CareEdge-ESG's insights on

ISO Framework for Implementing ESG Principles

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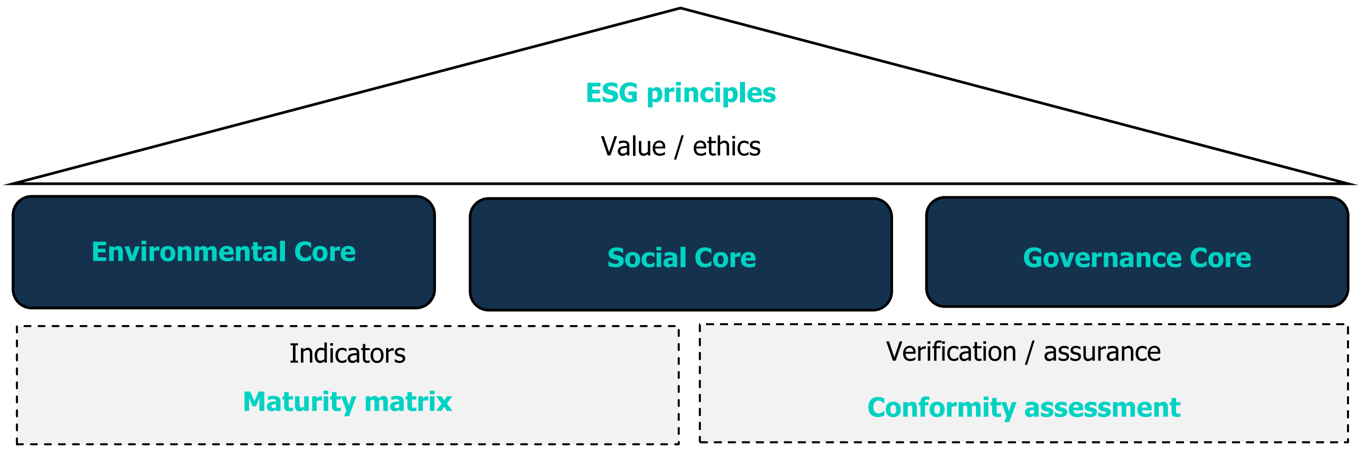
Navigating ESG Implementation with ISO's IWA Framework

ISO's IWA 48:2024 marks a pivotal advancement for organisations aiming to adopt Environmental, Social, and Governance (ESG) principles. This International Workshop Agreement offers a comprehensive framework, and guiding principles intended to help organisations integrate ESG practices into their culture and operations. The framework aims to facilitate the management of ESG performance while promoting global consistency, comparability, and reliability in ESG reporting. By embracing these principles, organisations can enhance their reputation, mitigate risks, and support global sustainability goals.

ESG Framework



The ESG framework offers a unified set of principles, structure, and guidance to ensure all stakeholders are aligned in their approach to ESG. It is designed to be flexible and applicable across organisations of varying sizes, sectors, and jurisdictions while also adapting to evolving trends and priorities within the ESG landscape.

How to Manage ESG Principles

To effectively manage ESG principles, companies should identify and assess risks and opportunities using a structured matrix, prioritise them via a materiality assessment, develop strategic responses, and ensure continuous oversight and periodic reviews through a dedicated governance body to align with evolving conditions and stakeholders' expectations.

Companies must recognise and evaluate both risks and opportunities related to environmental and social impacts, address stakeholder concerns, utilise evidence-based methods to assess the effects, establish clear objectives across short-term, medium-term, and long-term timelines, and provide trustworthy, verifiable information. Effective governance practices should prioritise setting clear goals, creating an integrated governance framework with independent oversight, and implementing robust risk management strategies. This approach emphasises the importance of transparency, accountability, and continuous improvement through open reporting, performance evaluations, and active stakeholder engagement. Emphasising compliance assessment practices will help the company advance its ESG maturity and reinforce its leadership position among competitors, thereby affirming its commitment to ESG principles. Several assessment methods exist to support companies in embarking on this journey process.

ESG Principles

To adopt the ESG principles outlined in ISO's IWA 48:2024, organisations should initially conduct a materiality assessment to identify key ESG issues. Subsequently, they must evaluate their existing ESG performance, establish clear objectives, and analyse discrepancies. Crafting a strategic ESG roadmap with comprehensive action plans is essential. Afterward, they should implement these plans and consistently assess and report progress through established key performance indicators (KPIs). This organised method aids in embedding ESG into operations, fostering sustainability.

Organisations must identify and categorise factors influencing themselves and their internal and external stakeholders as risks and opportunities through a Risk & Opportunities Matrix. Subsequently, they should craft strategies to manage risks and capitalise on opportunities, transforming these into actionable steps plans. Performing a materiality assessment prioritises dangers and opportunities, ensuring their effective management in line with the company's objectives. It is essential to have a dedicated governance body to manage the assessment process, steer strategy execution, and foster a culture aimed at proactive risk and opportunity management. Moreover, companies should routinely evaluate and refresh the risks and opportunities matrix to maintain alignment with changing circumstances and share the insights with relevant stakeholders.

Key Environmental Outcomes

To effectively tackle climate change and mitigate environmental impacts, companies must first identify and evaluate environmental risks and opportunities. This process should consider stakeholder concerns and key areas of impact. Subsequently, they should assess these impacts using a transparent, science-based methodology to establish their significance, magnitude, and likelihood of occurrence. Establishing specific environmental goals for the short, medium, and long term, grounded in baseline conditions and benchmarks, is essential. Additionally, companies should present and disclose their results in a manner that facilitates assessment and verification, guaranteeing that all claims are backed by credible evidence and methodologies. This organised method enables companies to effectively manage their environmental impacts and make meaningful contributions to sustainability.

Actions about Environmental Considerations

Organisations can address climate change and greenhouse gas (GHG) emissions by establishing a GHG baseline, setting emission reduction targets (including net-zero goals), and implementing strategies such as GHG analysis, benchmarking, and climate scenario testing to assess their resilience. For energy management, actions include reducing energy consumption, transitioning to renewable energy sources, improving energy efficiency (e.g., through ISO 50001), conducting energy audits, and increasing on-site renewable energy generation. In terms of nature, biodiversity, and ecosystem services, organisations should focus on biodiversity conservation, using certified sustainable materials, protecting natural habitats, planting resilient native species, and engaging with local communities on conservation efforts. Water management involves reducing water consumption, increasing the use of recycled water, ensuring water quality, and developing water footprint analyses and SDG-based management systems. Lastly, for materials and products, organisations should adopt life cycle assessments, reduce material consumption, switch to sustainable materials, and promote circularity in production processes.

Key Social Outcomes

To effectively manage social risks and opportunities, organisations should start by identifying and evaluating risks based on stakeholder concerns and needs. This involves categorising risks, determining areas of materiality, and documenting evidence to support decision-making. Evidence-based approaches should be developed to assess the significance and magnitude of these risks, using evaluation tools to prioritise key issues and manage data systems for tracking methodologies and metrics.

Organisations should establish clear, concise goals for the short, medium, and long term, paired with measurable criteria for success. It's vital to implement strategies and tools for tracking performance, as well as to document accomplishments and challenges faced in achieving these objectives. Furthermore, ensuring that social outcomes are measurable, verifiable, and transparent to stakeholders is critical. This entails granting access to supporting data, rectifying any reporting mistakes, and promptly updating all interested parties.

Key Governance Outcomes

The ISO underscores the importance of establishing robust governance frameworks to ensure transparency, accountability, and sustainability in ESG practices. Key governance committees, such as Remuneration, Risk, and Audit, should be chaired by independent board members with expertise in risk management, finance, compliance, and ethics. Best practices include maintaining short reporting lines, clearly defined responsibilities, and measurable KPIs, along with systems to ensure accountability and continuous improvement. Effective compliance and risk management require adequate resources for monitoring areas like cybersecurity, data protection, fraud, and corruption, as well as identifying and managing governance risks and ESG opportunities. ISO recommends assessing risks and opportunities based on their impact, likelihood, and severity, with regular independent assessments and governance reviews to ensure adequate oversight. Accurate, factual, and impartial disclosures are essential, with stakeholder engagement and third-party assurance to validate governance practices.

Leadership to Drive ESG in Organisations

ISO emphasises that effective leadership is crucial for driving ESG change, starting from the top and permeating throughout the organisation to foster a culture of responsibility and sustainability. Key leadership responsibilities for ESG include communicating and modelling ESG values and goals across all organisational levels. ISO highlights the importance of cultivating a culture that aligns with ESG principles to achieve long-term sustainable outcomes. Leadership values and behaviours such as integrity, transparency, competence, and diversity are foundational for effective ESG leadership. Specific ESG leadership roles should be clearly defined, with responsibilities assigned to leaders or teams. It's essential to foster a duty of care towards vulnerable customers and promote active employee engagement in ESG initiatives. For long-term impact, ESG leadership should focus on environmental goals, including climate change mitigation and resource sustainability. This comprehensive approach ensures that ESG principles are integrated into the core of the organisation's operations and culture.

Organisational Culture Commitment and Communication

ISO emphasises fostering positive ESG behaviour by aligning top management's vision and strategy with business practices, such as diversity and inclusive hiring, and incentivising ESG performance. The stages of ESG maturity range from minimal compliance to value-driven commitment:

Stage 1	Basic compliance to avoid penalties, often termed "greenwashing."
Stage 2	Compliance through box-ticking to manage reputational risk.
Stage 3	Viewing ESG as a competitive advantage, though at risk if conditions change
Stage 4	A values-led, principle-driven approach, embedding ESG into core operations for sustainable outcomes and continuous improvement.

Effective ESG communication is crucial due to the involvement of both internal and external stakeholders, underscoring the importance of active listening and engagement in ESG decision-making. ISO identifies various communication channels, including ESG reports, dashboards, investor presentations, regulatory filings, third-party ratings, social media, newsletters, games, and competitions to raise customer awareness. Reliable ESG communications require validated and verified evidence to support organisational aspirations, public statements, strategies, and targets. Additionally, including vulnerable and neurodiverse groups by offering diverse communication formats, such as aural and braille reports, ensures broader engagement.

Compliance and Conformity

Compliance refers to fulfilling legal or regulatory requirements, whereas conformity is a voluntary process that indicates adherence to specific standards or specifications. Although often used interchangeably, conformity can help demonstrate compliance with legal responsibilities. The CASCO committee of ISO has released various standards, including ISO/IEC 17000:2020, which encompasses activities such as testing, auditing, evaluation, inspection, validation, verification, and certification accreditation.

Conclusion

Adopting ISO's IWA 48:2024 framework for implementing ESG principles is a pivotal step for organisations dedicated to sustainability. This comprehensive framework not only enhances ESG performance but also fosters a resilient and responsible business model aligned with global sustainability goals. By embracing these guidelines, organisations can confidently navigate the complexities of ESG implementation, ensuring transparency, accountability, and continuous improvement. As businesses strive to meet evolving stakeholder expectations, the ISO framework provides a solid foundation for achieving long-term success and making a meaningful impact on the environment and society. Together, we can drive positive change and contribute to a sustainable future for all.

CareEdge-ESG believes that a structured approach to managing ESG risks, opportunities, and governance is crucial for long-term business sustainability in India. As India's business landscape increasingly prioritises sustainability, aligning with global ESG standards and adopting a proactive risk management strategy, setting clear targets, and ensuring transparency, companies can not only enhance stakeholder trust but also position themselves as leaders in ESG performance. Additionally, leveraging conformity assessments helps companies mature in their ESG journey and strengthens their commitment to responsible business practices.

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