

How to prepare an ESG strategy for a company

I. Step one – understand ESG and assess current situation

Every company should start the path to preparing its own ESG strategy by educating and training its management and employees in ESG issues. Above all, it should organize workshops and training on the significance of ESG to the company's business. Under this step it is also appropriate to perform an internal audit to find out where the company is right now when it comes to environmental, social and governance issues. This will involve an analysis of the company's business processes, HR policies, environmental practices and management structure. It will also require an analysis of industry reports and competitive benchmarking.

II. Step two – engage stakeholders

In the next step the company should identify its main stakeholders (e.g. employees, clients, investors, the local community), as well as strive to understand their expectations and ESG-related needs. This may be done in a variety of ways, i.e. through polling, interviews or workshops with stakeholders in order to understand their expectations. Once the necessary data are collected, an analysis needs to be prepared of the impact of business decisions on the different stakeholder groups. Irrespective of this, it is important to establish a regular dialogue with the stakeholders.

III. Step three – define goals and priorities

After the first two steps are completed, it becomes possible and necessary to set specific, measurable ESG goals that are consistent with the company's mission and vision, i.e. so-called SMART ESG goals (Specific, Measurable, Achievable, Relevant, Time-bound). An example of such goals may be a 20% reduction of CO₂ emissions in 5 years, or equal pay in similar positions within two years, if the differences in such pay are significant and not caused by the specific nature of the work. At this stage it is also necessary to choose the areas that are key for the company and the stakeholders, such as, for example reducing the carbon footprint, diversity and inclusion, ethical management practices. The selected areas must be tailored to the company. In this stage actions are prioritized based on their impact on the company and its stakeholders.

Preparation of an ESG (Environmental, Social, Governance) strategy is a multi-stage process that requires the involvement of both management and employees at various levels of the organization. It is important to remember that every company is different and an individual approach to the development and implementation of an ESG strategy may be necessary. The process must be flexible and tailored to the specific nature of the organization. Today we are presenting the general steps that a company should take to effectively prepare and implement an ESG strategy.



IV. Step four - integrate ESG into business strategy

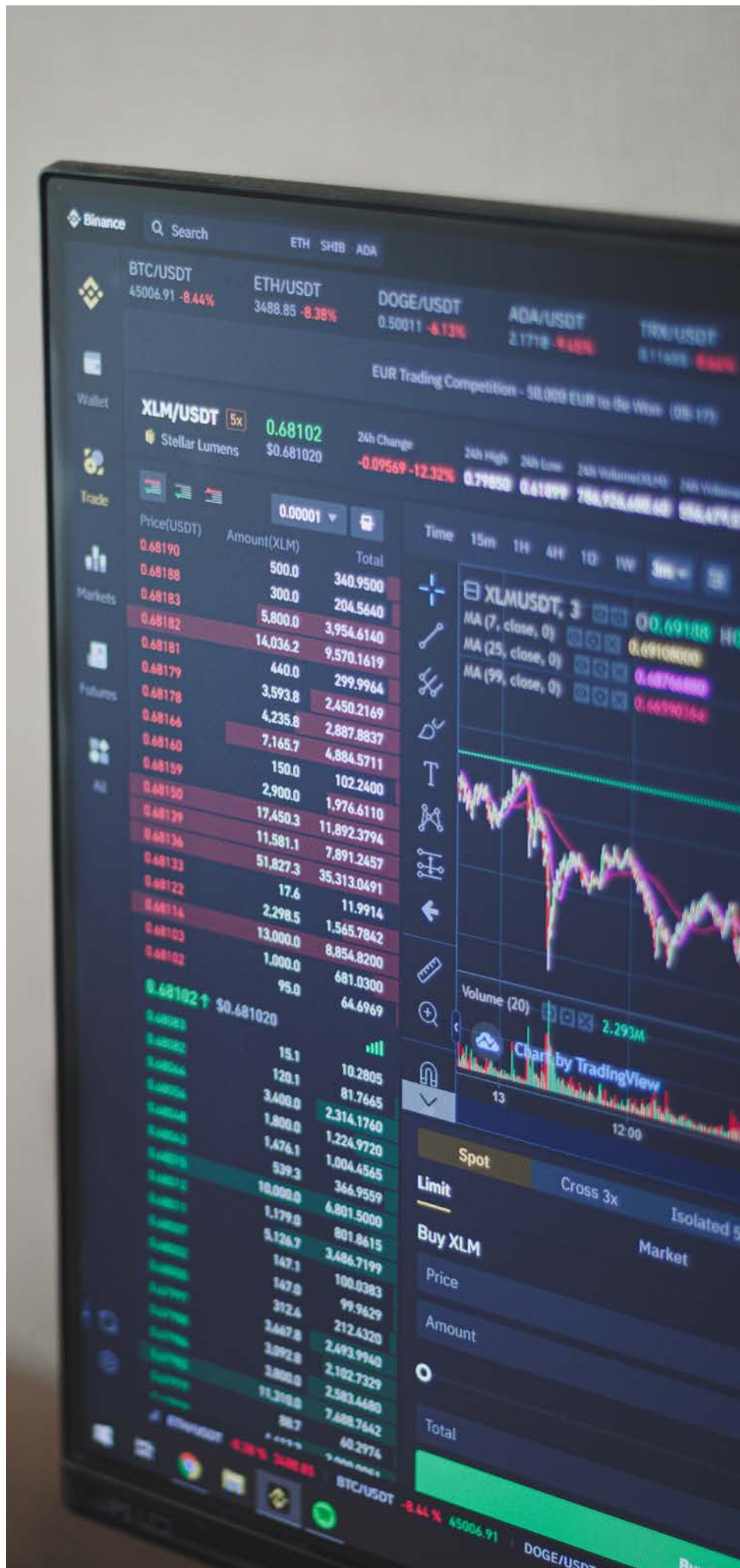
This phase should consist of incorporating ESG aspects in the company's long-term strategy. This means not only including ESG issues in the company's strategic and operational planning, but also considering how ESG initiatives can contribute to improving the company's financial performance, as well as thinking about how ESG can help innovation, operating efficiency and growth. In this step it also becomes necessary to introduce accountability for ESG at the board and management level.

V. Step five - develop an action plan

Only after the above-described actions are performed does it become possible to develop a detailed plan for the implementation of ESG goals - i.e. to define the steps and resources needed to achieve the goals and to establish the timeline of activities. The following are of key importance at this stage: allocating resources, such as funds, staff and time, to achieve ESG goals; establishing a timetable for the performance of the individual activities; developing procedures and guidelines for employees.

VI. Step six - implement and monitor

Once a company has developed a detailed action plan it can begin to implement the resulting organizational, process (this includes such process changes as, for example, improving energy efficiency or implementing equality policies) and operating changes. It therefore becomes necessary to regularly monitor progress and measure results with Key Performance Indicators (KPI). Progress monitoring can take the form of, for example, regular internal audits. Also at this stage it is necessary to organize training and internal campaigns to increase employee awareness and involvement.



VII. Step seven – communicate and report

Not only during implementation, but also after its completion, it is necessary to transparently communicate ESG progress and challenges to stakeholders. This means regular reporting of results, e.g. in annual reports or special ESG reports, irrespective of the legal requirements established in this respect. Non-financial reporting does not cover all the companies for which, due to market conditions, it is appropriate to implement an ESG strategy and communicate progress accordingly to, for example, their investors. What is most important in this point is the necessity to develop a clear external and internal communications strategy and the use of social media and other platforms to inform of progress and achievements.



Ewa Matyszewska
Head of PR, Communications
and Sustainability
tel.: +48 22 543 16 00
Ewa.Matyszewska@bdo.pl

VIII. Step eight – review and continuously improve

It is by far not enough to simply develop and implement an ESG strategy. Regular reviews of the ESG strategy and activities are necessary to identify areas for improvement. The strategy must be adapted to changing market conditions, regulations and stakeholder expectations. It is also essential to promote a culture of continuous improvements and innovations in the area of ESG.



The information presented herein does not constitute comprehensive information or opinion. Consult your adviser before making any decisions.

BDO is an international network of independent audit and advisory firms. Service provision within the BDO network is coordinated from the Brussels global office. BDO's beginnings go back to 1963. We have been present in Poland since 1991. We have 5 offices in: Warsaw, Kraków, Poznań, Wrocław and Katowice.

BDO has for years been recognized in prestigious rankings of the activities performed by its Audit and Tax Advisory Departments, including most recently:

The last distinctions for the company are related to the Rankings:
Companies and Tax Advisors of Dziennik Gazeta Prawna for 2022:

- 1st place The Best Tax Advisor in the category of medium-sized companies
- The 2022 rankings prepared by the Rzeczpospolita and Parkiet dailies:
 - 4th Most Active Firm on the Stock Exchange
 - 5th Best Audit Firm
 - 6th Best Auditor of Listed Companies

BDO spółka z ograniczoną odpowiedzialnością sp.k., ul. Postępu 12, 02-676 Warszawa;
tel.: +48 22 543 1600, fax: +48 22 543 1601, e-mail: office@bdo.pl

