

# MODULE 2



## TIPS FOR SMEs

Involve employees in your ESG initiatives by encouraging employee input and recognizing employee contributions



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### Summary



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# Introduction

## Introduction:

Growing emphasis on sustainability, responsible investing, and corporate social responsibility has propelled Environmental, Social, and Governance (ESG) factors into the spotlight. As businesses and investors increasingly recognize the importance of addressing environmental issues, understanding ESG principles and their impact on the environment has become paramount.

Our tips will help you to delve into the strategies and approaches you can adopt to better comprehend ESG and environmental issues, ultimately fostering a deeper awareness and appreciation for sustainable practices. By exploring key concepts, engaging with relevant resources, and actively participating in initiatives, your business can play a vital role in advancing environmental sustainability and contributing to a more sustainable future.

In today's interconnected world, the significance of Environmental, Social, and Governance (ESG) factors cannot be fully understated. Environmental issues, in particular, have garnered widespread attention due to the escalating challenges posed by climate change, resource depletion, and pollution. Understanding ESG and environmental issues involves delving into the interconnectedness of environmental sustainability, social responsibility, and effective governance practices within organizations and society at large.

To gain a comprehensive understanding of ESG and environmental issues, individuals can engage in various activities. One approach is to educate oneself on the key principles and frameworks that underpin ESG considerations, such as the United Nations Sustainable Development Goals (SDGs) and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. By familiarizing oneself with these international standards and guidelines, individuals can grasp the broader context of ESG and its relevance to environmental sustainability.



# Tip 1

## **Tip 1: Involve employees in your ESG initiatives by encouraging employee input and recognizing employee contributions**

Employees possess valuable insights and diverse perspectives that can drive innovation and improve ESG strategies. Involving employees in decision-making enhances their sense of ownership, engagement, and commitment to the organization's goals.

### **Strategies to encourage employee input:**

Firstly, establish open communication channels to foster an environment where employees can freely express their ideas and suggestions related to current and future ESG initiatives. Regular feedback sessions could be conducted too through the use of forums, focus groups, or surveys to gather input on existing initiatives and identify areas for improvement.

Make sure to actively recognize and implement employee ideas and feasible suggestions, to demonstrate the value placed on employee input. Recognition reinforces the importance of employee participation in driving sustainable practices and motivates others to get involved. Acknowledging contributions enhances employee morale, job satisfaction, and loyalty to the organization.

### **Approaches to recognizing employee contributions:**

If employees feel comfortable, you can publicly acknowledge their achievements and ideas. You can highlight individual and team efforts through internal communication channels, newsletters, or company-wide meetings. Sharing success stories of employees who have made significant contributions to ESG initiatives can inspire others to follow suit.

Furthermore, provide incentives through establishing recognition programs that offer tangible rewards such as bonuses, promotions, or additional, paid for, training opportunities. Lastly, if the ideas are consistent or offer substantial operational improvements for the organization, you can recognize such expertise by providing opportunities for career growth and advancement.

### **European Company Survey – workplace practices**

The European Company Survey (ECS) is carried out every four to five years since its inception in 2004–2005, with the latest edition in 2019. The survey is designed to provide information on workplace practices to develop and evaluate socioeconomic policy in the EU. It covers issues around work organisation, working time arrangements and work–life balance, flexibility, workplace innovation, employee involvement, human resource management, social dialogue, and most recently also skills use, skills strategies and digitalisation.



# Tip 1

The European Company Survey in 2019 is based on the fourth edition of the European Company Survey (ECS), which was carried out jointly by Eurofound and Cedefop in 2019. The analysis of the report finds that the organizations that are most likely to generate the best outcomes are those that combine a high degree of worker autonomy, a balanced motivational strategy, a comprehensive training and learning strategy, and high levels of direct employee involvement in decision-making, as well as offering managerial support for these practices.

**The report shows that organizations use various means to engage with employees, focusing on three tools:**

- Meetings between employees and their line manager
- Meetings open to all employees in the establishment
- Discussions with employees through social media or online discussion boards

Other examples provided in the report include the dissemination of information through newsletters, websites, noticeboards, or emails; and a 'suggestions scheme': the collection of ideas and suggestions from employees, on a voluntary basis and at any time, often by means of a physical or virtual 'suggestion box'. Regular general staff meetings were reported most frequently in Sweden (73%) and Denmark (60%) and least frequently in Poland (18%) and Spain (25%). Dissemination of information through newsletters, websites, noticeboards, or email is a regular practice in 40% of EU27 establishments and occurs irregularly in a further 32%.

More than two-thirds (70%) of managers reported that, in their opinion, involving employees in work organisation changes gives the establishment a competitive advantage to a moderate or great extent. However, around one-third (32%) of managers reported that, in their opinion, involving employees in the implementation of changes causes delays to a moderate or great extent. This shows that in majority of organizations meetings are useful in collecting ideas from employees. You may wish to analyse your staff base, their preferences, and personalities to see if involving employees in organisational changes would be effective in your organization.

More can be read at the original source of the ECS 2019 report at:  
<https://www.eurofound.europa.eu/en/publications/2020/european-company-survey-2019-workplace-practices-unlocking-employee-potential>

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# MODULE 2



## TIP 2

Foster a culture of innovation within your SME to develop sustainable products, services, and processes



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## Tip 2

### **Tip 2: Foster a culture of innovation within your SME to develop sustainable products, services, and processes.**

Innovation plays a crucial role in the success and sustainability of any organization, especially for SMEs. Encouraging innovation and fostering a culture of innovation within an SME can lead to the development of sustainable products, services, and processes.

Growth is fuelled by innovation, which enables SMEs to stand out from rivals, draw in new clients, and take up more market share in addition to creating goods, services, and procedures that are socially and environmentally conscious, and commercially feasible.

Leaders within the SME should actively support and promote innovation as a core value of the organization. Leaders should create an environment that encourages risk-taking, experimentation, and learning from failures. Adequate resources should be allocated to support innovation initiatives, including funding, time, and skilled personnel.

#### **Building a Culture of Innovation:**

- Encourage collaboration and cross-functional teams: Foster a collaborative work environment where employees from different departments can work together, share ideas, and contribute to innovation.
- Promote open communication: Establish channels for employees to freely express their ideas, suggestions, and concerns. Regular feedback sessions and open-door policies can facilitate communication.
- Recognize and reward innovation: Implement mechanisms to acknowledge and reward innovative ideas and contributions. This can include financial incentives, recognition programs, or career advancement opportunities.

The creation of sustainable goods, services, and procedures depends on promoting innovation and creating an innovative culture inside SMEs. SMEs can create an environment that supports creativity and innovation and ultimately contributes to their long-term success and sustainability by offering leadership support, fostering a culture of collaboration and open communication, offering opportunities for training and development, and adopting a long-term perspective.



# Tip 2

## Lithoz – A case study of an Austrian SME

Founded in 2011 as a spin-off from the Vienna University of Technology (TU Wien), Lithoz is an expert in 3D printing and additive manufacturing of high-performance ceramics. They have filled a void left by traditional technologies by creating patentable processes and formulas for creating these ceramics. Lithoz delivers complete systems comprising lithographic printers and materials, encouraging staff to innovate and patent new ideas. The company's revenue surpassed EUR 1 million by 2014, and it has won multiple industry accolades. Universities, research centres, producers of ceramic parts, and biomedical businesses are among their clientele, demonstrating their extensive market penetration and industry recognition. Johannes Homa, company founder and current CEO, states that "the combination of patents and trade secrets is very important for a small high-tech company such as Lithoz, as they allow us to stay ahead of our competitors for longer".

In order to maintain the highest level of innovation, TU Wien looked for a business partner to finance the required additional developments. In 2007, the Liechtenstein-based dental company Ivoclar Vivadent AG joined Lithoz and committed to a joint development programme, contributing both financial support and research findings.

Sometimes, patents being overlooked in the course of day-to-day business. Therefore, it is good practice to have dedicated staff whose job it is to ensure that the necessary management actions are taken in good time and in the right order. This is why Lithoz has a dedicated "ideas manager", who serves as the first point of contact for staff with ideas for improvements and ensures that they are discussed and reviewed by management.

Furthermore, Lithoz staff are always free to pursue their own ideas. Johannes Homa explains that "creative freedom opens up new ways of approaching existing problems and led to our latest, very promising invention, for which we recently filed a patent application", explains Homa. It is advantageous to have an open and welcoming environment where people from various backgrounds can come together to solve problems creatively in order to foster the generation of new ideas. According to Lithoz, in order for staff members to come up with new inventions, they must be given adequate latitude and encouragement to follow their own ideas.

However, you cannot always have all the solutions or resources inhouse. The expertise of the University can be used for additional support, which works in close co-operation with the patent department and is able to clarify questions regarding legal or business practice.

More can be read at the original source of the case study at:  
[https://link.epo.org/elearning/sme\\_case\\_study\\_lithoz\\_en.pdf](https://link.epo.org/elearning/sme_case_study_lithoz_en.pdf)

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# MODULE 2



## TIP 3

Invest in Renewable Energy to power your operations



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## Tip 3

### **Tip 3: Invest in Renewable Energy to power your operations.**

Investing in renewable energy sources is not only a sustainable choice but also a financially rewarding one. As the world continues to grapple with the effects of climate change and the need to reduce carbon emissions, transitioning to renewable energy has become a crucial step towards a greener future.

Renewable energy sources, such as solar panels and wind turbines, offer numerous advantages over traditional fossil fuel-based energy sources. Firstly, renewable energy is environmentally friendly, as it does not emit harmful greenhouse gases that contribute to climate change. According to the European Environment Agency (EEA), companies can drastically lower their carbon footprint and help create a cleaner, healthier planet by making investments in renewable energy. Europe's capacity to attain climate neutrality by 2050 will be largely dependent on its ability to produce clean and renewable energy at reasonable costs.

Secondly, renewable energy sources are sustainable. Unlike fossil fuels, which are finite resources that will eventually run out, renewable energy sources are abundant and inexhaustible. Businesses can secure a dependable and long-term power source by investing in renewable energy to fuel their operations.

Furthermore, investing in renewable energy can lead to substantial cost savings in the long run. While the initial investment in renewable energy infrastructure may be higher compared to traditional energy sources, the operational costs are significantly lower. Solar panels and wind turbines require minimal maintenance and have a longer lifespan, resulting in reduced energy costs over time. The financial burden of making the switch to clean energy is further decreased by the fact that numerous governments and utility companies provide tax breaks and incentives for companies that invest in renewable energy. The European Green Deal provides funding for renewable energy sources, which may come from a combination of private investment, EU Member States, and the EU itself.

### **How to invest in renewable energy as an SME:**

Conduct a thorough assessment of energy needs and consumption: Analysing energy usage patterns will help identify areas where renewable energy can be integrated effectively. SMEs should also consider the feasibility of installing solar panels or wind turbines on their premises, taking into account factors such as available space, economic feasibility such as ROI, local regulations, and climate conditions.



## Tip 3

### **Research and select reputable renewable energy providers or installers:**

Comparing quotes, warranties, and customer reviews will help businesses make informed decisions and choose the most suitable renewable energy solution, with extra help from experienced professionals who can assess the specific energy requirements and design and install a system that meets those needs efficiently. You may wish to conduct an energy needs assessment for your SME.

### **Renewable Energy as a Path to Resilience – SME Perspectives on the Energy Crisis**

Research conducted with YouGov across six countries (Czech Republic, Germany, Greece, Italy, Netherlands, and Poland) showed that European SMEs are acutely aware that the dependency on fossil fuels has led to volatile, expensive energy. There are 30 million SMEs in the EU27 alone at the moment, making up two thirds of all jobs in the private sector and more than half of all added value produced by companies.

### **Findings of the YouGov survey:**

- SMEs support more solar and wind to build resilience. More than half (56%) of SMEs said investing in local renewable energy projects such as solar and wind is the best way to support them through the energy crisis. Most SMEs reported they have taken action on energy savings, with 24% using smart measures, while an additional 20% saying they are considering implementing such measures in the next 12 months (at the time of the survey). Additionally, 40% of SMEs questioned stated that they have either installed or plan to install solar panels within the next 12 months.
- The most preferred measures SMEs have either taken or are considering taking relate to energy savings. Exactly 24% of respondents said they have saved energy through smart measures, while an additional 20% are considering taking steps to save energy in the next 12 months.
- Solar energy use is even more popular than energy saving measures across all surveyed countries. Exactly half of respondents in Poland indicated they have either installed or are considering installing solar panels. In Greece and Italy, the desire to install solar panels is even greater, with 77% of respondents saying they would under favourable circumstances, with 29% and 34% respectively report they have already installed or are considering solar currently. Manufacturing (49%), financial services (50%), accounting (52%), real estate (53%) and transportation and distribution (53%) are the industries with the most support for those who have installed or are thinking about installing solar panels.
- The third most popular energy saving measure amongst respondents was insulation, with over a third (34%) of those surveyed indicating they have either already installed or upgraded insulation or are considering doing it in the next 12 months.



# MODULE 2



## TIP 4

Embrace the principles of a circular economy



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## Tip 4

**Tip 4: Embrace the principles of a circular economy** In recent years, the idea of a circular economy has drawn a lot of attention as a viable substitute for the conventional linear economy. A closed-loop system that lessens its influence on the environment and fosters long-term sustainability is what a circular economy seeks to achieve via minimising waste, reusing resources, and encouraging product recycling. It is a system that minimises waste production while preserving the value of goods, resources, and materials in the economy for as long as feasible. This refers to a system in which goods are recycled, remanufactured, repaired, or reused (The 4Rs).

The European Commission approved a comprehensive action plan for the circular economy in 2015. It unveiled 54 initiatives to accelerate the EU's shift to a circular economy across the entire production life. These actions have all been approved, with a revised EU legislation on waste entering into force in 2018. This update set out clear recycling targets and a long-term plan for modern waste management. This included:

- Targets for recycling of municipal and packaging waste
- Binding targets to reduce landfill to a maximum limit
- Measures to reduce food waste and marine litter

### **How to embrace the system of a circular economy:**

Firstly, minimize waste within the organization. Reducing resource consumption is the first step towards achieving this goal. Businesses can adopt lean manufacturing principles, using raw materials efficiently and optimizing production processes to minimize waste generation. Reusing materials is also a core component which extends product lifecycle. Whenever possible, products should be repaired, refurbished, or repurposed in order to increase their useful life rather than being thrown away after use. Product take-back programmes, in which manufacturers accept and refurbish used products for resale at a discounted price (particularly prevalent in the electronics industry), are one way to achieve this.

The company wide promotion of product recycling should be evident in all processes. This involves collecting, processing, and reusing materials from discarded products to manufacture new ones. To support product recycling, all employees should separate recyclable materials from general waste, where the organization should ensure they are sent to recycling facilities.

You can implement recycling programmes within your SME and collaborate with recycling partners to ensure proper waste management, especially of electronic or hazardous waste. Furthermore, businesses can collaborate with suppliers to source materials from recycled or renewable sources. They can also partner with recycling companies to ensure the proper disposal and recycling of their products. Individuals can engage in community initiatives and join organizations that promote the circular economy, fostering a sense of collective responsibility.

Finally, education and awareness play a vital role in supporting the transition to a circular economy. You may wish to invest in educational programmes that raise awareness about the benefits of a circular economy and provide practical guidance on waste reduction, material reuse, and recycling.



# Tip 4

## Benefits of a circular economy – European Environment Agency (EEA)

The most recent United Nations estimate indicates that the world's population is likely to surpass 11 billion by the end of the twenty-first century, and that global material resource use in 2030 will be twice as high as it was in 2010 (SERI, 2013; UN DESA, 2015).

The linear model of an economy is based on the assumption that natural resources are available, abundant, easy to source and cheap to dispose of. We do know this is not the case; resources such as aluminium or coal are finite (they will one day run out if we continue using them at the same pace). The circular economy is beneficial for your SME as it already assumes sustainable development practices. Methods proposed by the EU are, amongst others, eco-design, repair, reuse, refurbishment, remanufacture, product sharing, waste prevention and waste recycling. This reduces material losses through landfill and incineration, meaning less pollution and saved costs due to using and buying less materials.

## Enabling factors of a circular economy – what strategies can your SME adopt?

- **Eco-design:** products are designed for a longer life, enabling upgrading, reuse, refurbishment and remanufacture. Product design is based on the sustainable and minimal use of resources and enabling high-quality recycling of materials at the end of a product's life.
- **Repair, refurbishment and remanufacture:** enables the reuse of products and components.
- **High-quality recycling:** the use of recycled materials as secondary raw materials can prolong the life of resources. Examples of this can be recycled paper as packaging. Top tip: You must avoid mixing and contaminating materials during recycling/binning procedures, to ensure as much of the materials can be recycled as possible.
- **Product-service business models:** foster collaboration and transparency along the value chain, such as borrowing or sharing machinery. Furthermore, this can occur through collaboration between companies whereby the wastes or by-products of one become a resource for another.
- **Raising awareness:** this can be about changing lifestyles shared within your organization as well as the local community. Raising awareness can contribute to positive results due to increased stakeholder interaction, whether employees, investors, or clients. It can also foster an exchange of experience, specialist knowledge, or new industry data, to have a positive impact on company morale, society, as well as internal finances.

More can be read at the original source of the case study at:  
<https://www.eea.europa.eu/publications/circular-economy-in-europe>

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# MODULE 2



## TIP 5

Implement Sustainable Packaging



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# Tip 5

## Tip 5: Implement Sustainable Packaging

In the modern world, where environmental awareness is growing in significance, companies must integrate sustainable practices into every facet of their operations. Packaging is one important area where SMEs can have a big influence as it is within your control to alter your packaging strategy easily and quickly.

The total mass of packaging waste generated in the EU increased by 20% between 2009 and 2020. Furthermore, 84.3 million tonnes of packaging waste, or 188.7 kg per person, were produced in the EU in 2021, an increase of 11 kg from 2020. The European Commission announced plans to cut the EU's consumption footprint and double the EU's rate of circular material use by 2030 in the new circular economy action plan for a cleaner and more competitive Europe, which was released in March 2020, at the start of the Coronavirus pandemic.

Long-term environmental harm results from non-recyclable packaging materials such as Styrofoam, which take hundreds of years to break down. Waste packaging, when improperly disposed of, pollutes rivers, oceans, and landfills, endangering local ecosystems, as well as global water basins.

### Benefits of Sustainable Packaging:

- **Reduced waste:** Sustainable packaging focuses on minimizing the amount of material used, resulting in less waste generated.
- **Lower carbon footprint:** Sustainable packaging materials, such as biodegradable plastics and recycled paper, have a lower carbon footprint compared to traditional packaging materials.
- **Consumer preference:** Increasingly, consumers are seeking out products with sustainable packaging, making it a competitive advantage for businesses that prioritize sustainability.
- **Cost savings:** Implementing sustainable packaging practices can lead to cost savings in the long run. For example, using less material reduces production costs, and recycling materials can lower waste disposal expenses.

### Strategies for Implementing Sustainable Packaging:

Using recyclable packaging materials like cardboard, paper, and glass should be a top priority for businesses. Top Tip: evaluate the product life cycle of your packaging. Consider how much CO<sub>2</sub> is released before and during the production of your chosen packaging material, as well as what the environmental impacts are of its disposal.

Additionally, you may wish to consider packaging options made of biodegradable materials, or those that decompose fast and naturally. Examples of these materials include compostable materials, plant-based plastics, and, more recently, packaging made of mushrooms. These solutions minimise environmental harm by decomposing quickly and naturally. Reducing unnecessary packaging can also be the first step in this approach. If parcel space is minimised, simplifying packing reduces waste and costs associated with it, including shipping and packaging materials. Additionally, it meets the demands of environmentally sensitive consumers.

Data source:

[https://www.europarl.europa.eu/RegData/etudes/BRIE/2023/745707/EPRS\\_BRI\(2023\)745707\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2023/745707/EPRS_BRI(2023)745707_EN.pdf)



# Tip 5

## **BakPak – compostable packaging case study**

The construction of a compostable pouch differs significantly from that of a standard pouch, primarily in the choice of materials used. While standard pouches typically employ layers of plastic polymer materials, compostable pouches utilize layers of paper and cellulose plant-based materials that are PLA free, ensuring they will compost within regulatory timescales. Despite the material difference in comparison to plastic, compostable pouches offer comparable barrier properties to standard pouches, with gas barrier properties similar to metallised PET and excellent moisture barrier properties.

Digital printing is utilized for compostable pouches, eliminating the need for plates and allowing for the production of multiple versions in one job. Additionally, thermal lamination is used instead of chemicals, and low minimum order quantities (MOQs) are available, reducing waste by supplying short to medium runs. Overall, digitally printed compostable pouches offer a more sustainable option compared to conventionally produced pouches or rigid packaging.

### **Benefits of compostable pouches as provided by BakPak:**

- Eliminates the need for plates and cylinders
- Uses less energy in production stocks
- Prints only what you need
- Optimizes inventory
- Reduces material waste
- Uses eco-friendly materials

The reduction in raw materials required, lower energy used in production, and minimal waste created make digitally printed pouches the best sustainable option for customers seeking environmentally friendly packaging. For those looking for short to medium runs of digitally printed pouches made with fully recyclable or compostable materials, such options are available.

Following the production of their first 100% compostable pouch job last year, the company has gained valuable insights and confidence in delivering such environmentally friendly packaging solutions.

More can be read at the original source of the case study at:

<https://bakpac.co.uk/a-case-study-compostable-pouches/>

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# MODULE 2



## TIP 6

Join industry associations and networks focused on ESG to exchange best practices



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# Tip 6

## **Tip 6: Join industry associations and networks focused on ESG to exchange best practices**

Businesses that want to share best practices and work with other like-minded organisations must actively participate in industry associations on ESG practices. Industry groups give businesses a forum to connect, exchange experiences, and work together to address ESG issues.

### **Importance of Engaging with Industry Associations on ESG:**

Industry associations serve as repositories of knowledge and expertise on ESG practices. Businesses can gain access to important information, studies, and insights on a range of ESG-related topics by interacting with these associations. Companies can keep up with new trends, legislative changes, and industry benchmarks thanks to this knowledge sharing. Businesses with a wide range of interests in ESG come together through industry groups. Participating in these associations offers chances to network and form connections with other like-minded organisations. Through networking, businesses can learn from the experiences of others, foster collaborations, and form strategic partnerships to address complex ESG challenges collectively. Industry associations play a significant role in advocating for ESG-related policies, regulations, and standards. By actively participating in these associations, businesses can contribute to shaping the ESG landscape and influencing decision-making processes.

### **Benefits of Engaging with Industry Associations on ESG:**

By interacting with industry groups, companies can have access to a multitude of case studies and best practices from other industries. Before implementing a new strategy, businesses can identify successful plans, adopt tried-and-true approaches, and steer clear of potential pitfalls by learning the experiences of other companies. This can save money and time when implementing any new strategy into your SME.

Industry associations frequently provide ESG standards and performance measures that can help you evaluate your SMEs performance in relation to peers in the industry and network, pinpoint areas for development, and establish attainable objectives.

Active engagement with industry associations reflects a company's commitment to ESG and sustainability. Assuring stakeholders that the corporation follows morally and responsibly might also come from its affiliation with respectable trade associations.

### **Strategies for Effective Engagement with Industry Associations on ESG:**

- **Prioritize Relevance:** Identify industry associations that align with your business sector and ESG priorities. Join associations that focus on issues and challenges relevant to your organization.
- **Active Participation:** Engage actively in association activities, including conferences and knowledge-sharing sessions. Contribute to discussions, share experiences, and seek opportunities to collaborate with other members.
- **Collaborative Approach:** Foster a collaborative mindset and seek opportunities to collaborate with other businesses within the association. Collaborative projects and partnerships can accelerate the implementation of ESG practices, leverage shared resources, and drive collective impact.



# Tip 6

## CSR Europe – an example of an ESG focused business network

CSR Europe is a European business network dedicated to Corporate Sustainability and Responsibility (CSR). With a membership base including corporate entities, National Partner Organizations (NPOs), and Associated Partners, CSR Europe engages with and supports over 10,000 enterprises across local, European, and global levels.

Their mission is to inspire and unite businesses to work towards real-world solutions and sustainable growth while supporting their transformational and cooperative endeavours. Adopting the Sustainable Development Goals (SDGs), CSR Europe seeks to work with European leaders and stakeholders to co-create an overarching plan for a Sustainable Europe 2030, advocating for change. Aware of the difficulties that impending laws may present, they provide customised solutions to help businesses manage complexity and lay strong groundwork for long-term success.

Every national partner of CSR Europe plays a vital role in energising stakeholders and acting as a centre for sustainability in their own nations. They present skills and concrete initiatives meant to change businesses' business plans in the direction of a sustainable economy.

CSR Europe explains that this is the era of collaboration, partnerships, and alliances. The establishment of Business in the Community Ireland twenty years ago was made possible in large part by CSR Europe. Access to best practices, knowledge of shared difficulties faced by like-minded businesses and funding for solutions, and mutual learning are the main areas of value.

Through the complexities of the most recent regulations and impending actions, CSR Europe can give you access to knowledgeable experts that can offer you practical advice and methods to:

- Understand and meet regulatory requirements
- Implement sustainable business practices
- Embrace innovative technologies that drive positive change

More can be read at the official website of CSR Europe at:

<https://www.csreurope.org/newsbundle-articles/the-role-of-networks-to-advance-sustainability>

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# MODULE 2



## TIP 7

Incorporate ESG considerations into your risk management framework



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# Tip 7

## **Tip 7: Incorporate ESG considerations into your risk management framework**

The traditional risk management frameworks focus primarily on financial and operational risks, but they must now adapt to include ESG considerations. The management of risks which have been identified by risk assessment, must now encompass ESG risks.

The European Commission defines the concept of 'risk' as "the likelihood that something will prevent the application of Community or national measures concerning the customs treatment of goods". Risk management is a process applied to an organization based on potential effects of such risk. The definition provided by the European Food Safety Authority explains risk management "involves the identification, assessment, and mitigation of potential risks that could affect an organization's objectives. It encompasses the processes, tools, and strategies employed to manage risks effectively", with the European Commission defining it as "a technique for the systematic identification and implementation of all the measures necessary to limit the likelihood of risks occurring". Both definitions highlight risk management is about foresight into the future and environmental scanning of potential risks.

### **Integrating ESG into Risk Management:**

**Establish specific ESG objectives:** These objectives should reflect your organization's commitment to sustainable practices, social responsibility, and good governance.

**Identify ESG-related risks:** conduct a comprehensive assessment of your organization's operations, supply chains, and stakeholders. This assessment should consider the organization's impact on the environment, social issues, and governance practices. It is crucial to engage relevant stakeholders, including employees, investors, and communities, to gain a comprehensive understanding of potential ESG risks.

**Assess the risks:** consider both quantitative and qualitative factors, such as regulatory changes, reputational risk, and financial implications. Then, after understanding and stating the significance of each risk, you can prioritize mitigation efforts specific to each separate ESG risk.

**Mitigate the risks:** These may include implementing sustainable practices, enhancing employee welfare programmes, extended promotion and training related to diversity and inclusion, or strengthening governance structures such as supply chain transparency.

**Top tip:** Collaboration with stakeholders, industry peers, and regulatory bodies can also help develop best practices and standards for mitigating ESG risks. Consider expanding your network as well as using industry benchmarking techniques.

### **Incorporating ESG into the Risk Management Framework**

To minimise the occurrence of risks, the European Commission advises organizations use risk management as a technique to set priorities and more efficiently allocate resources. This includes collecting data and information, analysing, and assessing risk, prescribing action, and monitoring outcomes. Integrating ESG into risk management is essential for organizations to identify and mitigate potential ESG-related risks. By establishing clear ESG objectives, identifying and assessing ESG risks, and incorporating ESG into the risk management framework, organizations can enhance their sustainability, reputation, and long-term performance.





# Tip 7

Organizations must provide training and awareness programs to ensure that employees understand the importance of ESG and their role in identifying and managing ESG risks. This includes educating employees on ESG concepts, providing relevant tools and resources, and promoting a culture of sustainability and responsible business practices.

## **European Banking Authority (EBA) – Report on management and supervision of ESG risks for credit institutions and investment**

Institutions should continue to be in charge of developing their strategies, but in order to guarantee the sustainability of business models over the short-, medium-, and long-term time frames, it is important to adequately consider the effects of ESG risks. The EBA recommends that institutions achieve this by:

- Incorporating ESG risk-related considerations when setting business strategies, in particular by extending the time horizon for strategic planning to at least 10 years, at least qualitatively, and by testing their resilience to different scenarios
- Setting, disclosing, and implementing ESG risk-related strategic objectives, including related key performance indicators
- Engaging with borrowers, investee companies and other stakeholders
- Assessing the potential need to develop sustainable products or to adjust features of existing products, as a way to contribute to and ensure alignment with strategic objectives.

To ensure a sound and thorough approach to the incorporation of ESG risks into business strategy, business processes, and risk management, the EBA recommends that institutions integrate ESG risks into governance structures, establishing clear working procedures and responsibilities for business lines, internal control functions, the relevant committees, and the management body. In the decision-making process, this should include assigning duties and obligations to the correct teams in your SME.

The EBA recommends that institutions incorporate ESG risks into their risk management framework. This includes:

- Climate and environment related policy changes, for example policies to encourage a sustainable use of environmental resources
- Technological changes, for example, if a technology becomes obsolete or uncompetitive
- Behavioural changes, for example, if choices of consumers and investors shift towards products and services that are more sustainable

More can be read at the original source of the EBA report at:

[https://www.eba.europa.eu/sites/default/files/document\\_library/Publications/Reports/2021/1015656/EBA%20Report%20on%20ESG%20risks%20management%20and%20supervision.pdf](https://www.eba.europa.eu/sites/default/files/document_library/Publications/Reports/2021/1015656/EBA%20Report%20on%20ESG%20risks%20management%20and%20supervision.pdf)

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# MODULE 2



## TIP 8

Stay informed about changes in regulations and adapt your sustainability reporting accordingly



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# Tip 18

## **Tip 8: Stay informed about changes in regulations and adapt your sustainability reporting accordingly.**

For any organisation, keeping an eye on regulatory changes and remaining up to date on them is essential, particularly when it comes to modifying reporting procedures as needed. The Corporate Sustainability Reporting Directive (CSRD) is a major regulation in the field of corporate sustainability.

Firstly, we suggest you create a regulatory monitoring team comprising individuals responsible for tracking and analyzing regulatory developments. This team should consist of professionals from various departments, including legal, compliance, and sustainability.

By having a diverse team, organizations can ensure a holistic understanding of regulatory changes and their impact on reporting requirements. If you do not have many employees, short monthly meetings where each employee brings one potential news impact to the table can prove useful too.

Setting email or social media alerts can be an efficient way to stay up to date. By developing a system for tracking regulatory developments, you can leverage external resources such as government websites or regulatory publications.

You may also consider subscribing to regulatory update services that provide real-time notifications of any changes or proposed amendments to regulations like the CSRD. By monitoring the progress and discussions surrounding the CSRD, you can proactively prepare your SME for any upcoming changes in reporting requirements.

In addition, you can engage in stakeholder consultations and industry forums related to sustainability reporting. Such platforms provide valuable insights into emerging trends, best practice, and potential changes in reporting standards.

To sum up, it is suggested you develop an action plan to implement the necessary changes. This plan should include clear timelines, responsible parties, and a communication strategy to ensure all stakeholders are informed about the updates. It is crucial to involve relevant departments, such as finance, sustainability, and legal, in the implementation process to ensure a coordinated effort.

## **European Banking Authority (EBA) – Report on management and supervision of ESG risks for credit institutions and investment**

Every institution needs to make sure that their methods to ESG risk management are thorough and appropriate for the size, scope, and complexity of their operations. Every institution should properly identify, track, and manage any short-, medium-, and long-term ESG risks to which it may be exposed, as well as put in place the necessary countermeasures.



# Tip 8

While institutions with less material exposure to ESG risks may choose to implement simpler arrangements, those with material exposure to ESG risks should have more complex governance and risk management arrangements. Although rules will be implemented gradually and take effect fully for players in the financial market over an extended period of time, it is imperative to create strategies to deal with these changes in the future. It is likely that the full impact of ESG risks will unfold over a longer time horizon. Consequently, institutions may not be able to promptly alter their business models to prevent or lessen the longer-term effects of ESG risks if ESG risks are not adequately considered in their business strategy.

Furthermore, as changes to the business model need some time to become operational, early and prompt action may be needed even in cases where vulnerabilities are identified only in the medium to long term. When assessing the potential impact and materiality of ESG risks and determining the resulting implications for the business strategy, it is essential to extend the planning horizons, which usually consist of 3-5 years, and equally consider risks to the business model in the longer run. This extension could be aligned with relevant public policies such as, for example, the emission reduction targets set for 2030 and further down the road.

Determining the industries, goods, and customer base that your SME hopes to have long-term links with could also be advantageous. Planning for the future is key with ESG. In light of the aforementioned factors, institutions would gain from putting in place a minimal number of longer-term key performance indicators (KPIs) that would enable them to track the evolution of their portfolios in order to assess and guarantee their long-term resilience and facilitate the establishment of strategic goals.

More can be read at the original source of the EBA report at:

[https://www.eba.europa.eu/sites/default/files/document\\_library/Publications/Reports/2021/1015656/EBA%20Report%20on%20ESG%20risks%20management%20and%20supervision.pdf](https://www.eba.europa.eu/sites/default/files/document_library/Publications/Reports/2021/1015656/EBA%20Report%20on%20ESG%20risks%20management%20and%20supervision.pdf)

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# MODULE 2



## TIP 9

Develop and Implement a Green Procurement Policy



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# Tip 9

## **Tip 9: Develop and Implement a Green Procurement Policy**

Green procurement, also known as sustainable procurement, is the process of considering ESG factors in the procurement decisions of an organization. By adopting a green procurement policy, businesses can contribute to sustainable development, reduce environmental impacts, and promote responsible practices throughout the supply chain. It aims to minimize negative environmental impacts, promote social responsibility, and achieve long-term sustainability. Green procurement is essential for organizations committed to corporate social responsibility and sustainable development.

One form of best practice for SMEs is the concept of 'Green Public Procurement' (GPP). The European Commission defines GPP as "a process whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured". As the concept suggests, it is meant to apply to public authorities, such as local councils or governments, so that they can set the highest standards. However, it must be remembered that if public authorities adhere to GPP, they will not be able to work with your SME if it does not meet the standards set out in the policy – this is why it is crucial to adopt this concept into your organization, so that you can stay within an extended supply chain.

### **General benefits of Green Procurement:**

- Reduction in carbon emissions and resource consumption.
- Mitigation of pollution and waste generation.
- Improvement of worker safety and welfare.
- Support for local communities and small businesses.
- Promotion of fair labour practices and human rights.
- Cost savings through energy efficiency and waste reduction.
- Enhanced brand reputation and customer loyalty.
- Access to new markets and business opportunities.

### **Development of a Green Procurement Policy:**

Firstly, conduct a comprehensive review of existing procurement policies and practices in your organization. You may wish to engage relevant stakeholders, including procurement staff, suppliers, and sustainability experts. Next, define clear and measurable goals aligned with ESG principles and organizational values. These can be used to develop key performance indicators (KPIs) to track progress and measure the effectiveness of your Green Procurement Policy.

One of the most important aspects of the development of the policy is defining criteria for evaluating suppliers based on their ESG performance and sustainable practices. Prioritize suppliers with strong ESG credentials, such as certifications, green initiatives, and ethical sourcing policies. Conduct thorough due diligence to verify suppliers' claims and ensure compliance with applicable regulations and standards. Developing and implementing a green procurement policy that prioritizes suppliers with strong ESG performance and sustainable practices is a crucial step towards achieving environmental sustainability and social responsibility as it can contribute to a greener economy, reduce your environmental footprint, and create positive social impacts.



# Tip 9

## **Environmental Protection Agency (EPA) Ireland – Green Public Procurement guidance for the public sector: best practice for SMEs**

Green Public Procurement (GPP) is a process where public authorities seek to source goods, services or works with a reduced environmental impact. The Government of Ireland's annual public sector purchasing accounts for 10% to 12% of Ireland's GDP, a large part of economic activity and demand. Currently, all procurement using public funds will need to include green criteria. The Guidance for GPP is accompanied by Irish GPP criteria for the ten priority sectors:

- Road transport vehicles and services
- Indoor and outdoor lighting
- ICT products and services (including data centres)
- Heating equipment (including boilers, cogeneration, trigeneration and heat pumps)
- Food and catering services
- Energy-related products (white goods/appliances, electronic displays, vacuum cleaners)
- Cleaning products and services
- Paper products and printing services
- Design, construction and management of office buildings
- Textile products and services (including uniforms and laundry services)

**Top tip:** If your SME falls into one of the above sectors, you may wish to read the relevant guidance as a form of best practice at the original source at the end of this page. The guidance of the Irish GPP explains four main benefits:

- **COMPETITIVENESS** – SMEs and other enterprises are looking to increase their capacity to compete both domestically and internationally as Ireland recovers from economic shocks like the coronavirus outbreak and Brexit. Utilising GPP criteria, which are based on a single EU framework, can assist companies in being ready for obligations related to public sector tendering in other Member States that use comparable criteria.
- **RESILIENCE** – There are long-term benefits to decreasing Ireland's reliance on fossil fuels and strengthening the management of energy, water, and natural resources; the government spends about €20 billion annually on goods, services, and construction projects.
- **COMPLIANCE** – Environmental laws that are applicable to producers, suppliers, and public entities are included in the GPP criteria. Applying the most recent GPP standards ensures that all pertinent requirements are incorporated to minimise the risk of environmental harm, health and safety dangers, and responsibility because this body of legislation is complicated and continually changing.
- **REPUTATION** – It is the duty of the public sector as a whole to take the lead on environmental issues including waste management, climate change, energy and water consumption, and the preservation of our natural resources.

**Top tip:** As an SME, you may wish to prioritize some of the above factors in terms of what fits to you.

More can be read at the original source of the GPP Guidance for the Irish Public Sector at:

<https://www.epa.ie/publications/circular-economy/resources/GPP-Guidance-for-the-Irish-Public-Sector.pdf>

# MODULE 2



## TIP 10

Regularly review and improve your ESG practice based on feedback, performance metrics, and emerging best practices in the field



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# Tip 10

## **Tip 10: Regularly review and improve your ESG practice based on feedback, performance metrics, and emerging best practices in the field.**

Organisations need to adopt a continuous improvement culture and periodically examine their ESG practices in order to meet stakeholder expectations and ensure long-term success. Feedback plays a critical role in ESG improvement because it enables your company to make the required adjustments to stay at the forefront of the supply chain, preserve stakeholder trust, and stay informed about regulatory changes and apply them to existing internal policies.

The first step is establishing appropriate feedback mechanisms. You can encourage stakeholder engagement through actively seeking feedback from internal and external stakeholders, including employees, customers, investors, and communities. This can be done through conducting surveys and interviews to understand perceptions, expectations, and areas for improvement.

Top tip: To maintain a high standard of best practice, we suggest you collaborate with industry peers, through forming collaborations and partnerships to learn from each other's experiences.

According to McKinsey and Company, you should first examine the feedback to find any reoccurring themes or patterns that point out the strengths and weaknesses of your ESG processes. Make use of this to rank areas for development and distribute funds appropriately. Create doable plans to close the gaps found and improve your ESG performance based on the input. To determine areas for improvement and to evaluate the organization's relative position in the ESG market, you can also choose to benchmark against industry standards by comparing performance measures. But this is a continuous task. Your metrics must be monitored and tracked on a regular basis.

This can help with clear reporting and informing stakeholders about your ESG performance via yearly reports, sustainability reports, and internet and social media channels. Feedback from stakeholders is essential to ensuring long-term success and meeting their rising expectations.

By embracing a culture of continuous improvement and learning, organisations may better their ESG performance, contribute to sustainable development, and create long-term value for all stakeholders.

### **The United Nations Strategic Planning Guide for Managers**

Strategic planning is a process of looking into the future and identifying trends and issues against which to align organizational priorities of a specific department or your SME in general.

The United Nations (UN) defines strategy as "achieving a goal in the most effective and efficient manner possible" or "achieving a mission comparatively better than another organization" (such as a direct competitor). The UN states that strategic planning is about understanding the challenges, trends and issues surrounding your organization, as well as outlining who the key stakeholders are and what they need to determine the most effective and efficient way possible to achieve the goal.



# Tip 10

There are various tools as part of strategic planning: a SWOT analysis is the most popular and user-friendly internal analysis technique. Strengths, Weaknesses, Opportunities, and Threats are referred to as SWOT. Your SMEs internal strengths, internal weaknesses, prospective external opportunities, and external threats are summarised in a SWOT analysis, as a table or cross grid, to be used by managers or leaders in the organization. Then, by gathering, ranking, and classifying the resulting SWOT data according to common affinities, the most important strategic issues are identified.

**Top tip:** If you are a beginner to strategic planning, we recommend looking into carrying out a SWOT analysis, as there are many examples available. Once comfortable with the concept, you may wish to introduce more complex strategy analysis or a variety to present your organizational strategy holistically.

The UN has listed some key questions to ask as part of your organizational strategic planning, when developing new initiatives and projects:

- **Will the initiative make a significant impact in achieving an objective?**
- **Is the objective far from being achieved?**
- **Is the initiative the most effective and efficient option?**
- **Does your entity have the skills, knowledge, and experience to complete the initiative?**
- **Does your entity have the capacity (staff-time, funding) to implement and manage the initiative?**
- **Is the proposed budget required reasonable?**

The suggested initiatives, after the questions above have been asked and changes made, are then discussed by the management team at a meeting with employees or other relevant stakeholders. It may be useful to create a grading system to aid in setting organizational priorities. At the end, the suggested initiative or process must be examined by all, and a final decision reached.

**Top tip:** Strategic planning can work really well if you involve a diverse group in the evaluation process, Different points of view, experiences, and expertise can help you reach a balanced decision, taking into account factors you may not have considered on your own.

More can be read at the original source of the Strategic Planning Guide at:  
[https://hr.un.org/sites/hr.un.org/files/4.5.1.6\\_Strategic%20Planning%20Guide\\_0.pdf](https://hr.un.org/sites/hr.un.org/files/4.5.1.6_Strategic%20Planning%20Guide_0.pdf)

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# SUMMARY

## Summary:

Staying informed about current environmental challenges, developments in sustainable technology, and innovative solutions can enhance one's understanding of environmental issues. Engaging with reputable sources of information, attending sustainability conferences, and participating in environmental initiatives can provide valuable insights into the complexities of ESG and environmental stewardship.

Fostering a mindset of continuous learning and critical thinking is essential for navigating the evolving landscape of ESG and environmental issues. By questioning assumptions, seeking diverse perspectives, and evaluating the impact of individual and collective actions on the environment, individuals can cultivate a deeper understanding of the interconnected nature of ESG factors and environmental sustainability.

By actively engaging with ESG principles, staying informed about environmental challenges, and fostering a mindset of continuous learning, individuals can better comprehend the complexities of ESG and environmental issues. This increased understanding not only empowers individuals to make informed decisions but also positions them as agents of positive change in promoting environmental sustainability and driving towards a more sustainable future.

