

ESG IN PRACTICE FOR SMEs

QUICK REFERENCE GUIDE

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Quick reference guide

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CONTENTS

Understand your business's drivers, impacts and risks	1
Minimise environmental impacts	1
Improve your social performance	2
Establish robust governance	2
Consider the supply chain	2
Embed in operations	2
Reduce customer and end-of-life impacts	3

Knowing how to implement environmental, social and governance (ESG) practices in your business can seem overwhelming if you don't know where to start. This list below provides key actions to take in your business to address ESG. This guide is provided to support the MY FIRM. MY FUTURE eLearning module **ESG in Practice**.

UNDERSTAND YOUR BUSINESS'S DRIVERS, IMPACTS AND RISKS

- Identify why ESG considerations are important for your business. For example, risk management, market opportunity, employee pressure, customer requirements, or investor or lender demand. Understanding the drivers helps establish the business case and strategic direction and to get people on board with the change.
- Understand your business's impacts and opportunities. These are different for every business, so it is important to clearly understand which activities and parts of the operations or products may have negative impacts, such as on the environment through resource use, pollution, or direct land disturbance, or on people including your staff, the local community or broader society. This will help to inform what actions you can take to make the biggest difference. Engaging with your stakeholders is a good place to start to understand what issues are most relevant to your business.

MINIMISE ENVIRONMENTAL IMPACTS

- Turn off lighting, equipment and appliances completely when you leave the property. A lot of energy is wasted in standby mode, especially if they stay on overnight and on weekends. Use power strips, timers and sensors to facilitate switching the power off.
- Minimise your heating and cooling, including turning thermostats down an extra degree in winter and up in summer, keeping doors closed, installing insulation and thermal barriers, shading windows and getting plant and equipment maintained regularly.
- Upgrade to more efficient equipment, lighting, appliances and vehicles. Technology advances have improved efficiency. Enable power-saving settings on any equipment that has that function. Ensure your own products are designed to be as energy efficient as possible.
- Consider installing solar panels if you own the building you operate in. There are numerous grants, rebates and no-interest loans available across Australia (though they differ by state and even by local council) that assist in the implementation of solar panels. Alternatively, consider using a renewables-only energy provider or joining a renewable power purchasing agreement with like-minded businesses.
- Identify the biggest water uses in your business and target improvements in these areas.
- Remove single-use disposable items such as cups, cutlery, bags, coffee pods, dishes, straws and paper towels. Replace these items with reusable options.
- Minimise your printing, including shifting to digital record keeping, receipts, and invoices. Consider setting the print default to double-sided.
- Recycle everything you can't reduce or reuse. Ensure the standard comingled recyclables are being segregated and recycled, then look at what else can be recycled in your area. There are various community organisations or private businesses that will take your coffee cups, coffee capsules, batteries, fluorescent lights, printer cartridges, mobile phones, and e-waste. Search [RecyclingNearYou.com.au](https://www.recyclingnearyou.com.au) for small volumes of waste or [BusinessRecycling.com.au](https://www.businessrecycling.com.au) for larger volumes.
- Buy recycled and refurbished products whenever possible. This includes all types of paper, office stationery, furniture, building materials, packaging, and many other things you can find in the [Buy Recycled database](#).

- Ensure packaging and food containers are readily reusable, returnable, recyclable or compostable. Paper, cardboard and plant-based polymers are preferable over plastics. They should also be designed to minimise the amount of material needed, not result in unnecessary waste, and use recycled content as noted previously. You may even be able to offer your customers refillable containers.
- Consider how you can redesign your product, service or operations to minimise environmental impact. This could include looking at your key suppliers, logistics company and technology bank.

IMPROVE YOUR SOCIAL PERFORMANCE

- Put your employees first. Ensure they are paid appropriately, have job security, are treated with respect, don't face discrimination, and that you are proactively protecting their health and safety. Consider what training or assistance programs your business can offer your employees.
- Consider donating some of your profit or time to a charitable cause that aligns with your product or service.

ESTABLISH ROBUST GOVERNANCE

- Establish an employee code of conduct that sets out expectations around preventing bribery, conflict of interest and fraud and how to report any concerns.
- Establish data security protocols, including cyber security policies, to manage data and to avoid misuse and breaches of business and client information.
- Establish responsibilities for the management of ESG actions, including an internal working group responsible for implementation and tracking of progress.
- Embed the achievement of relevant and prioritised ESG objectives into departmental KPIs and executive remuneration and incentives.

CONSIDER THE SUPPLY CHAIN

- Be conscious about the suppliers and business partners you choose to work with. Consider whether they are applying the principles and actions in this checklist and ask questions if you're not sure.
- Look at whether there are any social enterprises (businesses with a social mission) or local businesses you can use, or suppliers offering products with social or environmental certifications (e.g. Fairtrade, Good Environmental Choice Australia, Rainforest Alliance, Marine Stewardship Council, Forest Stewardship Council, Blue Angel, Global GreenTag).
- Consider establishing ESG expectations for your suppliers in a supplier policy or code of conduct. Consider participating in industry supply chain initiatives.

EMBED IN OPERATIONS

- Prioritise focus areas and establish an action plan to implement the initiatives you have identified with responsibilities, timelines and budgets.
- Consider establishing policies, documented procedures and training for key ESG topics and controls to ensure expected behaviours and specific practices are applied.
- Track data and set performance targets for your business's energy use, water use, waste to landfill and community contributions.
- Consider publishing your commitments, targets, and performance publicly to demonstrate to stakeholders that your business is taking action.

REDUCE CUSTOMER AND END-OF-LIFE IMPACTS

- Apply good product and service design to avoid and reduce impacts where possible.
- Consider applying customer education and product labelling to influence the customer's behaviour, such as encouraging responsible and safe use and disposal.
- Identify whether there is a product stewardship scheme relevant to your industry and consider participating where it is voluntary, or identify other possibilities to recover and reuse waste materials, including establishing a collection and take-back program.

This guide was prepared by Small Mighty CSR on behalf of CPA Australia.