

# ESG activation

Also referred to as *sustainability* or *social impact*, Environmental, Social, and Governance (ESG) has become a mainstream business issue, but driving ESG performance and transparency presents challenges. Activate ESG across the enterprise to provide the technology foundation and a cohesive, enterprisewide plan and operational model to support the scope, scale, and pace of the ESG imperative.



## Mobilize your ESG strategy

- Digitize and automate manual ESG processes.
- Gain visibility and track performance across siloed Environmental, Social, and Governance use cases.
- Easily roll out new use cases such as responsible sourcing, privacy, and diversity, inclusion, and belonging.
- Extend the useful life of assets and automate responsible e-waste disposal or donations.



## Enhance reputation and trust

- Enable accurate and verifiable reporting against key frameworks.
- Increase transparency with stakeholders.
- Manage ESG-related risks as part of overall governance.
- Reduce risk of disruption from supply chain partners.



## Create long-term business value and impact

- Use ESG initiatives to spark innovation.
- Nurture engagement with employees and customers.
- Factor ESG outcomes into strategy and planning.



## Mobile your ESG strategy

Develop and document formal ESG strategies and workflows. Take these actions to prepare your organization to deliver and support this capability:

### Develop a strategic ESG roadmap and framework.

- **Define ESG for your organization and scope potential ESG issues.** The term ESG covers a broad range of environmental, social, and governance issues. The first step is to define what it means for your organization. Start by creating a list of potential ESG issues that could materially impact your organization or be of interest to your stakeholders (customers, employees, shareholders, governments, etc.). Peer/industry ESG reports, ESG investor reports, and ESG advisory firms are valuable sources of information to help you build out your list.
- **Prioritize ESG risks and opportunities with a materiality assessment.** While all ESG issues are important, you can't prioritize them all. A materiality assessment is a formal exercise that engages internal and external stakeholders to find out how important specific ESG issues are to them and then uses that information, along with a business impact analysis, to prioritize what ESG issues to include in your strategy and roadmap.
- **Integrate ESG activities in stages.** Advance ESG initiatives with a three-stage plan. Start with a disclosure-driven approach, automating data collection and ESG reporting requirements. Next, implement a governed approach with executives leading formal tracking of ESG initiatives, governance processes, policies, and monitoring and compliance. Lastly, embed ESG activities into daily work across the enterprise.

### Establish and document ESG policies.

- **Take a systematic and inclusive approach to setting ESG policies.** Your ESG processes, procedures, and policies are how you bring your ESG strategy to life. Involve the people responsible for managing your ESG processes to review the steps involved, identify pain points, and figure out what your policies should capture. To ensure your policies reflect diverse views, get input from people outside the group if policymakers have limited diversity.

### Define ESG goals and metrics.

- **Identify clear and measurable outcomes that define what success looks like.** Centrally track and trend key metrics and performance and provide regular updates for key stakeholders to continuously evaluate goals and update data. By constantly monitoring your plans, you can stay on track with delivering on your ESG imperatives and make any adjustments that may be needed.



### Practitioner insight

Let stakeholders know what the organization's ESG policies are by formally documenting them. House the policies somewhere employees can easily access them, such as on your employee portal. Make sure they should be clearly written in plain language, measurable, and transparent. Invest in marketing efforts to promote your ESG policies, focusing on the business, environmental, and social benefits rather than treating them as a compliance activity.

## Enhance reputation and trust

Build real-time ESG reporting and risk management. Take these actions to prepare your organization to deliver and support this capability:

### Determine data requirements.

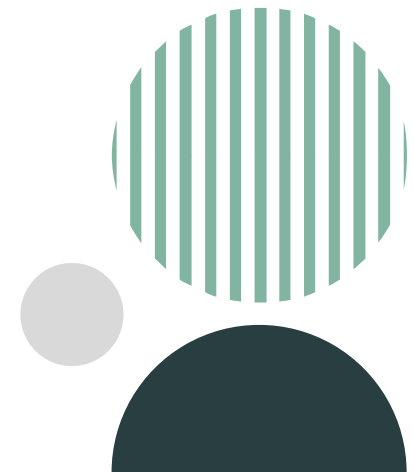
- **Determine your reporting framework.** Use standardized frameworks like the Sustainability Accounting Standards Board's (SASB) ESG standards to identify the data you need to manage and collect for communicating ESG information to stakeholders.
- **Identify data sources.** After outlining ESG goals and identifying the reporting frameworks, determine your data sources. Data sources will be internal (e.g., compensation and diversity data) and external (e.g., industry benchmarks). Work with process experts to figure out the best data available to report against your goals and frameworks.

### Address the information needs of stakeholders.

- **Look for ways to plainly communicate your progress against ESG initiatives.** Publish your scorecard where you'll be held accountable. Make sure it's available to all stakeholders, both inside and outside of your firm.
- **Engage your stakeholders to monitor changes in ESG priorities.** Map out your stakeholder ecosystem and engage and identify their ESG priorities and reporting needs. For example, employees will prioritize different issues and consume information differently than regulators or activist investors.

### Integrate ESG with other risk management activities.

- **Incorporate third-party (supplier) risk management into your ESG strategy.** Third parties in your supply chain present a risk of business disruption and reputation damage. Given that, it's important to assess and manage risk from supply chain partners.
- **Build privacy into every process and product.** Privacy is not just a regulatory requirement, it's also the source of competitive advantage enhancing the reputation of, and trust in, your organization. Instead of attempting to secure products and services after they're launched, bake privacy protection into your development processes and integrate privacy metrics into your ESG reporting.



## Create long-term business value and impact

Develop and execute the business case for ESG. Take these actions to prepare your organization to deliver and support this capability:

**Embed ESG into strategy, business workflows, and culture.**

- **Identify opportunities for ESG-driven innovation.** The business benefits of ESG include top-line growth in addition to cost reductions and improved productivity. Look for opportunities where your ESG program can add to your competitive advantage. For example, use ESG efforts to build brand affinity with current and future customers or improve talent quality by attracting high quality talent that values an employer with similar ESG priorities.
- **Get specific with ESG priorities.** Conduct a materiality assessment to select three to five ESG initiatives your organization will focus on and measure. A materiality assessment is a formal exercise that engages internal and external stakeholders to find out how important specific ESG issues are to them.
- **Achieve leadership buy-in.** Make sure the entire C-suite understands the importance of ESG to your organization's strategy and long-term performance as well as how ESG impacts their respective functions and areas of responsibility.
- **Use metrics to connect ESG goals to day-to-day activities.** Translating ESG goals into actions requires operational and cultural shifts. You'll need to figure out how ESG strategies impact different parts of your organization and encourage ownership of ESG goals throughout the enterprise by developing and communicating ESG metrics relevant to employees' regular workflows.
- **Include the board in setting ESG priorities and plan periodic updates on ESG strategy.** Board members can arrange themselves into a single ESG committee or into issue-specific committees such as sustainability; diversity, inclusion, and belonging; and governance. But the full board should stay up to date on your ESG strategy.
- **Set up an executive council or senior leaders to define and drive your ESG strategy.** Your general counsel is a good choice to lead the council and the council can meet monthly or quarterly.
- **Consider standing up an ESG taskforce to help implement the ESG strategy.** The taskforce would include representatives from functional areas across your organization, meet at least every month, and be responsible for making recommendations to the executive council for how to best implement the ESG strategy the council sets.

**Establish governance to provide oversight and guide ESG decision-making.**



### Practitioner insight

Include goals for ESG performance in employee reviews and compensation decisions to embed ESG in your organization's culture.

For more, visit the ServiceNow [Customer Success Center](#)