



SUSTAINABILITY, ESG & CO2 REPORTING IN THE MANUFACTURING SECTOR

ENVIRONMENT, SOCIAL, AND
GOVERNANCE REPORTING

ESG PRO Limited | esgpro.co.uk



SUSTAINABILITY?

IT'S ABOUT EVERY IMPACT YOUR ORGANISATION HAS UPON SOCIETY

ESG, that's Environment, Social and Governance, relates to all aspects of how we protect and benefit the world in which we live.

Manufacturers have a responsibility to the environment. Your 'footprint' spans energy, waste, raw materials, packaging, through to the lifetime impact of all products produced.

From a societal perspective you have responsibilities to your staff, the community at large, and even to those in your supply chain. It's a significant obligation.

It's all tied together by good governance. A firm's honesty and integrity matter, as do how you perceive and manage risk, both operational and financial!

Finally consider your carbon footprint. It's a core component of the entire ESG equation, and an absolute industry imperative.

There's a lot to do, but it's achievable and the rewards are shown via the increased value of your organisation, and the public's perception of all that you produce.



WHAT IS ESG REPORTING, AND WHAT'S THE RESULT?

ESG reporting involves an analysis of your business across the three pillars of environment, social and governance.

While there are many frameworks, (collections of standards), it's the Global Reporting Institute (GRI) framework which forms your organisation's ideal starting point.

The standards cover a myriad of topics, from anti-discrimination and equal opportunity, through to detailed reporting on employee rights, your carbon footprint, gender balance and, especially, your corporate governance.

ESG reporting is not a pass/fail. Your results are scored against predefined metrics to deliver a score relative to your peers, both in the U.K, and globally.

Your scores are easy to interpret and form a meaningful benchmark. The written report then further enhances your firm's reputation.





STAKEHOLDERS

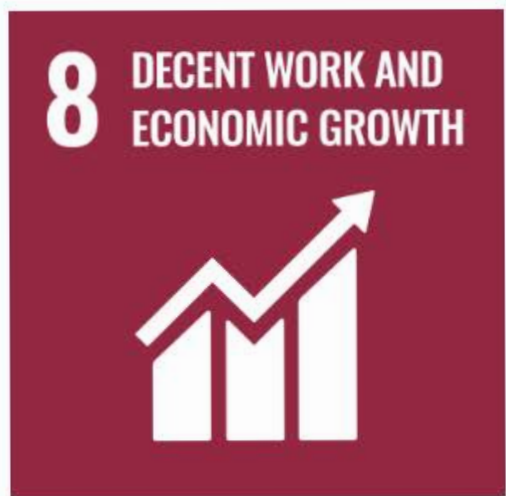
Your stakeholders may range from your investors, non-executive directors, the management team, and extend to your employees, corporate clients, and suppliers. Even local community organisations are pertinent.

Your ESG and sustainability reporting commences with soliciting the perceived priorities of all of these groups, so your final report may better reflect their interests as well as those of your own leadership team.

Why?

Because ESG reporting is about continuous improvement, and your public-facing report will be issued annually alongside your audited accounts. As such, this non-financial report is for the public as much as it is for your investors. Indeed, a key criteria is that it is written in accessible language, devoid of complex 'management speak'!

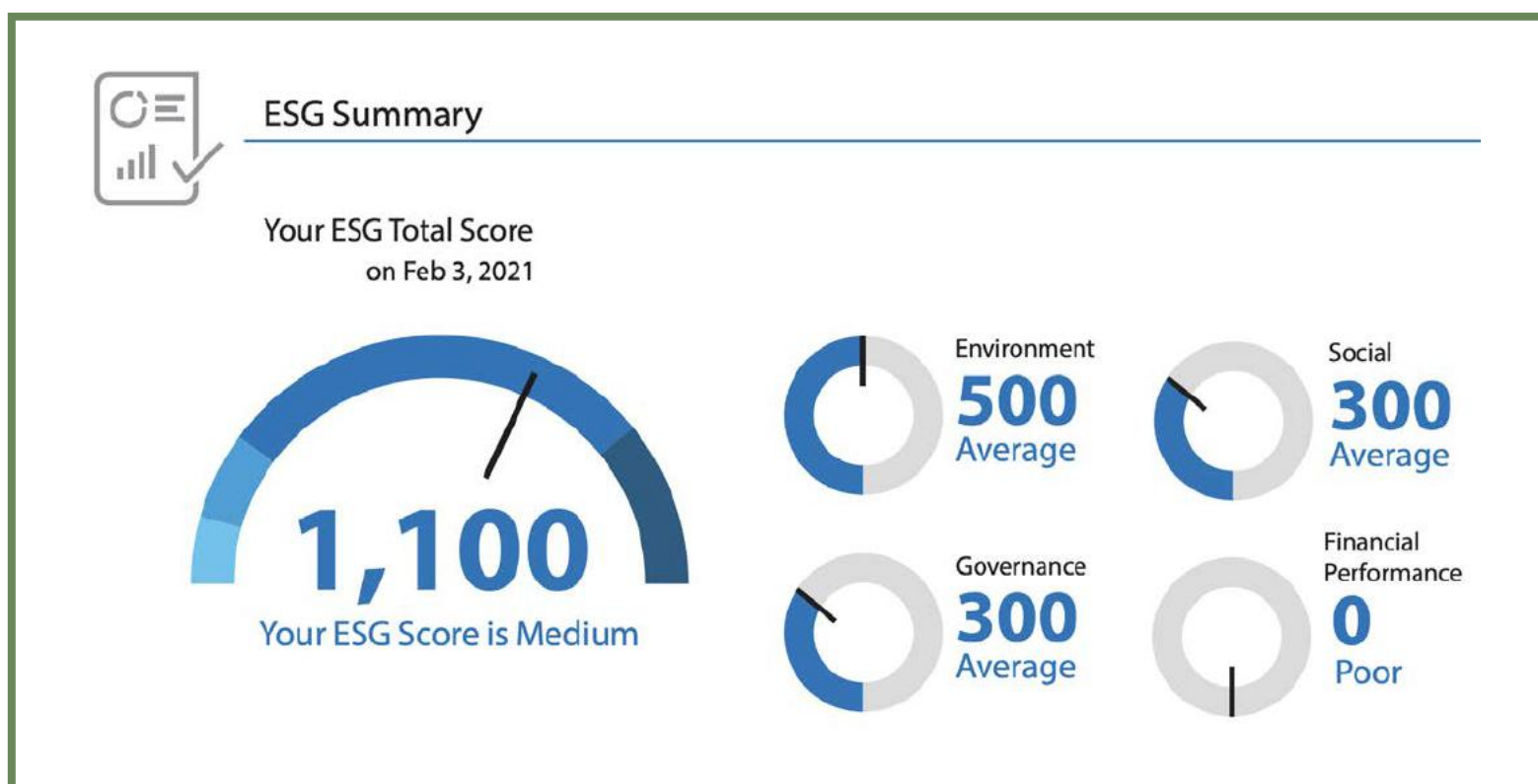
The objective is for all interested parties to be able to understand your progress, your achievements, and your goals for the future. Indeed, it's your documented action plan which is central to future success.



THE U.N. SUSTAINABLE DEVELOPMENT GOALS

By developing your report to the GRI framework, you're aligning with the Sustainable Development Goals ratified by the United Nations. Your reporting will map your achievements against these goals too, so you get a true 360° understanding of your achievements.

HOW YOUR ESG RATING WORKS



Taking fifty ESG measures, spread over ten categories, your ESG score is a relative sum of category weights which change from industry to industry for all three categories.

The weights from these scores are then normalised on a score of 0 - 1,000, and assigned a letter grade from D to AAA based on the numeric grade. If your organisation scores even a grade of 'B' it's good!





THE 4 STAGES OF ESG REPORTING



01

DATA PROCESSING

Take 100+ data sources from ESG disclosures and raw data sets and stage the data for processing.



02

CALCULATIONS

Combine data logging with 40,000+ score calculations over 100 industry groups for data quality and anomaly checking.



03

QUALITY CHECKS

Human review of questionable reports, industry quality checks, variance reporting, score audits.



04

PUBLISHING

Publish the report on a daily basis, internally or publicly, with total control over confidential data.





GREENWASHING

ALONG WITH 'ENVIRONMENT' AND 'SUSTAINABILITY', THE TOPIC OF 'GREENWASHING' VERY MUCH AFFECTS THE ENTIRE CONSTRUCTION SECTOR. WHAT ARE THE RISKS, AND WHY MUST YOU BE ON YOUR GUARD?

Doubtless you've heard of 'Greenwashing', but have you realised the implications?

Greenwashing is the overstatement of the environmental and social credentials of an organisation or product. Most often there's no wilful attempt to mislead, but the consequences can be severe for manufacturers of all sizes when marketing enthusiasm gets ahead of reality. Any firm, regardless of its size, can find itself facing fines or even being barred from competing in bids for the public purse.

In 1814, the poet Ivan Krylov (1769–1844), wrote a fable entitled "The Inquisitive Man", which tells of a man who went to a museum and notices all sorts of tiny things, but fails to notice an elephant. Greenwashing is rather like that too, an embarrassing or awkward topic of which everyone is aware, but too

few wish to address. It's much like that with the manufacturing sector: lots of wonderful messaging, but can the promises and claims be substantiated with evidence?

The Regulatory Environment

Our current laws and regulations enable penalties for misstating the truth, but the situation is evolving rapidly. Now is the time to put one's house in order because more regulations are coming, the first of which will be the EU CSRD, and then the UK SRD which is anticipated to follow the EU model.

Even today, false, misleading, or just plainly exaggerated environmental claims lay you wide-open to action by the Advertising Standards Agency (ASA), the Financial Conduct Authority (FCA), and even the Competition and Markets Authority (CMA).

Consider the cost of rectifying any reputational damage. Be cautious of adopting a green theme on your website and brochures unless you're confident that your messaging can withstand scrutiny.

Avoid phrases such as 'energy efficient', 'environmentally friendly' or 'recyclable', unless you have substantiated that the claims overall meets these criteria.

Always remember that if your communications could influence an investor or client to choose your firm, or a potential employee to accept employment, then you made be held to account.

We see the regulatory future as certain to introduce strict penalties for misleading claims, and the UK's Public Procurement regulations are increasingly strict, and the SRD will introduce punitive sanctions.

The Role of ESG Reporting

The only solution is Environment, Social, and Governance (ESG) reporting. Whenever you make environmental claims, cite your good work in supporting the community, or even if you declare yourselves as an equal opportunity employer, there must be

documented evidence.

Every statement must be substantiated, and where assumptions are made, there must be a documented rationale for how they were derived.

Publishing a policy isn't enough, especially if it is copied and pasted from 'the web'. You must ask how that policy or statement is acted upon: is it measured, or is it merely paying lip-service to influence a third party?

Statements which reference the environment merit particular caution, so dive deep in quantifying any claims made by third parties whose products or services you're utilising.

Our advice is to start your ESG reporting now. Over time this will be as ubiquitous as Health & Safety documentation: now is the opportunity to add value to all aspects of your firm

The result? You will win more tenders, win more customers, enhance your reputation, attract the top talent, and you'll reduce staff turnover too. It's the fast way to add value!





Did you know?

The European manufacturing industry emits 880 million tons of carbon dioxide annually, while in the USA 23% of greenhouse gas emissions come from burning fossil fuels for industrial purposes.

4 STEPS TO ESG REPORTING SUCCESS

01

LEADERSHIP

Does your management team see the benefits of ESG & Sustainability reporting? Do they realise it carries weightings as high as 20% in many tenders?

02

SOFTWARE

ESG and CO2 reporting requires specialist software and expertise. Focus on the information gathering and engage experts to manage the number-crunching.

03

GUIDANCE & SUPPORT

What to report, and how, requires training. You'll need a dedicated consultant working with your establishment, but a remote service simplifies this and greatly minimises the costs.

04

CONTINUOUS AUDIT

Reporting success demands your data is subjected to a continuous audit, guiding you on where and how to improve most effectively. The audit is the most critical component.





**YOU CAN'T
MANAGE
WHAT
YOU CAN'T
MEASURE**

– PETER DRUCKER



EMBRACING ESG IN MANUFACTURING



ESG is an imbalanced scale. The environment 'E' in ESG often hoards the limelight, even more so for large concerns subject to carbon footprint reporting. It's also true that environmental matters stand out as both more pressing and more measurable. ESG goes far beyond just avoiding pollution.

It matters not whether you're a manufacturer in a tiny light industrial unit, or operate a mining company, both your firm and its entire supply chain face examination. Your ESG performance affects everyone!.

Social and governance factors are crucial to the industry's ESG puzzle too. The sector is notorious for its use of overseas labour and, closer to home, there's the question of your impact upon the community. Good governance reporting enables you to capitalise on your health and safety initiatives, and it demonstrates how you care.

As a piece of the manufacturing jigsaw, have you thought through how your products are used, by whom, and at what environmental cost? What of your product's future viability? For example, your carbon footprint is carried forward to those who use your wares.

Now is the window of opportunity to prepare for the 'new normal', and to position your firm for success.

STRATEGIC PLANNING

1. Have you created an ESG strategy and determined how will it be certified by a qualified auditor?
2. Do you have internal expertise dedicated to ESG, or are you considering recruiting external talent?
3. Who will carry responsibility for your institution's approach to ESG?
4. What is your process for establishing your KPIs and action plans? Are you likely to need some help?
5. Do you have a risk management committee, and is your governance structure adequate to give oversight of risk & issues mitigation?
6. Is there a robust risk management process in place to support ESG related matters?
7. Does your organisation have the systems in place to manage your ESG reporting via automated data collection where appropriate?
8. What training might your staff need to assist the organisation with it's ESG reporting objectives?
9. Have you considered how your organisation's ESG reporting might enhance your marketing communications approach?



THERE'S STILL TIME TO DELIVER CHANGE!

Everyone in the manufacturing sector has a role to play in addressing our climate emergency and in setting good examples of best practice. In an industry so beset by recent turbulence, starting your ESG reporting is critical for growth.

At ESG PRO, we approach sustainability reporting with a difference. We don't believe you need a team of accountants or lawyers to show you the way. What you need are proven methodologies delivered by experienced consultants working remotely in support.

We approach every client with a fresh perspective, understanding your objectives, and helping you to define the best route to achieving success.

Where you're lacking the policies, we'll write them for you - all as part of our standard service. Your staff will learn how reporting is managed, and over time they'll be able to develop their own self-sufficiency.

We call it ESG Reporting. **Simplified.**



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Reporting.
Simplified.

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