For more information on this roadmap, and any of the others in our Global Compliance Roadmap series, please get in touch with the Osborne Clarke team [here](#).
Introduction

Environmental, Social, & Governance (ESG) impact is playing an increasingly important role in the evaluation of investments, suppliers and corporate performance.

There is a rapidly growing recognition that value is about more than pure financial returns. By engaging with those that avoid contributing to climate change, pollution, and human rights and labour abuses, businesses can reduce reputational risk and encourage more responsible business practices.

Consequently, there is a growing expectation from investors and stakeholders that businesses will report on non-financial issues, risks and opportunities with the same discipline and rigour as financial information. This is becoming increasingly reinforced by legislation mandating non-financial issues businesses are required to report upon.

Working out what a business needs to do and how to do it, is not straightforward. The UN Sustainable Development Goals are often used as a starting point, but setting objectives and benchmarking against them can be challenging. There is no one-size fits all approach. What there is, is a fast developing body of universal, and sector and issue specific, metrics and disclosures, within differing schemes, frameworks and guidelines, that can help businesses measure their ESG performance and assist them in meeting their compliance obligations in a sensible and justifiable way. Benchmarking sustainable business performance in a clear, transparent, comparable way is challenging but also important if you are going to drive the value for the business that comes from achievement on ESG.

Set out below is a ‘roadmap’ of questions designed to help a business understand and identify key information and issues that it will need to take into account in developing its approach to ESG and to reporting publicly on ESG.

This roadmap is not intended to provide you with a comprehensive answer but rather, provide your business with a context and a starting point from which an assessment can be developed of the ESG risks and opportunities faced by the business, and a strategic plan developed to move the business from where it is to where it wants or needs to be on ESG.
1. Where to start

There is a lot of guidance and resources available relating to the appropriate course of action a business should take to become more ESG-compliant. Broadly, there are 6 key practical questions for a business to answer when considering its approach to ESG:

- What ESG standards and obligations are relevant to your business?
- What ESG actions does your business have to, or want to, implement?
- Who (and/or what team or group) has overall responsibility for adoption and implementation of ESG actions and reporting in your business?
- How will the ESG actions be implemented?
- How will you engage shareholders and wider stakeholders?
- What form of reporting mechanisms will you adopt?

To help you consider how your business would answer, and wants to answer, these questions, we have set out below a more detailed subset of questions concerning your business and the common issues that are likely to be relevant to it in connection with each element of ESG.

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2. Your ESG exposure

2.1 Your approach to ESG so far

☐ Has your business
  (i) engaged shareholder and wider stakeholder support on becoming a more sustainable business?
  (ii) adopted sustainability reporting methods/models?
  (iii) adapted operational activities, both internally/or within the wider supply chain, to take account of ESG factors?

☐ Do you have a Board-level or equivalent senior person who has responsibility for ESG and/or taken any other steps to create a governance structure which takes account of ESG issues?

☐ Do you adopt consistent compliance policies across your group or allow individual businesses/countries/areas to adopt

☐ Have you undertaken any other steps to understand and/or publicise

2.2 Sectors

☐ What sectors do you operate in?

☐ From your knowledge to date, what are (or are perceived by the public/governments/others outside your sector to be) the biggest ESG issues you are aware of?

2.3 Footprint

☐ Which countries do you have an operational base in and what is the nature of that operation? (For example, does it involve subsidiaries or joint ventures?)

☐ Which other countries do you transact/undertake business with? (For example do you have suppliers, agents or customers in those countries?)

2.4 Third party relationships

☐ What business does your organisation transact/undertake in each of the countries identified above?

☐ Customers
  Are your customers private/public sector or a mix?
  Are you under any contractual obligations to your customers (or others) which may be impacted by ESG?

☐ Suppliers
  Are there any immediately apparent ESG risks or issues with your supply chain?
  Do you apply any ESG contractual requirements on your suppliers (or other parties)?
  Do you perform any ESG due diligence as part of new or on-going business relationships (for example, on customers and/or suppliers)?

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3. Environment

☐ What greenhouse gas (GHG) emissions (carbon dioxide, methane nitrous oxide, F-gasses etc) are produced
   (i) by your business?
   (ii) by your supply chain?

☐ Do you measure any of the GHG emissions from your business and/or supply chain by reference to Scope 1 emissions (direct), Scope 2 emissions (indirectly purchased) and Scope 3 emissions (indirect from supply chain)?

☐ Are there water scarcity/water stress issues in the areas where your business and/or supply chain consumes water?

☐ To what extent is the energy used by your business generated from a renewable source?

☐ Does your business have a Corporate Power Purchase Agreement in place?

☐ Does your business infrastructure/office space or other built environment require investment or replacement as part of your business approach to ESG?

☐ Do you undertake any form of environmental or sustainability reporting – on a voluntary or mandatory basis?

☐ Do you undertake any voluntary assessment of the environmental impact of your business operations, e.g. carbon, waste, air quality, pollution?

☐ Do you participate in any form of emissions trading scheme?

☐ Do any of your buildings contain energy efficiency measures or any resource efficiency/management (e.g. waste, water) features?

☐ Do you require your suppliers to sign-up to certain environmental standards in your procurement contracts?

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4. Social

☐ How diverse and inclusive is your employee workforce (applying common measures such as age, gender, sexual orientation and ethnicity)?

☐ To what extent is there pay equality, for example, when measured by measures such as age, gender, sexual orientation and ethnicity?

☐ How diverse is the section of your employee workforce taken on in the last 12 months (applying common measures such as age, gender, sexual orientation and ethnicity)?

☐ How diverse was the section of your employee workforce that has left the business in the last 12 months (applying common measures such as age, gender, sexual orientation and ethnicity)?

☐ What are the levels of claims or complaints raised by employees in relation to sexual harassment, discrimination and bullying in the last 12 months?

☐ What steps has the business taken to minimise sexual harassment, discrimination and bullying (such as workplace training, implementing robust policies and ensuring matters are addressed appropriately)?

☐ What is the direct economic value generated and distributed by your business?

☐ What was your CapEx in the last year?

☐ How much did your business spend on R&D?

☐ How much tax did you pay?

☐ To what extent is there pay equality in your business (for example, when measured by measures such as age, gender, sexual orientation and ethnicity)? What measures has the business taken to address and reduce any pay gaps?

☐ How do pay levels in your business (if known) compare to applicable minimum wage levels?

☐ How does your CEO total remuneration compare to the average of all the other employees in your business (excluding the CEO)?

☐ Does your business assess its modern slavery risk in the business and supply chain (including in relation to child labour and forced labour)?

☐ Do you have a documented health and safety management system consisting of risk assessments, policies and operating procedures and are these followed?

☐ Do your proactively manage your health and safety risks, for example through near miss reporting, managing whistleblowing reports and/or independent external audits?

☐ Do you have a forum for employees to raise health and safety or other concerns (such as a whistleblowing hotline) and is it used?

☐ Do you employ a qualified health and safety professional and do they have direct access to the Board?

☐ Have you had a serious health and safety incident in your business within the last 5 years and, if so, do you think that lessons have been learned as a result and changes have been adopted?

☐ Do you have a programme to manage mental health and well-being in your workplaces?

☐ Do employees in your business and supply chain (if known) have access to non-work related medical and healthcare services?

☐ What training is provided to your employees and how is it structured?

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5. Governance

☐ Does your business have a clear stated purpose?
   (i) Does that purpose include or refer to economic, environmental and/or social issues?

☐ What is the composition of your senior management/Board:
   (i) in terms of economic, environmental and social competencies; and
   (ii) in terms of diversity (for example, gender and ethnicity)?

☐ Are ESG issues discussed at board level:
   (i) If yes, what benchmarks and metrics are used to assess ESG performance?
   (ii) If no, what is preventing ESG issues from becoming a board agenda item?

☐ Does your business assess and monitor business risk, in a risk register or otherwise?
   (i) If so, does that assessment and monitoring take account of material economic, environmental and social issues?

☐ What are the material issues impacting upon key stakeholders in your business? What processes are in place to engage with key stakeholders, and how are they identified?

☐ What systems and procedures do you have in place to prevent bribery and corruption?
   (i) Are your systems adequate to address the bribery and corruption risks faced by the business?
   (ii) Do you monitor the effectiveness of your anti-bribery and corruption systems, and compliance with those systems?

To what extent are financial institutions who provide services to your business (or other corporate investors) including ESG requirements within their terms of service?

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Contacts

Katie Vickery
Partner
T +44 20 7105 7250
katie.vickery@osborneclarke.com

Chris Wrigley
Associate Director
T +44 117 917 4322
chris.wrigley@osborneclarke.com

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