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### 1. What are Environmental,

### ESG) Issues?

Growing concerns about social and environmental issues being given to corporate governance has led to greater interest in how companies ensure that they carry on their business in a responsible way. Specifically, companies are increasingly expected to consider the future of our planet and its peoples. All these issues are collectively referred to as **ESG**.

in society as well as more attention being given to legal obligations on companies, which are expected to be managed, overseen and should operate to ensure that they are carried out in a responsible way. Specifically, companies are increasingly expected to consider the future of our planet and its peoples, as well as profit, and the future of our planet and its peoples, collectively referred to as **ESG**.

Each ESG issue is usually placed under one of the three headings: environmental, social and governance issues. Each issue is then grouped together and considered as a single ESG issue.

g headings: environmental, social and governance issues. Increasingly they are collectively referred to as **ESG**.

ESG issues include, amongst others, climate change and greenhouse gas emissions; energy efficiency and pollution and waste; health and safety; diversity, inclusion and equal pay; corruption; conflicts of interest and anti-money laundering.

change and greenhouse gas emissions to air, water and land; diversity, inclusion and equal pay; corruption; conflicts of interest and anti-money laundering.

ESG will however mean different things to different companies depending on their size and the sector they operate in.

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### 2. Why have an ESG strategy?

ESG issues have recently assumed greater importance for companies, employees, customers and other stakeholders. Specific ESG related disclosures may be required by law, or relevant to SME companies may be required to pose a litigation, physical or reputational risk to a company, that might adversely affect its sustainability requirements and compliance by a company.

e and importance by regulators, SMEs are outside the scope of any specific ESG related disclosures that are relevant to SME companies may be required to pose a litigation, physical or reputational risk to a company, that might adversely affect its sustainability requirements and compliance by a company.

Considering this, and to minimise the risk of reputational damage, a company may wish to put in place an ESG strategy, commensurate with its size and the sector it operates in, that it aspires to be.

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### 3. What should an ESG strategy include?

For most SMEs, an ESG strategy should include a framework of various policies and practices to cover amongst other things:

ce a framework of various policies and practices to cover amongst other things:

- Staff/people;
- customers;
- suppliers;
- health & safety;
- environment; and
- the community.

<sup>1</sup>As a SME, the company will not be subject to the Environmental Information Regulations 2022 (SI 2022/31) & the Limited Liability Partnerships Regulations 2022 (SI 2022/46).

Report) (Climate-related Financial Disclosure) (Climate-related Financial Disclosures) Regulations 2022 (SI 2022/46).

How ESG affects each of these different areas will depend on the importance that the business places on each one.

This ESG strategy is, by its very nature, a living document. It should focus on when determining the key areas that businesses should focus on when determining their ESG strategy.

## **ESG Strategy:**

### **1) Introduction**

We are, <<include the name of the Company>>. This should include any specific social/environmental issues that the Company has>>.

The Company aims to implement ESG standards appropriate to its size and the communities within which it operates. The management of its activities.

Rapidly developing legal and voluntary environmental concerns, all mean that to keep pace with this change, the Company must:

- keep abreast of the most up-to-date legislation; and
- understand the risks and opportunities that may arise;
- take action to ensure that the Company is in the best position to manage these risks and opportunities.

It is recognised that a failure to take action to, amongst other things, regulate commercial, financial and reputational risks, may adversely affect its sustainability and resilience.

The directors of the Company are committed to the 2006, to promote its success. This strategy, in good faith, would promote the interests of its members as a whole.

However, in addition, the directors will develop a robust and transparent ESG strategy that goes further than this and affects and enhances all areas of the Company's business in line with the relevant <<insert specific areas that are relevant to how the Company operates>> by environmental, social and governance issues>>.

The Company wishes to adopt this ESG strategy, which sets out how the Company will manage ESG issues relevant to the Company's business.

### **2) ESG Audit**

The Company is a SME and operates in the <<insert relevant sector>> sector.

In the first instance, it will carry out an audit and material risk assessment across its business to establish:

<sup>2</sup> If the business or industry has specific policies, these should be referenced and worked into the ESG strategy.

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- what ESG means for the Company
- which stakeholders should be consulted
- an ESG baseline.

### Materiality

The Company considers the following

<<insert the key ESG issues for the company/business>>

are most likely to affect the

### Stakeholders

The Company will consult with:

<<insert relevant key stakeholders etc>>

employees, customers, suppliers

### Baseline

It is important to identify an ESG baseline. The Company shall identify existing policies, processes and practices it already has in place that are closely aligned with ESG.

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The following policies, processes and practices are considered relevant:

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<<insert any relevant policies & practices etc>>

environmental, employment or social impact

These policies will be assessed in relation to ongoing ESG related activity and may also be useful to the Company as the Company should prioritise and which stakeholders it should consult

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### **3) ESG objectives and framework**

Having carried out a thorough ESG assessment, the Company will identify its priority areas and set out its ESG framework based on these priorities through new policies and processes relevant to the Company's size and sector.

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### **4) New ESG Policies etc**

The new policies, processes and practices will include: [An ESG policy which incorporates the Company's ESG areas and ESG objectives].

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[An ESG policy which incorporates the Company's ESG areas and ESG objectives].

<<insert any relevant policies, processes and practices>><sup>3</sup>

will be implemented>><sup>3</sup>

### **5) Board Terms of Reference**

The Company aims for its board to have the highest board standards. It already has robust and transparent standards in place but also aims to incorporate relevant ESG considerations into its terms of reference. This will include

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<sup>3</sup>The policy or policies will most likely cover the Company's operations, customers, suppliers, health & safety, environment and the community.

customers, suppliers, health & safety, environment and the community.

ESG matters becoming a routine forward and the Company putting and advise the board accordingly.

[A copy of the committee's terms of reference is attached.]

## 6) Updating Existing Policies

The Company has implemented [staff/people, customers, suppliers] bring these policies in line with the proposed new ESG policy documents as environmental, employment or

## 7) Measuring and Report

The [ESG committee and the] stakeholders at suitable intervals strategy [and new ESG policy]. The

<<insert relevant measures by which the company has taken, e.g. reports to shareholders, state

**8) Other**

<<Include any other relevant cons

specifically consider ESG matters

iate to its business that consider environment and the community]. To gy and ESG requirements [and its rt relevant policies to update such >>.

review, measure and report to progress in implementing its ESG

ing and reporting shall take place,

my's strategy>>.