

# ESG Essentials for SMEs: *Kickstart your ESG Journey*



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# ESG Strategy

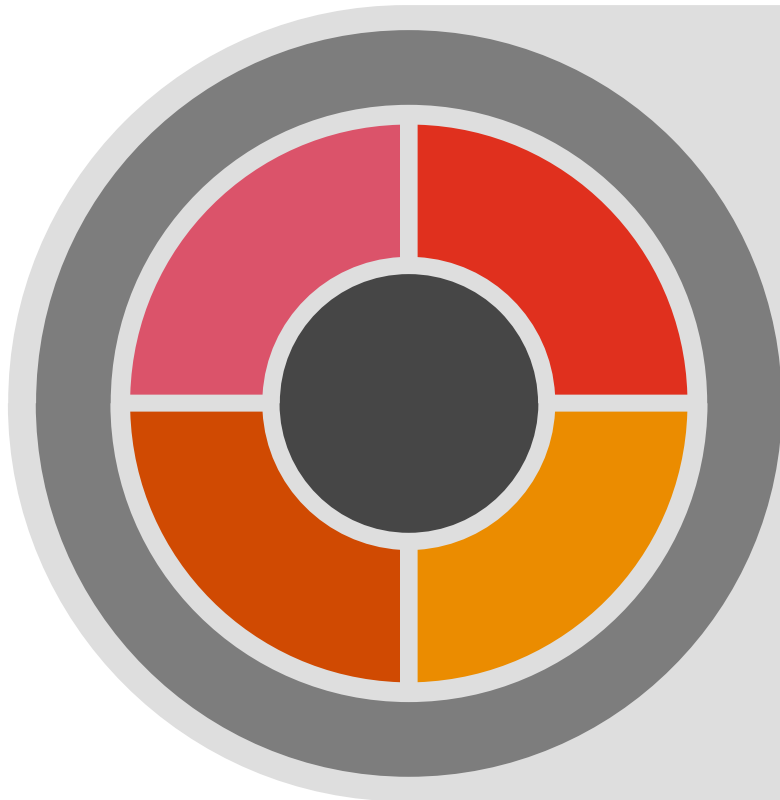
ESG Essentials for SMEs:  
Kickstart your ESG Journey



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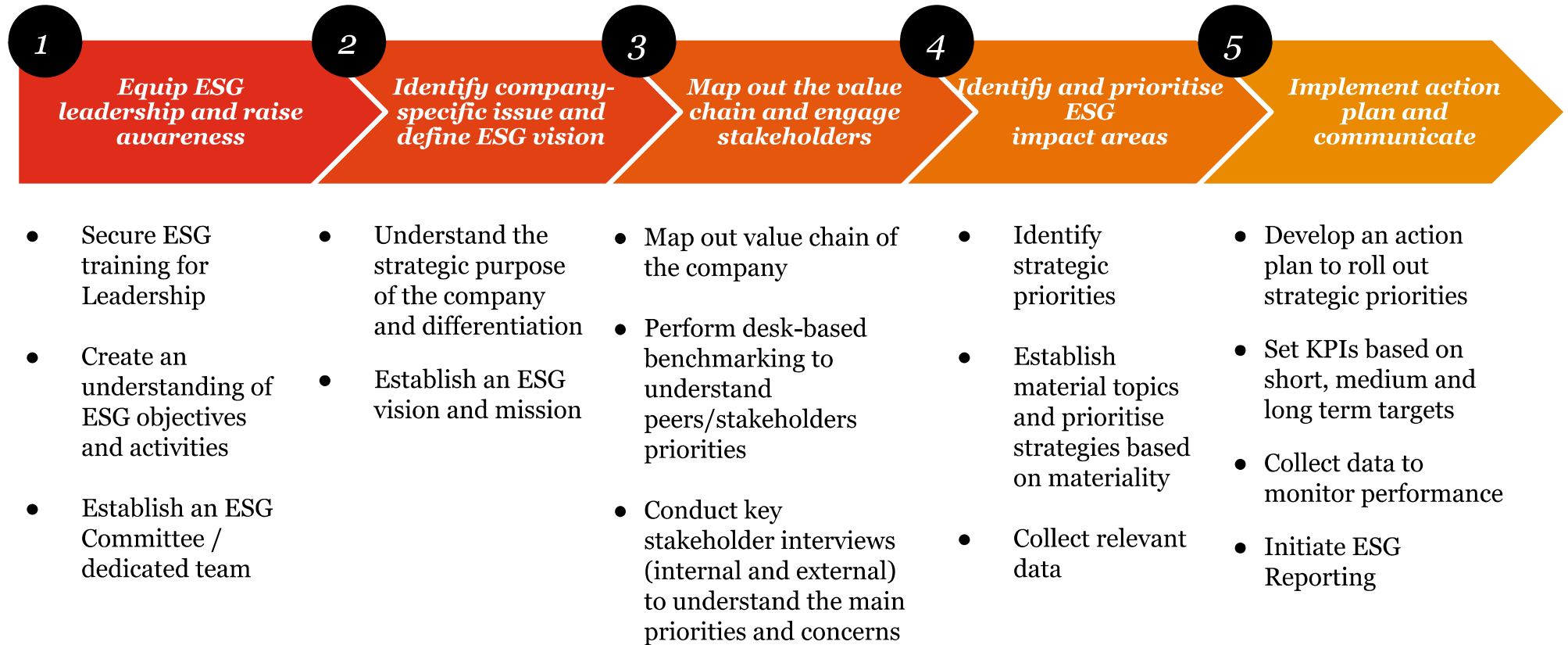


# What is an ESG strategy?



- **A tangible, practical plan that achieves real results**
- **Embeds ESG principles across the business**
- **Brings together material topics from internal and external stakeholders**
- **Charts a clear pathway to tackle the biggest challenges of today and capture the best opportunities of tomorrow**

# Creating an ESG strategy



# Creating an ESG strategy

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*Equip ESG  
leadership and raise  
awareness*



```
graph LR; A[Equip ESG leadership and raise awareness] --> B[ ]; B --> C[ ]; C --> D[ ]
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# ESG leadership

*ESG has to be driven by company leadership for effective implementation*

## **Checklist**

### **Leadership**

- ❑ Senior Management is **trained** on ESG and refreshed on evolving trends regularly
- ❑ Senior Management is involved in **identifying key material ESG issues** for the company
- ❑ ESG is a **standing point** on the company Board agenda

### **ESG Committee**

- ❑ The company has a **Steering Committee** that is responsible for ESG which consists of a Board representative or reports into the Board
- ❑ The committee has oversight of **all businesses units and functions** in the company
- ❑ The ESG Committee has a Terms of Reference which clearly sets out its **roles and responsibilities**
- ❑ The ESG Committee meets **regularly**

### **ESG Management**

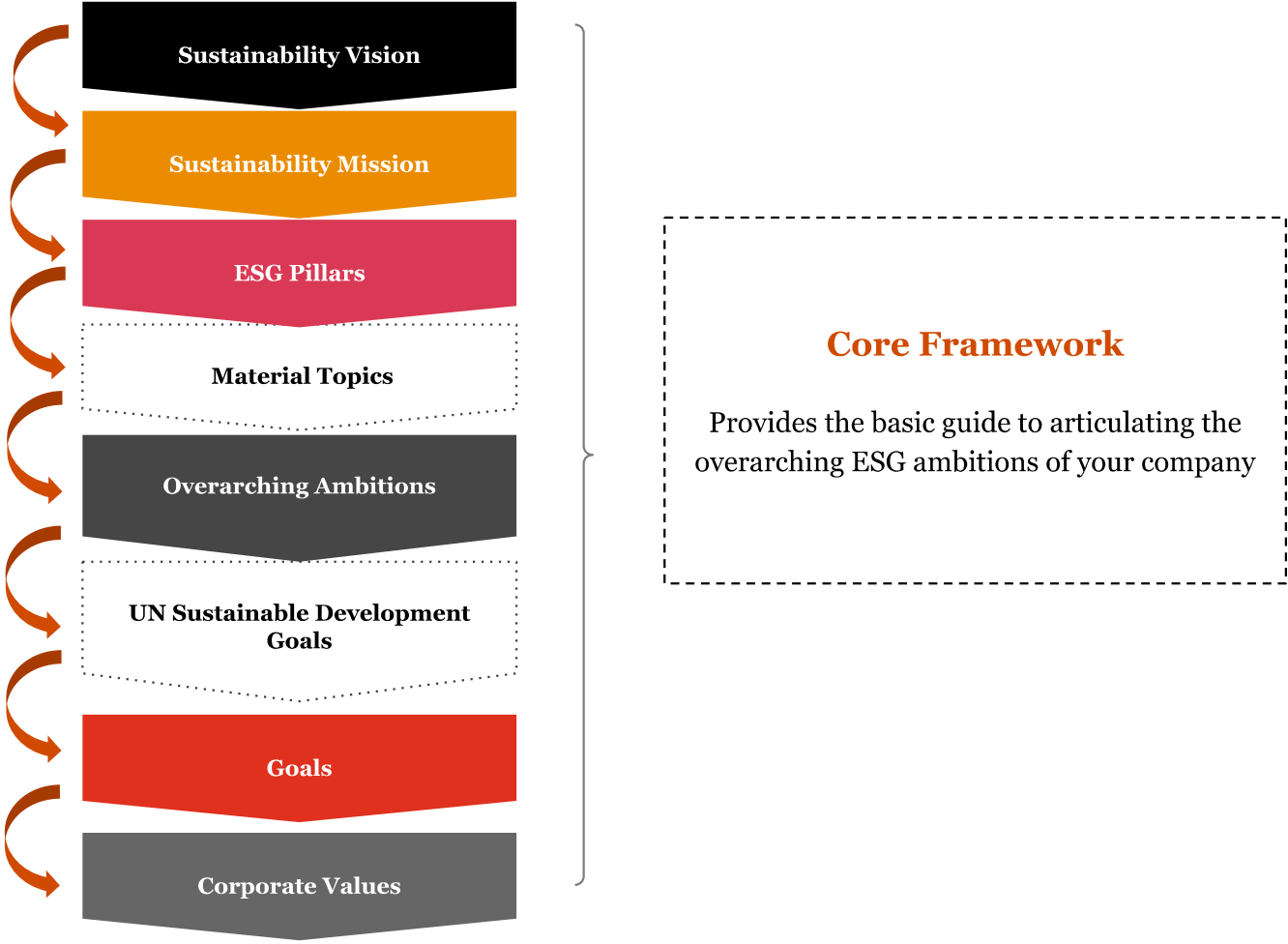
- ❑ The company has an **ESG specialist** and/or team that supports various business functions in delivering the sustainability strategy
- ❑ The company has an **ESG policy document**, which is also incorporated into our other policies and procedures where relevant

# Creating an ESG strategy



# Conceptualising an ESG framework

*A guide to building your framework*





# What are the SDGs?

## United Nations Sustainable Development Goals (UN SDGs)

A global partnership across member countries to implement the developmental goals to better people and the planet.



**Adopted in 2015**

**17 Goals**

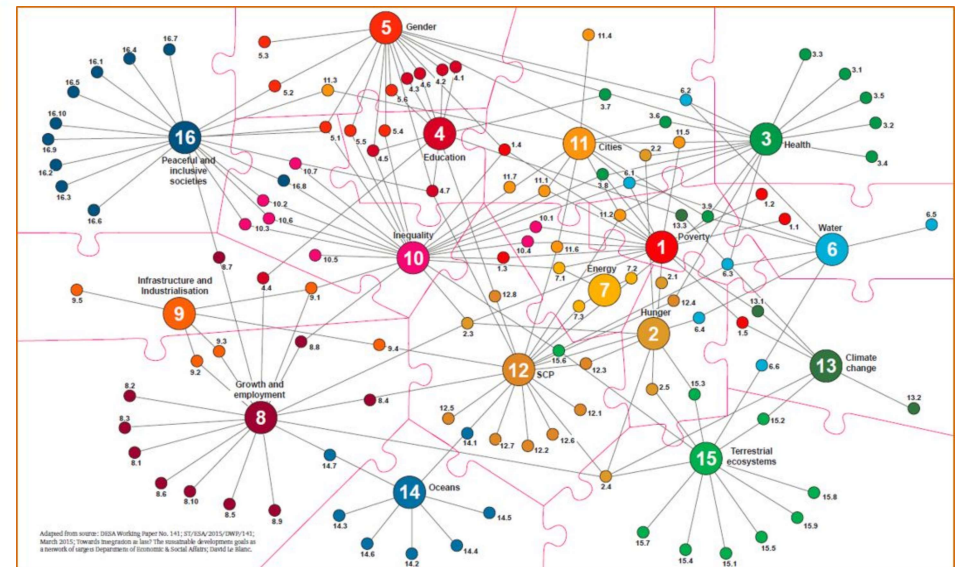
**169 Targets**

**232 Indicators**

**Signed by 193  
Member States**

# SDGs from an ESG perspective

*The SDG targets are inter-linked - addressing one can impact others*



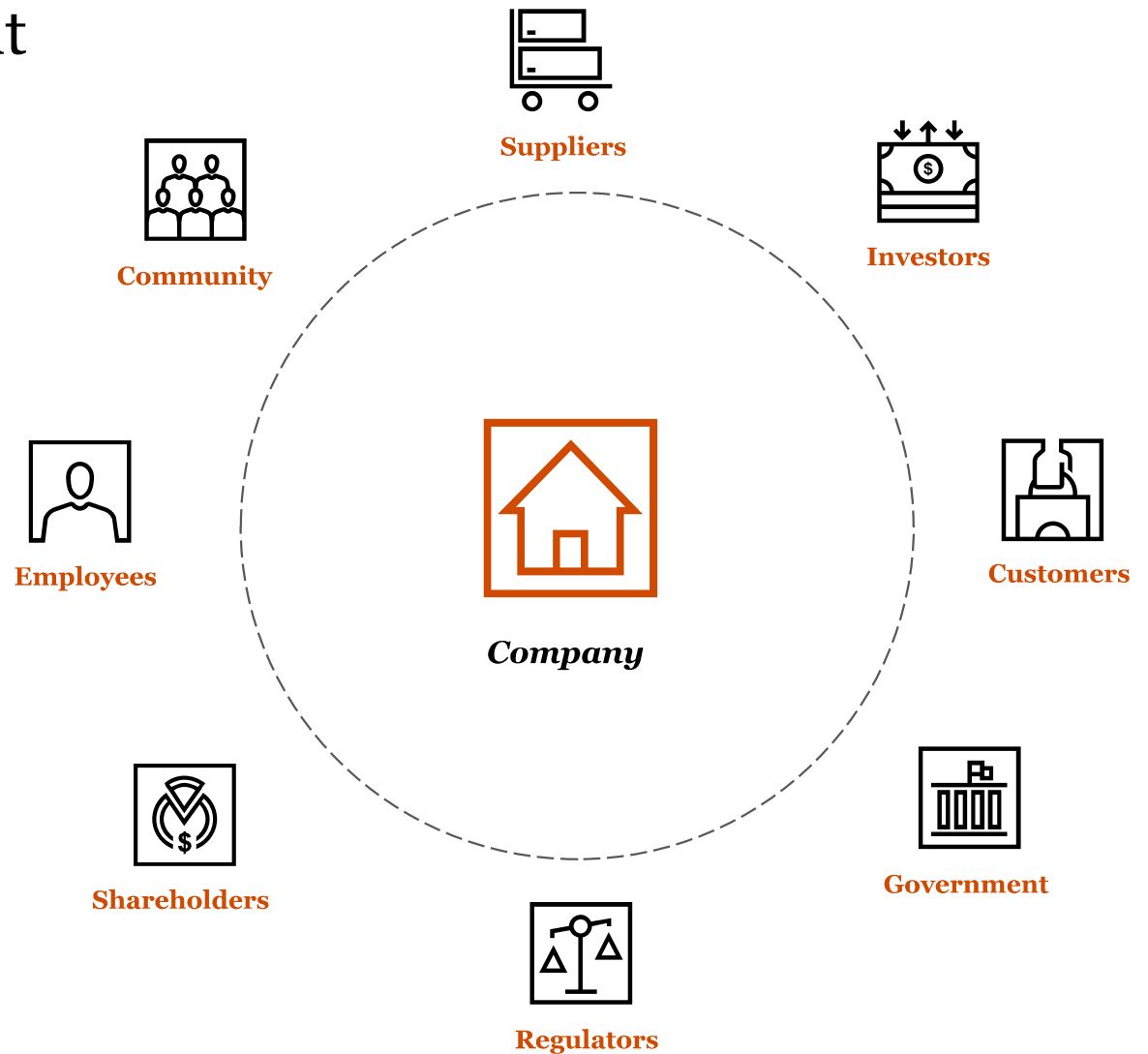
- Given the range of the goals, the SDGs tend to overlap across the ESG pillars
- However, it provides a useful guide for companies to frame their sustainability activities, with clear targets to contribute to

# Creating an ESG strategy



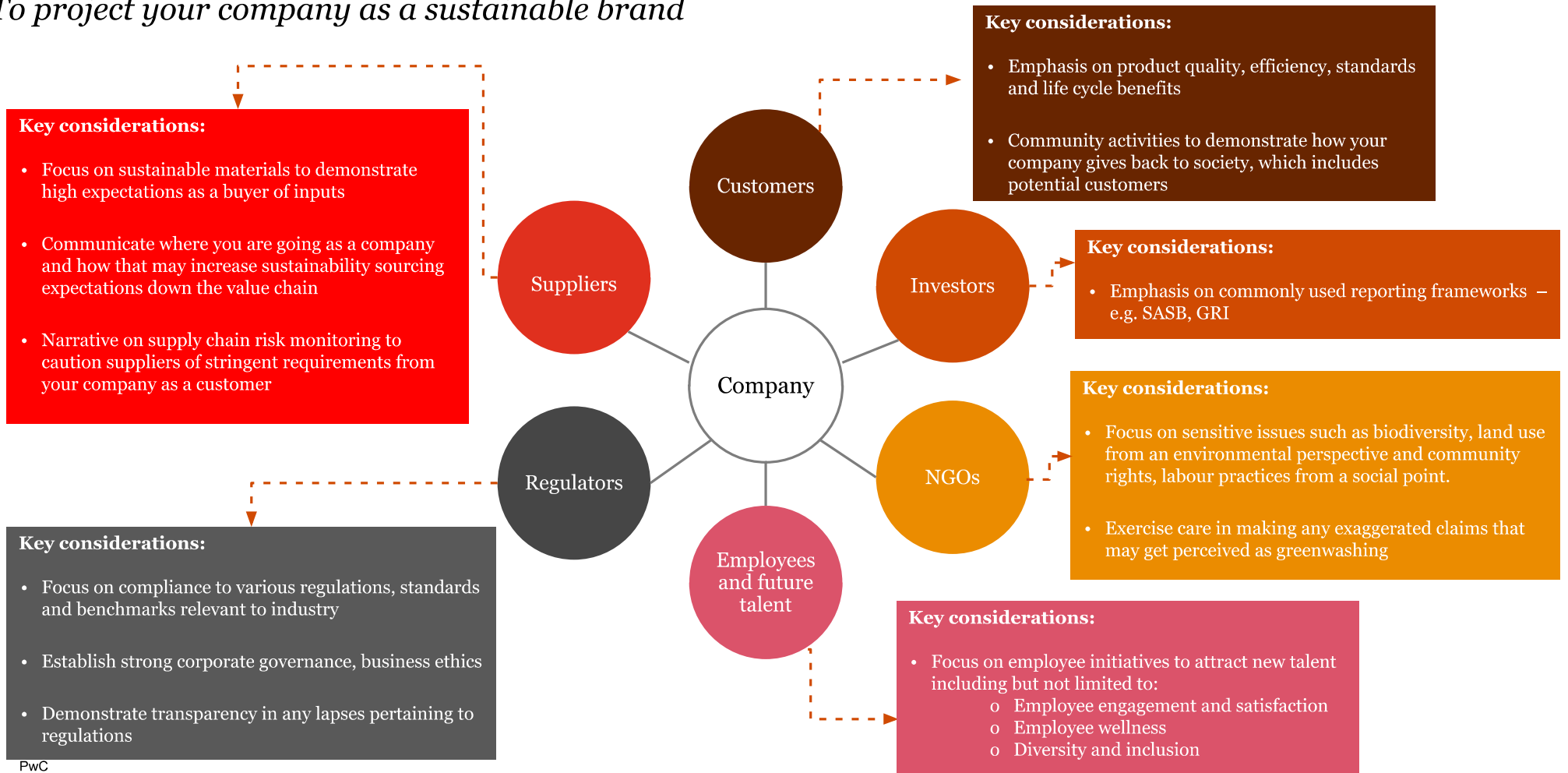
# Key stakeholder engagement

- Companies should conduct **engagement sessions** with stakeholders to better understand their material ESG considerations
- Insights from these sessions help to ensure that the company's ESG strategy is **grounded and aligned** with stakeholder insight
- Start by understanding the ESG considerations of key stakeholders such as:
  - Customers
  - Employees across different business units
  - Investors



# Stakeholder Communications and Implementation Plan

*To project your company as a sustainable brand*



# Creating an ESG strategy



# Materiality process & approach

## *What is materiality?*

*Materiality is the basic premise on which a sustainability strategy is built and sets the building blocks for integration of key ESG topics into a company*

Material topics are topics that represent an organisation's most **significant impact** on the economy, environment and people, including impacts on their human rights

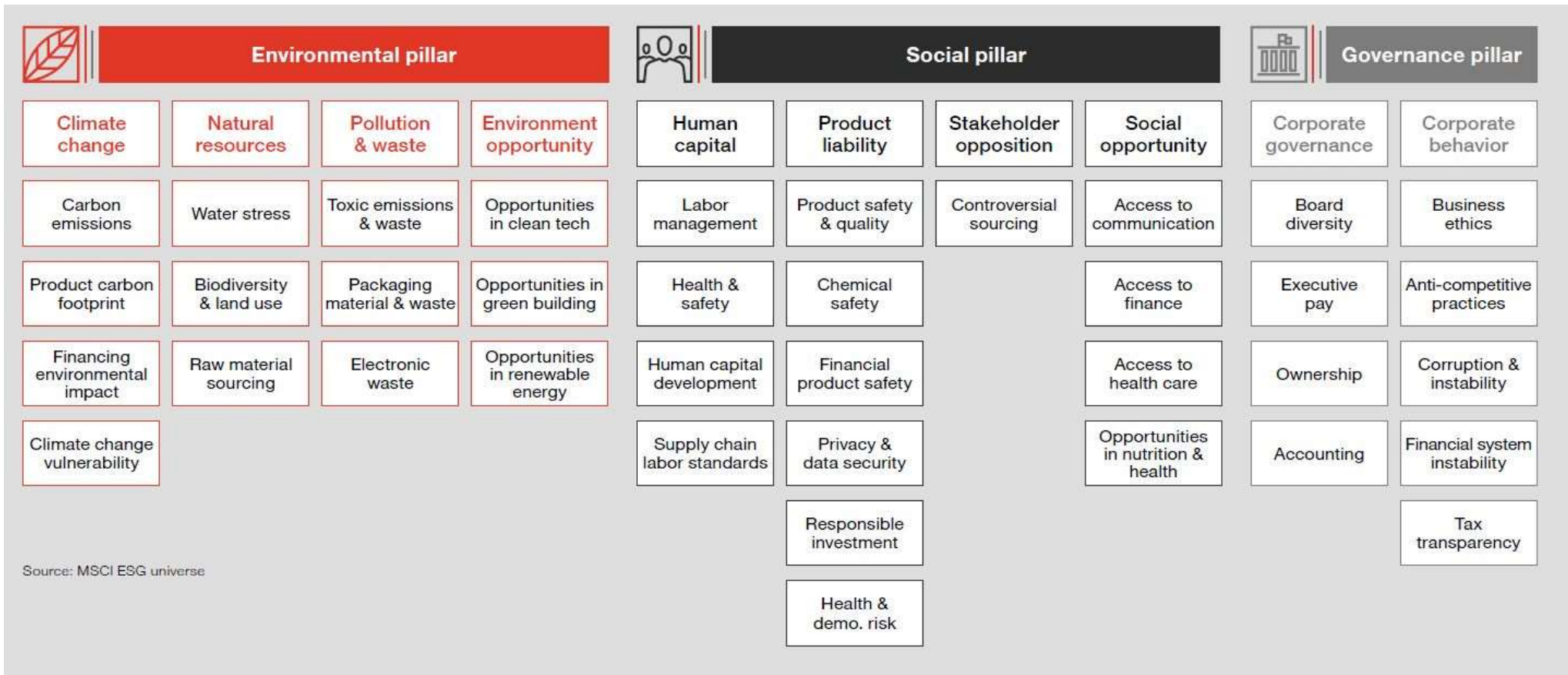
GRI 3 Material Topics 2021

What is material to a company is dependent on a range of factors such as:

- Business model
- Sector
- Geography
- Culture
- Legal operating context
- Ownership structure
- Nature of impact

# Understanding material issues

Illustrative representation of material topics under each ESG pillar



Source: MSCI ESG universe



# GRI process to determine material topics

## Identify and assess impacts on an ongoing basis



Use the Sector Standards to understand the sectors' context

Engage with relevant stakeholders and experts

Consider the topics and impacts described in the Sector Standards

Create an initial high-level overview of company:

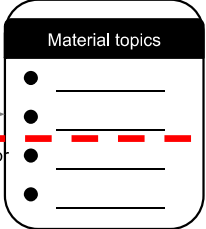
- Activities
- Business relationships
- Sustainability context
- Overview of stakeholders

## Determine the material topics for reporting

Test the material topics with experts and information users



Test the material topics against the topics in the Sector Standards



Rank material topics based on their significance, from highest to lowest priority, then, apply materiality threshold to show those topics the organisation will focus its reporting on.

# GRI 2021 guidance: Identifying the organisation's context

## Activities

To consider:

- Organisation's purpose, value or mission statements, business model, and strategies
- **Types of activities** carried out
- Types of **products and services** offered and the markets served
- The **sectors** in which the organisation is active and their characteristics
- The number of **employees**
- The number of **workers** who are **not employees** and whose work is controlled by the organisation

## Business Relationships

Includes relationship with **business partners**, entities in the **value chain** (including entities beyond the first tier), and any other entities directly linked to **operations, products, or services**.

To consider

- The types of **business relationships** the organisation has
- The types of activities undertaken by those with which the organisation has business relationships
- The **nature** of the business relationships
- The **geographic locations** where the activities of the business relationships take place

## Sustainability Context

To consider:

- **Economic, environmental, human rights**, and other **societal challenges** at **local, regional, and global levels** related to the organisation's sectors and the **geographic location** of its activities and business relationships
- The organisation's responsibility regarding the authoritative **intergovernmental instruments** with which it is expected to comply
- The organisation's responsibility regarding the **laws and regulations** with which it is expected to comply

## Stakeholders

Identify stakeholders across activities and business relationships and engage with them to help identify its impacts:

- Draw a full list of **individuals and groups** whose interests are **affected or could be affected** by the organisation's activities
- To ensure the organisation identifies any individuals or groups it **does not have a direct relationship** with and those who are unable to **articulate their views** but whose interests are affected or could be affected by the organisation's activities
- Different lists of stakeholders can be drawn **per activity, project, product or service**, or other classification that is relevant for the organisation.

*Common categories of stakeholders for organisations are business partners, civil society organisations, consumers, customers, employees and other workers, governments, local communities, non-governmental organisations, shareholders and other investors, suppliers, trade unions, and vulnerable groups*

# GRI 2021 guidance: Identifying impacts

**Impact:** The outcome that your company's (1) operations; (2) action or inaction; and (3) products/services have on the economy, environment, society, individuals.

Impact may be characterised as:

## Actual or potential

- **Actual:** An outcome which is certain
- **Potential:** Outcome is not for certain but could happen

*Example: Construction activity inevitably produces noises so it is actual*

## Short or long-term

- **Short-term:** One-off outcome that is temporary in nature
- **Long-term:** Outcome that is chronically tied to the business or long-lasting in nature

*Example: The construction activity only lasts for a day, this could be seen as a short-term inconvenience*

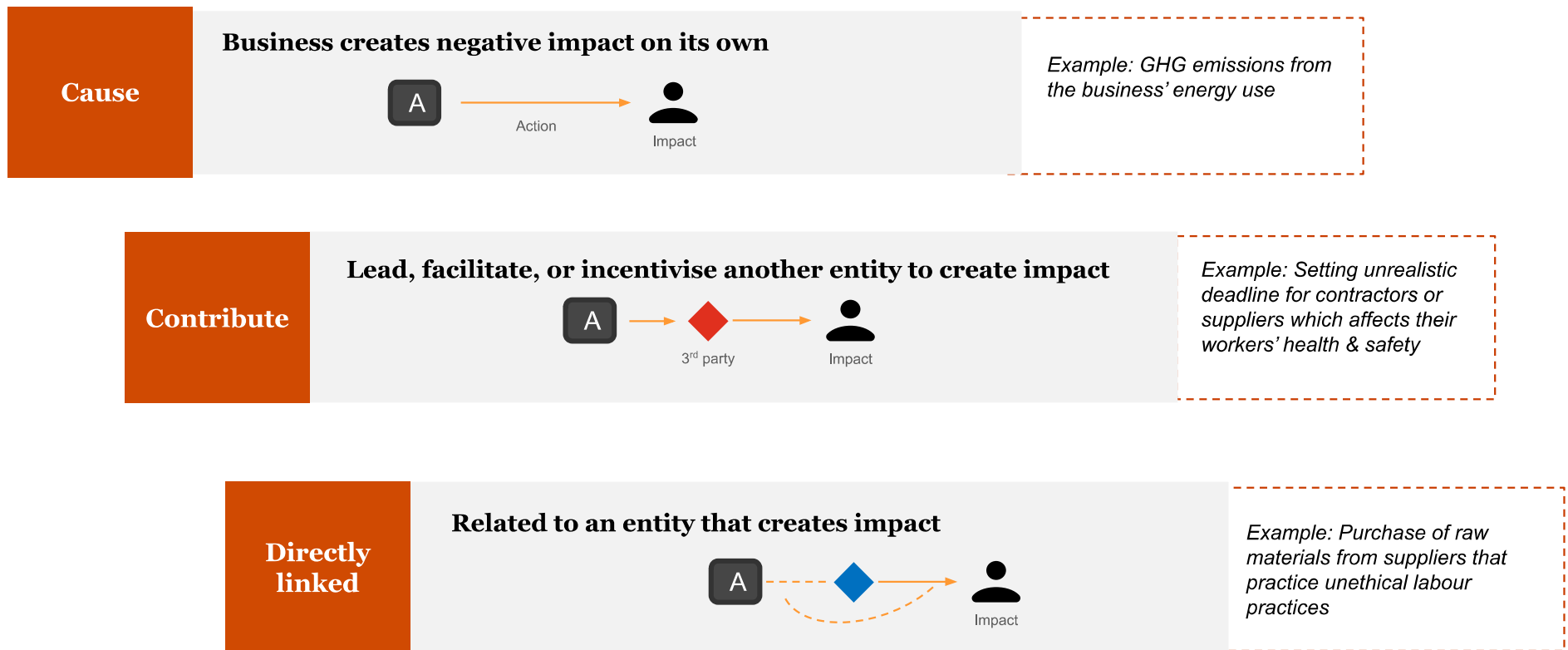
## Positive or negative

- A beneficial or wanted (positive) outcome vs an unwanted or harmful outcome (negative) on the economy, environment, society as a result of your operations

*Example: Noise pollution from construction activities can be seen a negative impact on the community (society)*

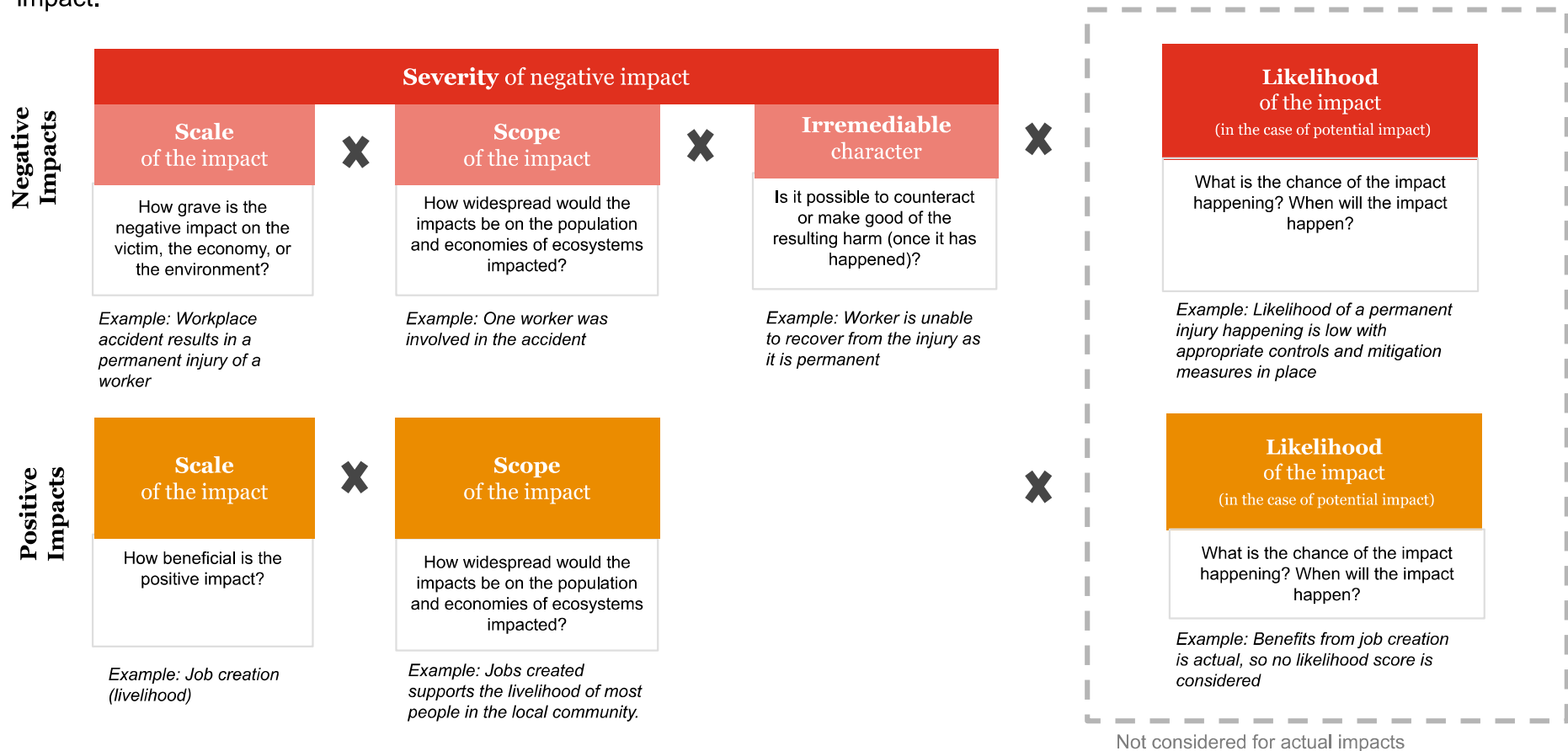
# GRI 2021 guidance: Understanding negative impacts

In identifying negative impacts, the organisation should consider negative impacts that it directly causes, contributes to, or is directly linked to:



# GRI 2021 guidance: Assessing impact significance

When assessing the significance of impact, the organisation should consider the scale, scope, irremediable character and likelihood of impact.



# Understanding material issues - sector specific

Material issues vary across sector and geography and various frameworks offer guidance for different sectors



- SASB has standards for **77 industries** that identify the subset of environmental, social, and governance issues most relevant to financial performance in each industry
- Industry-specific disclosure **reduces costs** and **minimises noise** by surfacing the most relevant information



- GRI is developing standards for 40 sectors and have released sector standards for Oil and Gas (GRI 11), Coal (GRI 12), as well as Agriculture, Aquaculture and Fishing (GRI 13)

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

**AGRICULTURAL PRODUCTS**  
EXAMPLES OF FINANCIALLY MATERIAL DISCLOSURE TOPICS

**ENVIRONMENT**

**Water Management** – (1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress

**HUMAN CAPITAL**

**Workforce Health & Safety** – (1) Total reportable incidents, (2) lost time incidents, (3) safety rate, and (4) near miss frequency rate (hours) for all direct employees and (5) seasonal and migrant employees

**BUSINESS MODEL & INNOVATION**

**GM/O Management** – Discussion of strategies to manage the use of genetically modified organisms (GM/O)

**SOCIAL CAPITAL**

**Food Safety** – (1) Global Food Safety Initiative (GFSI) audit (1) non-conformance rate and (2) associated corrective action rate for all major and (3) minor non-conformances

**AGRICULTURAL PRODUCTS**  
FINANCIALLY MATERIAL DISCLOSURE TOPICS

**ENVIRONMENT**

**Greenhouse Emissions**

- Scope 1 and Scope 2 emissions
- Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets
- Fleet fuel consumed, percentage renewable

**Energy Management**

- (1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable

**Water Management**

- (1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress
- Description of water management risks and discussion of strategies and practices to mitigate those risks
- Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations

**HUMAN CAPITAL**

**Workforce Health & Safety**

- (1) Total reportable incident rate (TRIR), (2) safety rate, and (3) near miss frequency rate (hours) for (a) direct employees and (b) seasonal and migrant employees

**BUSINESS MODEL & INNOVATION**

**Environmental & Social Impacts of Ingredient Supply Chain**

- Percentage of agricultural products sourced that are certified to a third-party environmental and/or social standard, and percentage by standard
- Suppliers' social and environmental responsibility audit (1) non-conformance rate and (2) associated corrective action rate for all major and (3) minor non-conformances
- Discussion of strategy to manage environmental and social risks arising from contract growing and commodity sourcing

**GM/O Management**

- Discussion of strategies to manage the use of genetically modified organisms (GM/O)

**Ingredient Sourcing**

- Identification of principal crops and description of risks and opportunities presented by climate change
- Percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress

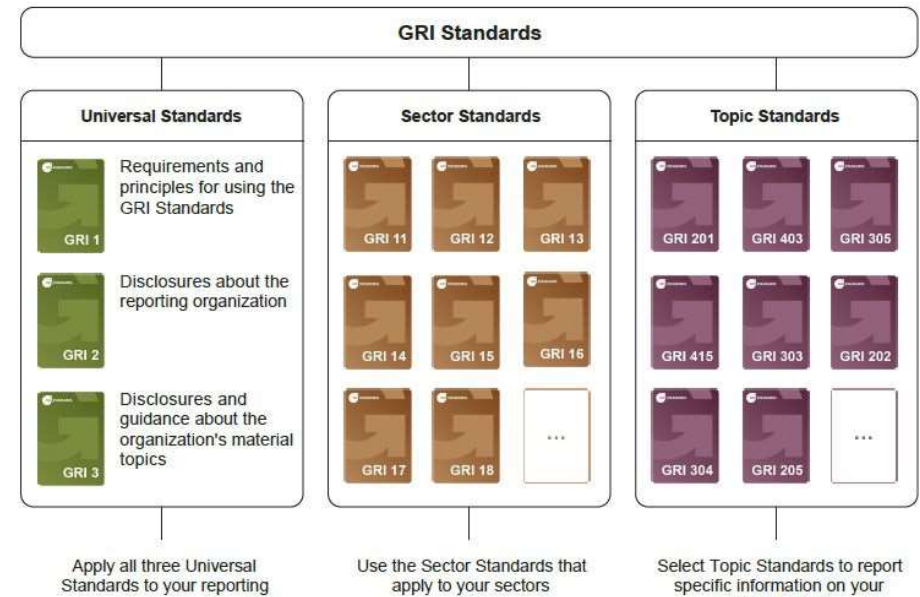
**SOCIAL CAPITAL**

**Food Safety**

- Global Food Safety Initiative (GFSI) audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances
- Percentage of agricultural products sourced from suppliers certified to a Global Food Safety Initiative (GFSI) recognized food safety certification program
- (1) Number of recalls issued and (2) total amount of food product recalled

DOWNLOAD THE STANDARDS  
SASB.ORG

Sample - Agricultural Products Industry, Food & Beverage Sector

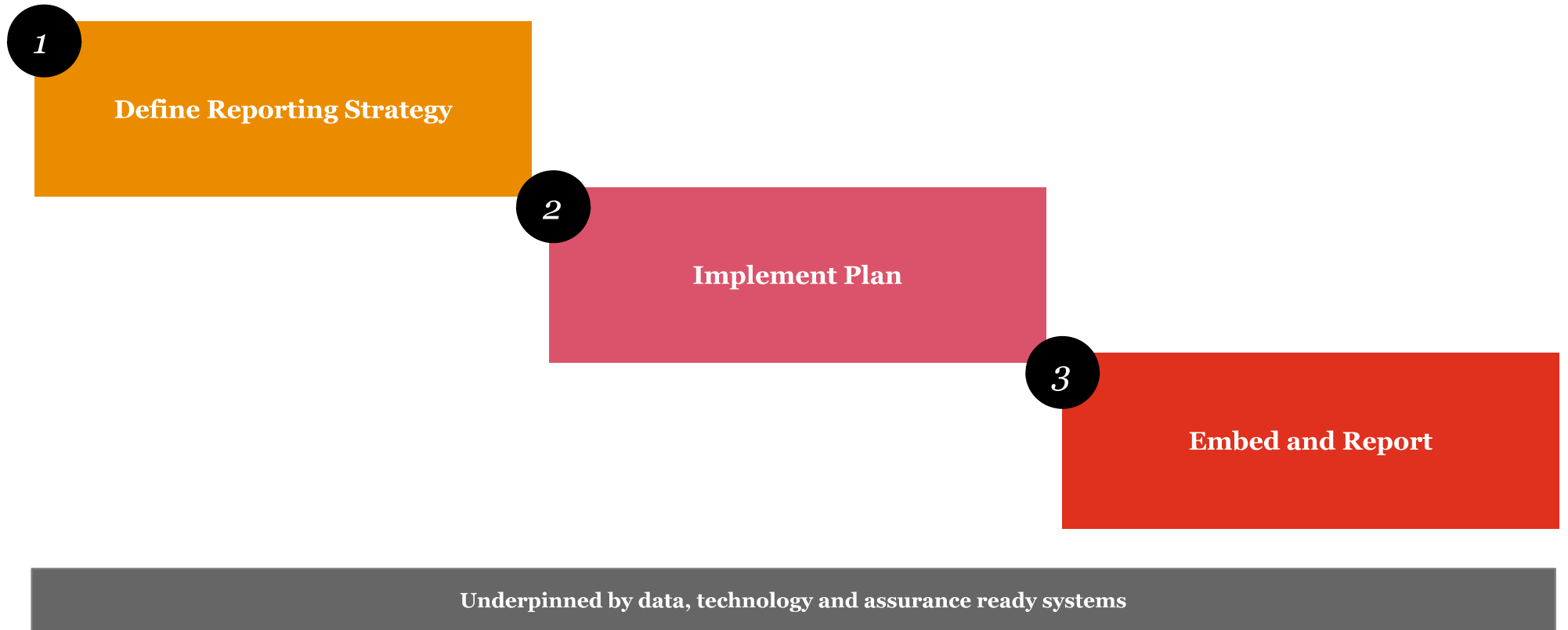


GRI Standards - Sector and Topic Standards

# Creating an ESG strategy



# ESG reporting strategy guide





# ESG reporting strategy guide

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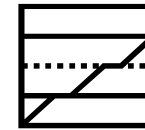
## Define Reporting Strategy

### Covered in previous steps - Understand ESG Aspirations

- ❑ Understand the company's purpose, wider ESG strategy and reporting aspirations
- ❑ Identify key stakeholders and align reporting aspirations to the company's business strategy
- ❑ Understand where the company's peers and the market are currently positioned and headed, the expectations of standard setters and undertake benchmarking

### Next Steps - Define Reporting Strategy

- ❑ Define the company's **detailed ESG reporting plan**
- ❑ Identify the most relevant **ESG rating agency program**



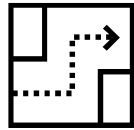
### Establish Current Position and Baseline

- ❑ Identify relevant **regulatory requirements**
- ❑ Conduct **gap analysis** between reporting ambition level and current ESG reporting and ESG data collection processes and controls
- ❑ Determine key **risks**, select and calculate **baseline KPIs** and define **data collection process and control** requirements

# ESG reporting strategy guide

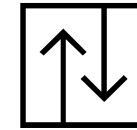
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## Implement plan



### Develop Plan and Governance Structure

- ❑ Develop a reporting strategy **implementation plan** and create the right governance structures around its delivery
- ❑ Identify **all relevant in-scope data** (internal and external sources) **that will underpin the reporting strategy**
- ❑ Align on **existing software, cloud platforms and/or infrastructure** to collect, transform, analyse & present in-scope data



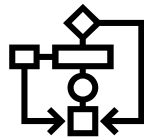
### Integrate Risks and Opportunities

- ❑ Initiate more strategic responses such as **scenario analyses** and quantifying **risk maps**
- ❑ Start to integrate ESG risks into the company's wider **risk management framework**

# ESG reporting strategy guide

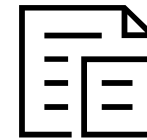
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## Embed and report



### Embed

- ❑ Embed **in-scope data collection systems, processes and controls** to formalise reporting routines and to provide the company with the ability to flex its reporting as the regulatory environment matures
- ❑ Embed **KPIs** in existing internal reporting routines to ensure ESG data is available to inform strategic decision-making
- ❑ Align KPIs to executive and management **incentives**
- ❑ Plan and deliver **training curriculum** to facilitate the company's desired level of upskilling and self-sufficiency



### Report

- ❑ Communicate the company's **value-enhancing position** to key stakeholders; **demonstrate progress** against the company's wider ESG strategy and comply with **existing regulatory requirements**
- ❑ Tailor reporting in response to feedback from **priority stakeholders** and future **regulatory change**

# Reporting Frameworks

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# Why ESG reporting is important

- Improves confidence in the information presented by a company
- Enhances **corporate reputation** and reinforces its **licence to operate**

**Builds Trust**

**Improves Transparency**

- Stakeholders are increasingly requiring companies to **disclose** their ESG data, whether on environmental or social impact
- Creates transparency and demonstrates a company's voluntary commitment to ESG

- Demonstrates consideration of ESG issues that **reduce risks** and **creates opportunities**
- Creates a **competitive advantage** through presenting a holistic view of the company

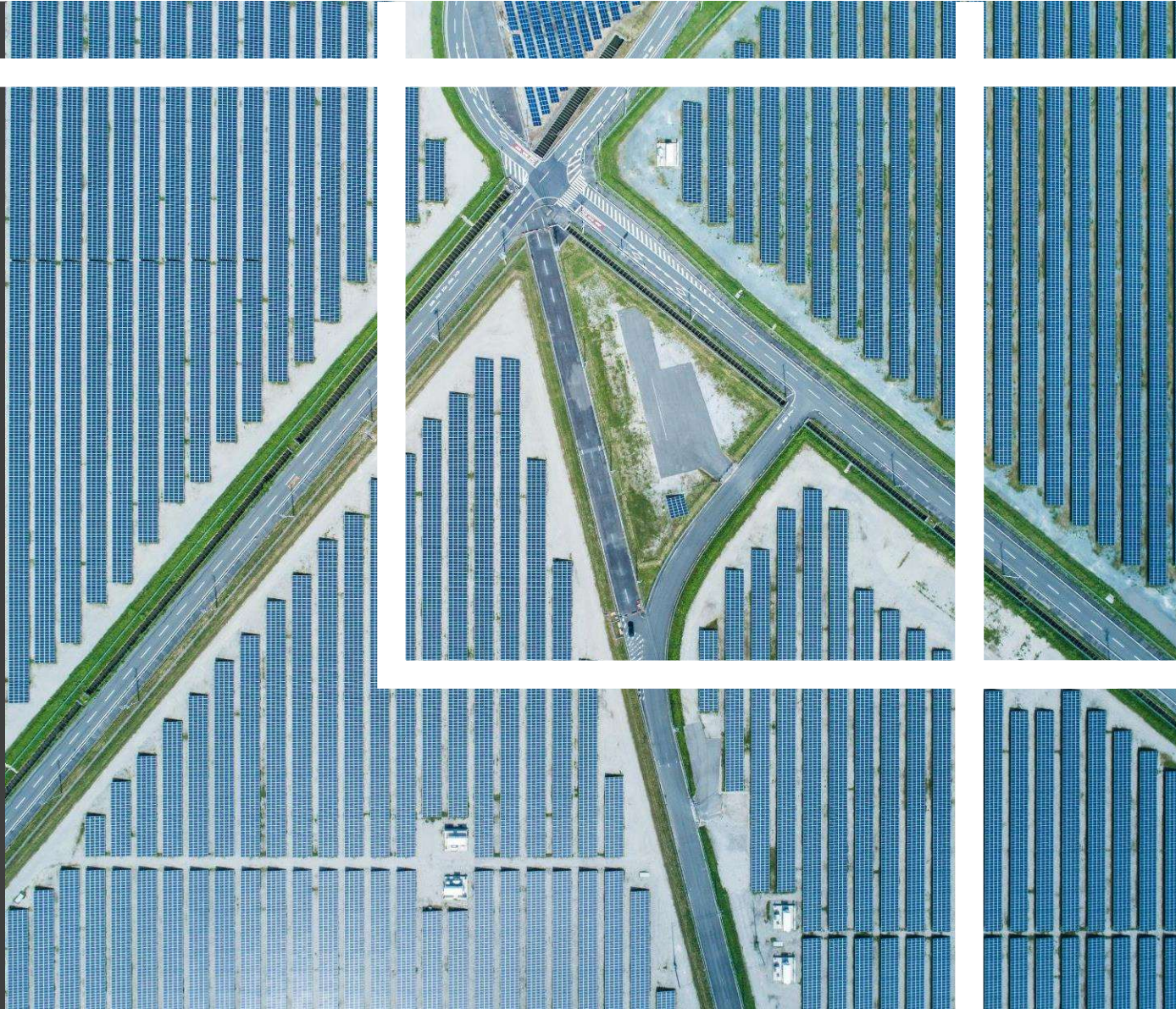
**Mitigates Risks,  
Captures Opportunities**

**Increases Value**

- Promotes more meaningful **employee engagement**
- Positively affects the **cost of capital**, and provides wider **access to capital markets** or third party lending

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## Reporting Frameworks and Standards



# Major developments - global ESG reporting landscape and developments

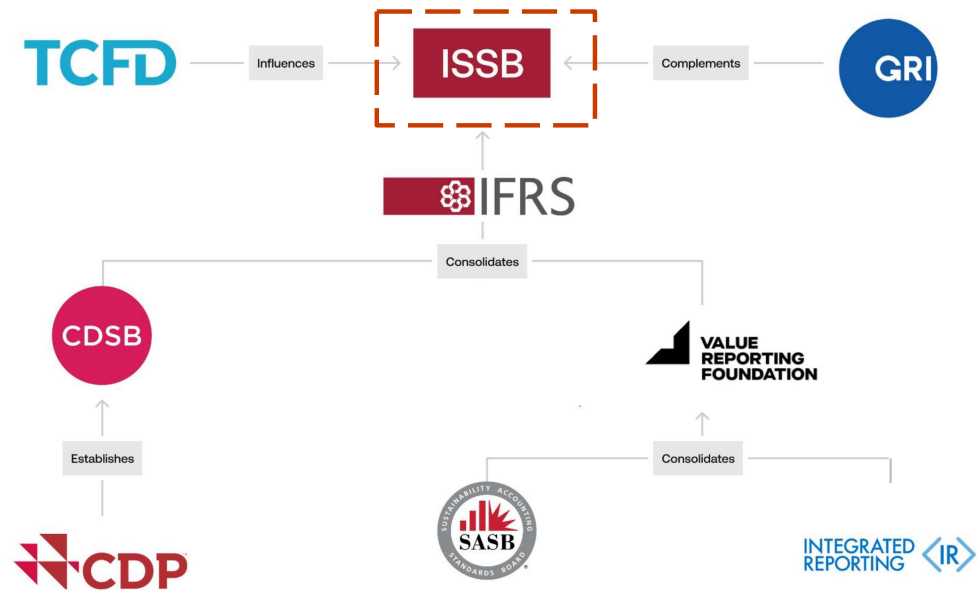
In June 2021, the International Organization of Securities Commissions published a report which reiterates the urgent need to improve the consistency, comparability and reliability of sustainability reporting for investors.

Reporting landscape is evolving rapidly with significant moves towards harmonisation and consolidation.

## Before 2020



## 2021 - 2022



# Reporting frameworks and standards guide

**Frameworks** provide guidance on how ESG information can be **structured, prepared** and which **topics** to cover

## Umbrella reporting standards/ frameworks

*Covering a breadth of ESG topics*

Umbrella standards specify what a company should report on for a broad selection of ESG topics



## Single issue standards/ frameworks/ measurement protocols

Recommendations that are focused on a single ESG issue, like climate change



## ESG principles & guidelines

Guides for sustainable corporate behaviours that help to frame reporting



## Sustainability ratings & rankings

Provides ESG information and ratings data to investors, with some agencies developing their own reporting criteria





# International Sustainability Standards Board (ISSB) developments



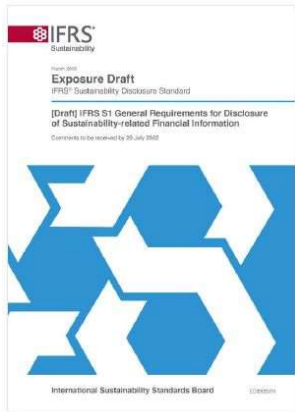
In November 2021, the International Financial Reporting Standards (IFRS) Foundation announced the formation of the ISSB to develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs

- The issuance of the ISSB standards in 2023 will provide the foundation for **global, consistent, comparable, and high quality** ESG reporting standards.
- Existing standards like **TCFD, SASB** and **Integrated Reporting** will be streamlined through ISSB

Notable inclusions -

- Use of TCFD pillars for structuring of core content,
- Disclosure of Scope 1, Scope 2 and Scope 3 of GHG emissions using the GHG protocol

- On 31 March 2022, the ISSB published two EDs for consultation with comment deadline on 29 July 2022



## [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (General Requirements ED)

- Require disclosure of information about its sustainability-related risks and opportunities that is useful to investors, lenders and other creditors to decide whether to provide resources to the entity



## [Draft] IFRS S2 Climate-related Disclosures (Climate ED)

- Establish disclosure requirements specific to climate-related risks and opportunities
- Incorporates TCFD recommendations and includes SASB's climate-related industry-based requirements

- ISSB will review feedback on the proposals and aims to issue the new Standards by the 2023, subject to the feedback
- Once finalised, these standards will form a comprehensive **global baseline of sustainability disclosures** designed to meet the information needs of existing and potential investors, lenders and other creditors

# Task Force for Climate-Related Financial Disclosures (TCFD)



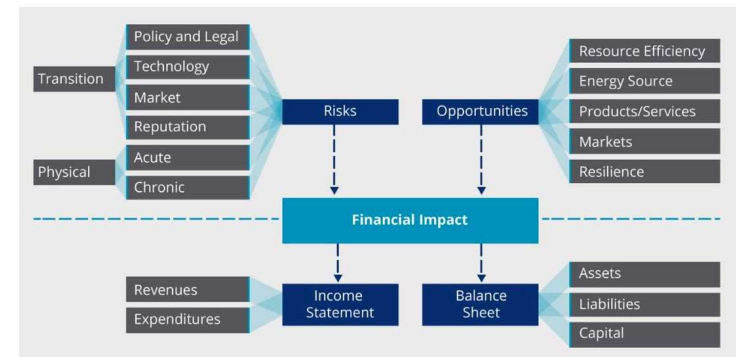
- Established by the Financial Stability Board in 2015
- Created to help public companies and other organisations more effectively disclose climate-related risks and opportunities through their existing reporting processes

Core Elements of Recommended Climate-Related Financial Disclosures



<b>Audience</b>	Investors, lenders and insurance underwriters
<b>Materiality</b>	Defined as what is material to the financial filings
<b>Industry</b>	Industry agnostic
<b>Format</b>	Framework
<b>What is covered</b>	<p>TCFD recommendations help an entity assess the risks of climate change and consider its financial implications.</p> <p>Classifies risk into:</p> <ul style="list-style-type: none"> <li>• Physical risks</li> <li>• Transition risks</li> </ul>

Climate-Related Risks, Opportunities, and Financial Impact



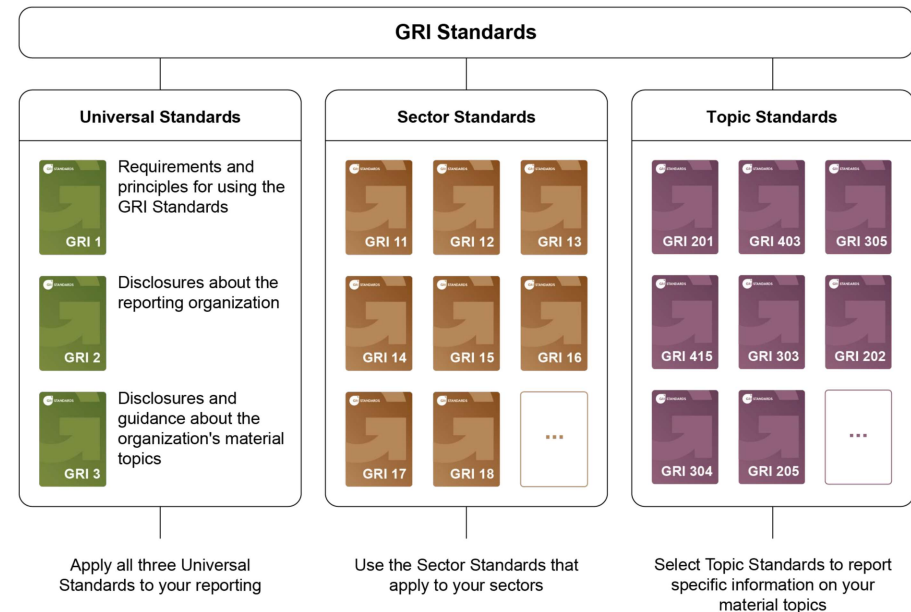
# Global Reporting Initiative (GRI)



- Independent international organisation, has enabled sustainability reporting since 1997
- GRI standards are **widely used** across the globe, is **commonly used across Asia** and known by local investors
- Has KPIs such as materiality, stakeholder engagement, sustainability governance, which help in forming a good overall report structure and skeleton

<b>Audience</b>	Multi-stakeholder focus
<b>Materiality</b>	Issues may be considered material if it is important to stakeholders, whether internal or external
<b>Industry</b>	Industry agnostic (although some sector specific standards are in development)
<b>Format</b>	Principles-based Standards
<b>What is covered</b>	Modular, interrelated standards - Universal standards (GRI 1, 2, 3) - Sector Specific standards (GRI 11, 12, 13, etc) - Topic-specific standards (GRI 201, 403, 305, etc)

## GRI Standards



# Sustainability Accounting Standards Board (SASB)



- Non-profit founded in 2011 to create sustainability accounting standards
- Commonly used by American investors but also has a **global reach**
- Provides a minimum bar for disclosures, with **accounting metrics** standardised by sector/industry

<b>Audience</b>	Investors and other providers of financial capital
<b>Materiality</b>	SASB's Materiality map - Sector-specific, with corresponding metrics
<b>Industry</b>	Industry specific (77 industries)
<b>Format</b>	Standards
<b>What is covered</b>	(1) Environment (2) Social Capital (3) Human Capital (4) Business Model & Innovation (5) Leadership & Governance.

SASB Materiality Map Sample

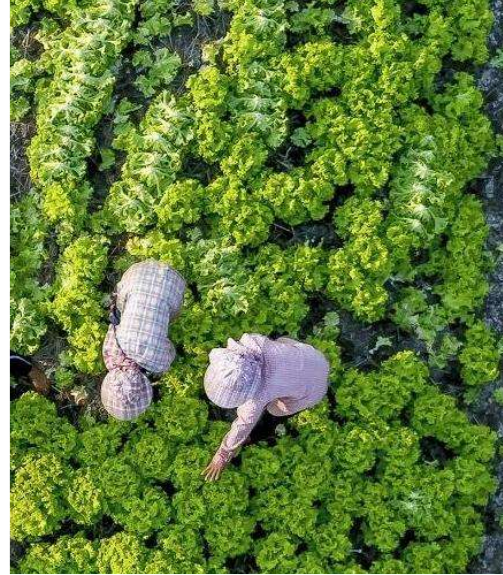
Dimension	General Issue Category <sup>1</sup>	Consumer Goods	Diversified & Materials Processing						Financial	Food & Beverage	Health Care	Infrastructure
		Click to expand	Coal Operations	Construction Materials	Iron & Steel Producers	Metals & Mining	Oil & Gas - Upstream & Production	Oil & Gas - Midstream	Oil & Gas - Refining & Marketing	Oil & Gas - Service	Click to expand	Click to expand
Environment	GHG Emissions											
	Air Quality											
	Energy Management											
	Water & Wastewater Management											
Social Capital	Human Rights & Community Relations											
	Customer Privacy											
	Data Security											
	Product Quality & Safety											
Human Capital	Customer Welfare											
	Selling Practices & Product Labeling											
	Labour Practices											
	Employee Health & Safety											
Business Model & Innovation	Employee Engagement, Diversity & Inclusion											
	Product Change & Supply Chain Management											
	Business Model Resilience											
	Supply Chain Management											
Leadership & Governance	Materiality Reporting & Efficiency											
	Physical Impacts of Climate Change											
	Business Ethics											
	Competition Behaviour											
Systemic Risk	Management of the Legal & Regulatory Environment											
	Critical Incident Risk Management											
Systemic Risk	Systemic Risk Management											

SASB Accounting and Activity Metrics Sample

TOPIC	ACCOUNTING METRIC	ACTIVITY METRIC
Greenhouse Gas Emissions	Gross global Scope 1 emissions	
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	
	(1) Total fuel consumed, (2) percentage gas, (3) percentage renewable	
Air Quality	Air emissions of the following pollutants: (1) NO <sub>x</sub> (excluding N <sub>2</sub> O), (2) SO <sub>x</sub> , and (3) particulate matter (PM <sub>10</sub> )	Revenue ton miles (RTM) <sup>2</sup>
		Load factor <sup>3</sup>
Driver Working Conditions	(1) Total recordable incident rate (TRIR) fatality rate for (a) direct employees and contract employees	Number of employees, number of truck drivers
	(1) Voluntary and (2) involuntary turnover rate for all employees	
Accident & Safety Management	Description of approach to managing short-term and long-term driver health risks	
	Number of road accidents and incidents	
	Safety Measurement System BASIC percentiles for: (1) Unsafe Driving, (2) Hours-of-Service Compliance, (3) Driver Fitness, (4) Controlled Substances/Alcohol, (5) Vehicle Maintenance, and (6) Hazardous Materials Compliance	
	(1) Number and (2) aggregate volume of spills and releases to the environment	

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## ESG Reporting Roadmap

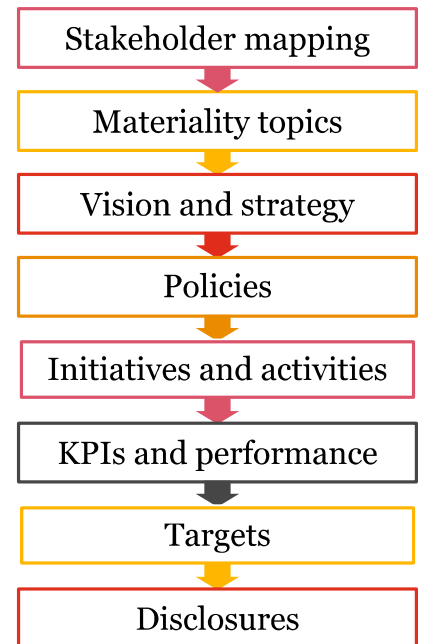


# Developing your first “full fledged” Sustainability Report



- ❑ Awareness building meeting with Senior Management
- ❑ Desktop review of material topics of peer organisations
- ❑ Interview key stakeholders to inform material topics
- ❑ Review of industry standards (e.g. GRI) and media news
- ❑ Short-list of potential material topics
- ❑ Management meeting to discuss and finalise material topics
- ❑ Choose reporting framework
- ❑ Alignment of material topics with reporting framework
- ❑ Select KPIs to report against targets
- ❑ Develop data templates for collection of data pertaining to each material area
- ❑ Identify data owners across the company to discuss data requirements
- ❑ Training and capacity building of data owners on data requirements
- ❑ Data compilation and sanity check
- ❑ One-to-one interviews with data owners to understand the qualitative initiatives/activities pertaining to each material area.
- ❑ Identify SDG targets that are influenced by your business and how they are influenced
- ❑ Develop a storyboard of the report including narrative on SDGs
- ❑ Draft report

## Key elements and flow of Sustainability Reporting



# Thank you

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