also include the specific policies, strategic plans, or staff structures put in place by leadership.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

10. My company considers its learning goals when planning for teams and projects.

- Key learning indicators are identified.
- Learning goals or priorities are included in project work plans that align to the mission of the organisation.
- Time is allocated to review learning goals and processes for projects and teams.

11. My company's leadership regularly reviews learning goals and processes with individual staff members and teams.

- Staff meetings or performance reviews involve a discussion around learning goals and processes.
- Team building activities include some discussion of learning goals and processes.

COMPONENT 2

Leadership & Strategic Direction

These refer to the ways in which executive directors, board members, or senior managers inform and guide the direction of the company or their department.

It may also include the specific policies, strategic plans, or staff structures put in place by leadership.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

12. My company's leadership provides opportunities for input. ▪ Staff are encouraged to provide feedback to other staff. ▪ Staff are empowered to provide feedback to leadership (executive directors, board members, senior managers) where appropriate (e.g., staff are able to provide input on the development of strategic plans).	

COMPONENT 2

Leadership & Strategic Direction

These refer to the ways in which executive directors, board members, or senior managers inform and guide the direction of the company or their department.

It may also include the specific policies, strategic plans, or staff structures put in place by leadership.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

COMPONENT 2 TOTAL	
COMPONENT 2 AVERAGE **(Total Score Divided By 6, Such As 18/6 = 3)**	

Comments on Component 2:

COMPONENT **3**

Organisational Capacity & Resources

These refer to the technical, physical, and financial resources a company puts in place to promote a culture of learning.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

Question	Score (1 to 5)
13. My company (or department or team) has the right tools to organise and manage information in a way that supports learning. ▪ Information collection and storage is managed well. ▪ Tools may include online surveys and digital databases, as well as low-tech strategies such as bulletin boards or filing systems. ▪ It is easy to find, use, and communicate the information we gather. ▪ These tools are right-sized (i.e., neither too simple nor too complex) and the right staff are appropriately trained in how to use them.	

COMPONENT **3**

Organisational Capacity & Resources

These refer to the technical, physical, and financial resources a company puts in place to promote a culture of learning.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

14. My company (or department or team) has the right tools to reflect on and share lessons learned with colleagues. ▪ These tools may include templates, work plans, a dashboard, or collaborative writing/editing tools. There are processes or structures in place to ensure information is communicated in a timely manner (e.g., a communication plan). ▪ These tools are right-sized (i.e., neither too simple nor too complex) and the right staff are appropriately trained in how to use them.	

COMPONENT 3

Organisational Capacity & Resources

These refer to the technical, physical, and financial resources a company puts in place to promote a culture of learning.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

15. My company (or department or team) has a high degree of staff expertise when it comes to learning.

- Staff are comfortable with data collection and analysis processes.
- Staff receive training around things like learning from mistakes, listening to the reflections of others, or developing a new skill that would contribute to organisational learning.

COMPONENT 3

Organisational Capacity & Resources

These refer to the technical, physical, and financial resources a company puts in place to promote a culture of learning.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

16. My company (or department or team) has adequate resources (time and funding) available to support learning.

- Professional development opportunities are available to staff that would support their learning.
- Funding is allocated to evaluation.
- Staff are encouraged to share and spend time reading relevant articles, reports, or other materials related to their field of work that would further their understanding of the issues they are working on.

COMPONENT **3**

Organisational Capacity & Resources

These refer to the technical, physical, and financial resources a company puts in place to promote a culture of learning.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

17. My company (or department or team) has sufficient physical space or encourages staff to use external space to brainstorm, debrief, or discuss progress as needed. ▪ Staff are able to leave their desk and move to a more conducive space for discussing, brainstorming, or reflecting on ideas as needed. ▪ It is easy for staff to find a place to meet and talk.	
18. My company's (or department's or team's) staff structure is appropriate to facilitate learning. ▪ Clear lines of communication between staff exist. ▪ It is easy to work with and get feedback from other staff as needed. ▪ Team size is appropriate for ensuring that necessary work gets done.	

COMPONENT **3**

Organisational Capacity & Resources

These refer to the technical, physical, and financial resources a company puts in place to promote a culture of learning.

On a scale of 1 to 5, with 1 meaning strongly disagree and 5 meaning strongly agree, how would you respond to the following statements regarding your company's habits and behaviours?

COMPONENT 3 TOTAL	
COMPONENT 3 AVERAGE (Total Score Divided By 6, Such As 24/6 = 4)	

Comments on Component 3:

SCORING	**Please calculate your overall score by adding the average scores for the three Components.**
OVERALL SCORE **Component 1 Average** **+** **Component 2 Average** **+** **Component 3 Average** **(e.g., 4 + 3 + 4 = 11)**	

OVERALL SCORE MEANING

OVERALL SCORE RANGE	MEANING
0 to 3	Learning is not currently seen as a high priority in your company/department.
4 to 7	Your company/department has some good learning practices, but strengthening the overall learning culture may require more work.
8 to 11	Your department/company has some thoughtful learning practices embedded and is on the right track to developing a strong learning culture, but still has some work to do.
12 to 15	Congratulations! Your department/company has a strong learning culture. There is a deliberate and conscious attempt to value and prioritise learning throughout the company/department.

SELF-REFLECTION QUESTIONS

These questions are prompts to help you determine what potential action you might take next.

They are not intended to be used in a judgmental way or to cast blame on others, but rather to highlight where the opportunities are.

Point form is fine.

1. Can you provide a recent example where learning led to new insights? How did this learning occur? What were the steps that took place that enabled that learning to take place?

2. What, if anything, surprised you about your responses to the self-assessment?

SELF-REFLECTION QUESTIONS

These questions are prompts to help you determine what potential action you might take next.

They are not intended to be used in a judgmental way or to cast blame on others, but rather to highlight where the opportunities are.

Point form is fine.

3. What, if anything, do you think other staff would agree or disagree with you on? Why?

4. What, if anything, are you unsure about how other staff would answer?

SELF-REFLECTION QUESTIONS

These questions are prompts to help you determine what potential action you might take next.

They are not intended to be used in a judgmental way or to cast blame on others, but rather to highlight where the opportunities are.

Point form is fine.

5. Where do you feel there are opportunities to improve or develop a strong learning culture within your company?

6. What are the barriers to improving or developing a strong learning culture within your company?

SELF-REFLECTION QUESTIONS

These questions are prompts to help you determine what potential action you might take next.

They are not intended to be used in a judgmental way or to cast blame on others, but rather to highlight where the opportunities are.

Point form is fine.

7. Thinking about your relationships with external partners (e.g., suppliers, investors, regulators), in what ways can your learning culture inform your ability to work more effectively and learn with them?

ESG IS YOUR BUSINESS

A GUIDE TO INTEGRATING AND REPORTING ESG FOR TRINIDAD AND TOBAGO COMPANIES

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