

# Independent Guide

## What is ESG?



### Independent workplace compliance

#### Introduction

ESG, short for Environmental, Social and Governance is a set of factors measuring a business's impact on society, the environment, and how transparent and accountable it is. ESG has a positive impact on fundamental business practice relevant to the long-term success of any organisation improving their reputation, reducing risks, identifying opportunities, improving culture, intrinsic value and providing authenticity through transparency. It measures how a business integrates environmental, social, and governance practices into their operations, and ultimately their sustainability.

ESG is an umbrella term for a broad range of environmental, social and governance factors and is typically used by investors and other interested parties to assess the behaviour of the entities they are considering for investment. ESG is a term increasingly used to encapsulate ethical corporate behaviour and the social responsibility of an organisation. The terms corporate responsibility (CR), corporate social responsibility (CSR) and sustainability are also used to refer to a broad range of environmental and social responsibility behaviours demonstrated by businesses.

#### The three pillars of ESG are Environmental, Social and Governance

##### Environmental

Focuses on how an organisation minimises its impact on the environment through its products and services, its supply chain, and its operations. This includes emissions such as greenhouse gases, resources used, developing greener products and services, use of sustainable materials, measuring carbon emissions and working towards net zero.

##### Social

How an organisation impacts wider society and workplace culture with fairness and equality at its heart. Social and ethical business practices include employee development, supporting health, safety and wellbeing, promoting equality, diversity and inclusion, investing in the local community and preventing issues such as modern slavery.

##### Governance

This refers to the processes of decision making, reporting and how an organisation is run. It looks at ethical behaviour, transparency with stakeholders and how decisions are made. It is linked to both environment and social aspects of ESG in that it looks at the decision making behind them. It includes accurate reporting, making leadership accountable for risk and performance, doing business ethically, facilitating diversity and inclusion and responsible behaviour.

#### Are CSR and ESG different?

The idea behind Environmental, Social and Governance standards comes from the inception of Corporate Social Responsibility, which essentially refers to the adoption of practices and policies by organisations to improve society and protect the environment. Typically, these actions have been self-monitored and do not provide complete accountability.

ESG on the other hand provides for third party monitoring of quantifiable actions such as managing carbon footprint or risk management systems and declaring social and financial reports to regulate how well an organisation operates. Numerous institutions and international frameworks are set in place to implement, regulate and monitor ESGs such as the GRI Sustainability Reporting Guidelines, United Nations Global Compact, Sustainable Development Goals and ISO26000 – Corporate Social Responsibility.



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#### Why should I be thinking about ESG?

It has become clear that everyone from investors to consumers to potential employees are looking for organisations to adhere to high standards before considering doing business together, buying a product or service, or taking up employment. Even if your business isn't looking for investment, adopting an ESG framework has benefits – from reducing risk and lowering costs to improving reputation and attracting new customers and talent.

ESG can influence along the value chain due to their interconnection and dependency with risk reduction, finding opportunities for growth, organisational resilience, workforce productivity, reputation, and stakeholder trust. They have also become a standard measure of specific investments a company makes, their behaviour and future financial performance. Having a transparent ESG report allows stakeholders to see risk management, longevity, and sustainability before they invest in a relationship with you, it also builds a better picture of the company in terms of social integration and invites a loyal customer and employee base.

#### Onward from ESG and towards Social Value

ESG is all about examining a business against a set of performance measures that are generally about understanding and minimising the negative, avoiding harm, meeting regulations, disclosing metrics. Social value is about value creation and how a business meets its purpose and contributes net positively to society. For example, creating value and social outcomes, benefitting communities and contributing to longer term wellbeing or our planet and our people.

Wherever you are on your journey, there are many along the road already who are sharing ideas, concepts and looking for others to join them!

**This guide is of a general nature; specific advice can be obtained from Assurity Consulting. Assurity Consulting is the UK's leading independent compliance consultancy specialising in workplace health, safety and environmental solutions. We have over 35 years' experience of helping customers of all sizes, from across all sectors, manage their compliance responsibilities, making sure that their organisation is compliant, their employees are safe, their processes are cost effective and their management team is in control.**



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