

ESG Part II: Engaging Your Team to Drive ESG Strategy



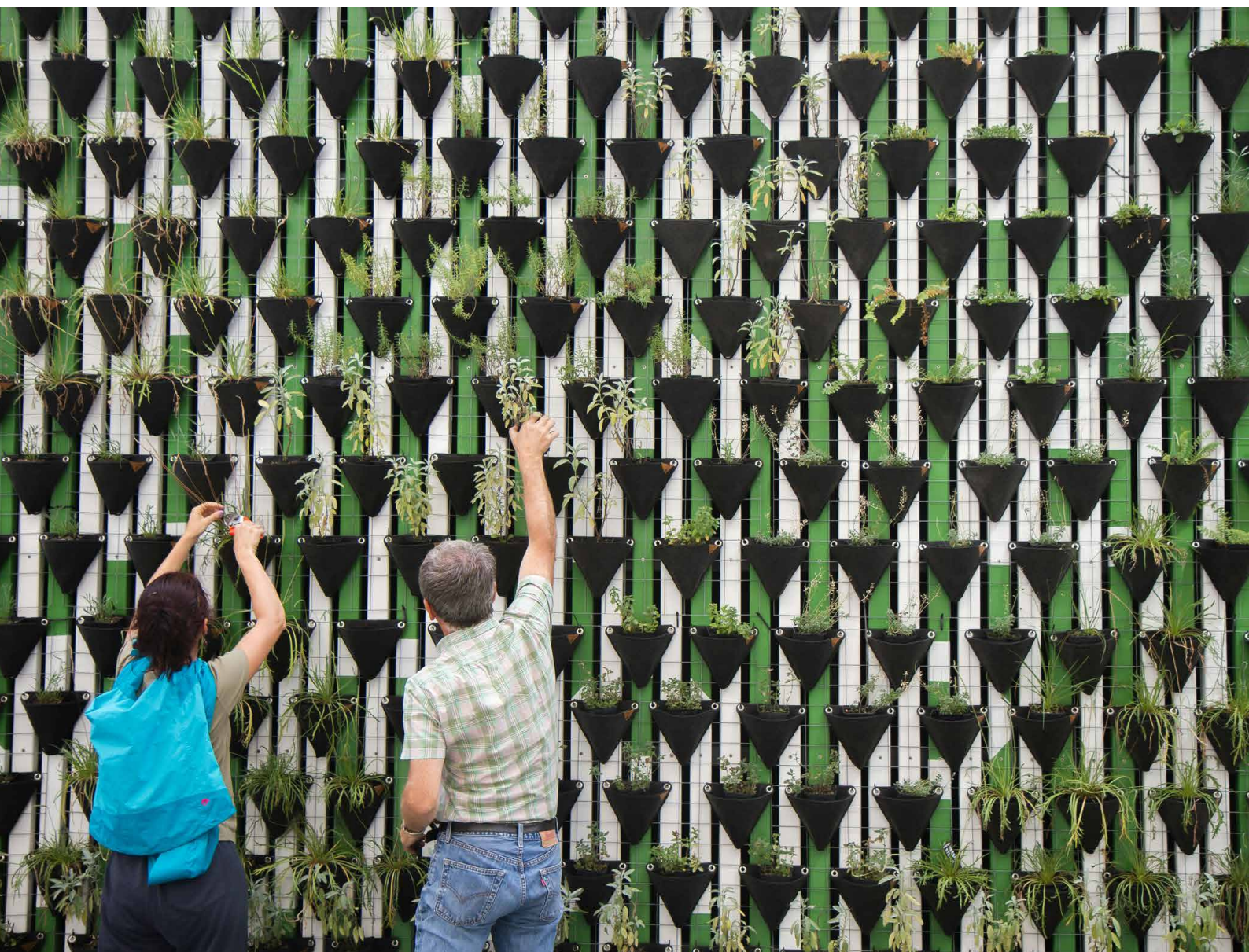
► ESG Part II: Engaging Your Team to Drive ESG Strategy

How might an ESG (Environment, Social and Governance) strategy enhance your staff engagement levels and help drive talent retention and recruitment? We detail a staff workshop methodology that any member can use to engage staff in developing internal ESG Policy.

Introduction

Environmental, Social, and Governance (ESG) policy frameworks and standards are used by organisations to align their business model with the values of the partners, and in some cases to adhere to regulation, but also leverage the commercial, environmental and social opportunities such commitments might deliver.

As trailed in ESG Part 1, AGN believes there is a valuable opportunity for firms to adopt a visible and distinctive position on ESG issues and drive immediate competitive differentiation and commercial benefits. A credible ESG strategy can turbocharge your firm's appeal when:



Recruiting younger talent who tend to be more attuned to ESG concerns. Meaningful work and social responsibility are important factors for Gen Y and Z in choosing a place to work.

Securing work from suppliers who are required to perform to certain ESG standards, and/or whose vendor supply chains are increasingly under scrutiny for their environmental impact.

Motivating and engaging with existing talented team members who want to have pride and confidence doing meaningful work for an employer who is making a visible social and environmental contribution.

Building market reputation and brand value – Commitment and responsibility in ESG will grow the reputation of your firm and could attract new clients as well as increase the loyalty of existing key customers.



In ESG Part I we used the well-established 'B Corp' accreditation methodology to help structure our approach. But B-Corp is only one of the ESG accreditation bodies that could 'certify' your ESG strategy – there are others;

A RANGE OF ESG ACCREDITATION BODIES ARE AVAILABLE.

- 1. B Corp Certification:** B Corp certification is one of the most well-known ESG accreditation frameworks. B Corps are for-profit companies that meet high social and environmental performance standards. The certification is provided by B Lab and evaluates a company's impact on its workers, customers, community, and environment.
- 2. Global Reporting Initiative (GRI):** GRI provides guidelines for organisations to report on their economic, environmental, and social performance. GRI's standards are used by many companies globally to disclose ESG information in their annual reports.
- 3. United Nations Global Compact (UNGC):** The UNGC is a voluntary initiative for businesses to align their operations and strategies with ten universal principles in areas such as human rights, labour, environment, and anti-corruption. Organisations that join the UNGC commit to reporting on their progress toward these principles.
- 4. Sustainability Accounting Standards Board (SASB):** SASB focuses on industry-specific ESG reporting standards. It provides guidelines for companies to disclose financially material sustainability information tailored to their industry.
- 5. Task Force on Climate-related Financial Disclosures (TCFD):** The TCFD provides recommendations for disclosing climate-related financial information. It encourages organisations to report on the risks and opportunities associated with climate change in their financial filings.

Competing ESG accreditation frameworks or standards may include sector-specific initiatives, regional standards, and various industry-specific ESG benchmarks. Some examples of these include:

- 1. Carbon Disclosure Project (CDP):** CDP is focused on measuring and disclosing environmental data, particularly carbon emissions and water usage. It is widely used by companies for climate-related reporting.
- 2. Dow Jones Sustainability Indices (DJSI):** The DJSI evaluates the sustainability performance of leading global companies across various industries. It assesses ESG factors and recognizes companies that perform well in sustainability.
- 3. ISO 14001 and ISO 26000:** These are international standards for environmental management and social responsibility, respectively. While not ESG accreditation frameworks per se, they provide guidelines and certification for organisations aiming to improve their environmental and social practices.
- 4. Equator Principles:** These principles provide a framework for financial institutions to assess and manage environmental and social risk in project financing. They are often used by banks to assess the sustainability of projects they finance.

It's important to note that the ESG landscape is continually evolving, and new frameworks and standards may emerge over time. Additionally, companies may choose to adopt multiple frameworks to address various aspects of ESG performance and disclosure. **The choice of framework often depends on your firm's goals and aspirations – and to some extent on which accreditation body is likely to remain as a brand for the long term.**



- United Nations Global Compact
- World largest corporate sustainability initiative.



- The Task Force on Climate-related Financial Disclosures
- Encourages transparency on climate related risks and opportunities.



- The Carbon Disclosure Project Global environmental disclosure platform (2000).



- Sustainability Accounting Standards Board.
- Industry specific reporting framework and standards



- UN 17 Sustainable Development Goals
- Designed to achieve the aims of the above compact



FTSE4Good

- Globally recognized sustainability Index
- Developed by FTSE and Russell Group



- TRUE - Total Resource Use & Efficiency
- Platform to support companies in reducing waste



- ISO 26000
- Framework and certification around ESG standards



- Global Reporting Initiative
- Sustainability reporting standards & framework.



- Prestigious designation to companies that meet high standards in ESG practice.



- World Business Council for Sustainable Development
- Tool to assist companies align with UN goals.



- International Organisation of Securities Commissions
- Framework for ESG Reporting in the financial industry.

But there is another way...

If you are not convinced about the accreditation approach, it doesn't seem to represent value for money, you can't decide which one is likely to remain standing in some future shake-out of brands, or such a thing is simply overkill for your firm, then you could consider an alternative self-help approach.

The connection between ESG and Employer Branding

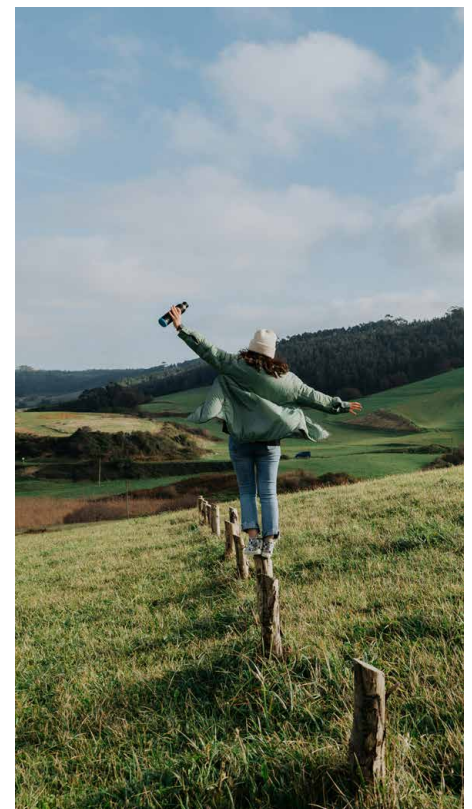
The most important brand in most people's lives is not a consumer product or service, it's the brand they work for – their employer brand. There are a range of things you can do to strengthen your employer brand's appeal - making your firm more attractive to stay with either for existing employees but also to increase its appeal for potential employees.

An ESG policy can enhance an accounting firm's employer brand in several ways.

Here's how:

1. **Signals Social Responsibility:** Implementing an ESG policy signals to employees, and potential talent that the firm wants to make a positive impact beyond financial results.
2. **Reputation:** A clear ESG policy can enhance the firm's reputation among potential employees. It demonstrates that the firm is ethical, responsible, and forward-thinking.
3. **Differentiation:** At least for a near term period the policy can help you stand out from competitors and serve as a unique selling point that attracts individuals.
4. **Sense of Purpose:** An ESG policy can boost employee engagement by giving employees a sense of purpose in their work.
5. **Millennials and GenZ:** Younger generations often prioritize working for organisations that align with their values and beliefs.

On the face of it this probably looks like a list of desirable qualities for any firm – and as with much associated with brand strategy can seem a little esoteric. However, the fact is that these employer brand facets are within reach through some hard work and commitment.



An ESG Strategy Staff Workshop

55 NextGenners, Rotterdam and an ESG Workshop Structure

At AGN's Excellent Plus training event in Rotterdam in October 2023, we worked with a mixed group of 55 NextGenners, from member firms across EMEA to pilot a workshop methodology for creating a staff-led policy. The intention was to engage the group in road testing a prototype methodology that could then be rolled out to members as a useful ESG staff engagement tool.

The Workshop – outline approach

We pulled together an amalgam of headings and ESG categories drawn from a range of accreditation organisations such as B Corp, NetZero, GRI to create a model with 5 recognisable ESG Policy Categories that might apply to an accounting firm.

Policy Categories:

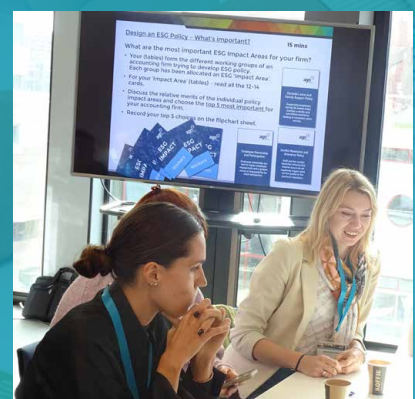
- Organisational Governance
- Workforce Well-being
- Community Engagement
- Environmental Responsibility
- Customer Impact

Further research led us to develop a series of approximately 15 Policy Priorities (See Appendix 1) for each Policy Category. These Policy Priorities were made into individual playing card prompts for table discussion.

Running this workshop with your staff, or key groups of staff could be a practical and engaging way to boost your firms ESG efforts or launch an ESG policy development program.

Workshop Outcomes

- Engaged and motivated staff.
- A relatively detailed ESG policy framework that could be developed into a full strategy.
- An understanding of what's important and motivating from a staff perspective.



Running The Workshop With Your Staff

Stage 1 – Setting up and briefing

- Appoint a facilitator – senior partner or ambitious NextGenner.
- Organise a meeting room adequate to arrange staff into cabaret style layout.
- Give a brief background presentation (*provided in our ESG workshop pack*) about ESG, what it means, and examples of ESG policies. The presentation explains why it is a critical business issue, the commercial opportunity it represents, and how it needs to apply to firmwide policy and behaviour.
- The workshop facilitator organises the group into table teams of mixed discipline individuals. Each table should represent a Policy Area such as Organisational Governance, Workforce Well-being etc.

A series of flipcharts should be made available for each table. The first three pages of the flipcharts have standard feedback charts that teams are required to complete and talk to. The workshop session including a tea break should take (3-4 hrs). (*flipchart templates are provided in the AGN pack*).

Introduce a competition element to the workshop with 1st place table winners individually receiving, for example, the latest Amazon top selling management book, and second placed table members receiving bars of chocolate!



AGN Note: Staff in attendance should be briefed well in advance about what the firm is trying to achieve and the concept of an ESG approach contextualised in terms of the firm's strategy, values and vision.

Stage 2 – Teams to consider the Policy Priorities that apply to their Policy Category – prioritise top 5 most relevant

- Each table are given the relevant deck of 15 Policy Priority cards for their teams designated Policy Category and asked to discuss the relative merits of each and determine a top 5 priorities that they would apply to the firm and to consider why.
- The facilitator explains that they should complete the first flipchart sheet, and that they will be asked to present their conclusions and rationale for their approach. Each table has to agree and nominate a presenter. (20 mins)
- The facilitator asks each table to present their results and rationale in turn. Asking questions about their chosen priorities, prompting them to be specific about their choices and challenging them over what they may have left out.

Flipchart Template 1: Top 5 Policy Priorities



AGN Note: This process of prioritisation encourages the teams to consider and discuss the firm's priorities, and as they are required to prioritise, they are forced to debate what is best for the firm.

Stage 3 – Due to limited time and resources the teams need to narrow down the 5 ‘Policy Priorities’ to 3

The table teams are now challenged to consider that in order to expedite the project, the firm really only needs a ‘simple plan’, and they were to now narrow down their choices to a top 3 Policy Priorities. There should now be table discussion and debate about which policy candidates must be dropped and which are the 3 top priorities. (20 mins)

Each table is asked to briefly present what they have decided and how they chose the policies that have been dropped, and to consider what impact this might have on the practice and its overall approach to ESG.

FlipChart Template 2: Top 3 Policy Priorities and Associated Policy Detail

POLICY PRIORITIES CUSTOMER IMPACT	STATEMENTS MEASURABLE POLICY
1. Customer Collaboration and Co-creation	<ul style="list-style-type: none"> Annual survey to get clients’ feedback and input on our company’s new and existing services. Analyse the feedback and make realignments to clients’ expectations.
2. Social Responsibility Promotions and Campaigns	<ul style="list-style-type: none"> Initially we will host focus groups with our clients to better understand their perception. Use of social media + marketing campaigns + return percentage of profits to chosen initiatives/ community.
3. Customer Feedback and Complaint Resolution	<ul style="list-style-type: none"> Use feedback data collected under 1 to assess customer satisfaction. For complaints use g-mail signature. We will follow-up on complaints.

AGN Note: It’s down to an individual firm to determine how many policy priorities it should consider. Three new policies might be considered a reasonable amount per area as in total this could lead to 15 new firmwide policies to introduce – which is quite a project. Clearly policy priorities that have been dropped can be revisited in the future.

Stage 4 – Now you have the priority areas, policy category teams need to specify firmwide policy detail and statements

- The next challenge for the table teams is to design specific policy statements for each of their 3 Policy Priorities. The teams are reassured that these policy statements could appear in the firm's "staff handbook" (or equivalent). The table teams can complete the second flipchart template for this exercise.
- To help stimulate the discussion and creation of the policies, the teams are given a handout containing a series of example policy statements across the range of policy categories. Teams need to be very clear what specific issue the policy is attempting to deal with, and the policy should be measurable and achievable. *(25 mins)*.
- Each table presents back its policy ideas to the whole group, justifying their idea. With the help of the facilitator, the rest of the workshop delegates are encouraged to raise questions and give feedback about the policies. *(30 mins)*

HANDOUT - ESG IMPACT AREA- EXAMPLE FIRMWIDE POLICIES...

POLICY CATEGORIES	EXAMPLE POLICY
ORGANISATIONAL GOVERNANCE	
Transparency and Accountability Policy	We commit to releasing an annual transparency report detailing our financial performance, corporate governance practices, and key decisions. We will aim for a 10% year-over-year increase in stakeholder satisfaction ratings based on surveys.
Technology and Data Security	We will conduct quarterly security audits and aim to achieve a 99% or higher compliance rate with industry cybersecurity standards. We will track and aim to reduce the number of data breaches by 20% each year.
WORKFORCE WELL-BEING	
Equal Employment Opportunity Policy	We will maintain an equal opportunity hiring ratio for all protected categories, aiming for a workforce that reflects the diversity of our local community. We will track and aim to reduce instances of discrimination or harassment to zero.
Diversity and Inclusion Policy	We will set specific diversity targets, aiming for a 15% increase in diverse hires and promotions annually.
ENVIRONMENTAL RESPONSIBILITY	
Carbon Footprint Reduction Policy	We will track energy consumption and waste generation, aiming for a 15% reduction in both over the next three years.
Waste Reduction and Recycling Policy	We will track the percentage of waste recycled and set a goal to increase it by 5% annually. Additionally, we will aim to reduce single-use plastics by 20% each year.

COMMUNITY ENGAGEMENT	
Local Sourcing and Supplier Diversity	We will increase our spending with local suppliers by 10% annually. We will aim to have at least 15% of our suppliers categorized as diverse-owned businesses within the next two years.
Employee Volunteer Time Off (VTO) Policy	We will track employee participation in volunteer activities and aim for a 10% increase in volunteer hours each year and survey employees to ensure that 90% feel supported in their volunteer efforts.
CUSTOMER IMPACT	
Responsible Pricing and Fair Value Policy	We will conduct pricing reviews annually and aim to maintain a competitive pricing structure while achieving a 95% client satisfaction rating regarding our pricing transparency and fairness.
Accessibility and Inclusivity Policy	We will conduct accessibility audits of our facilities and digital resources, aiming for a 100% compliance rate with accessibility standards within the next year. Additionally, we will track and aim to eliminate barriers reported by employees and clients.

AGN Note: The teams should be given guidance that each of the policies could potentially apply to their firm, their colleagues, clients and suppliers.

Make the point that all policies will be submitted to the management team for final agreement and review – but that it's quite likely that the policy will be adopted in some form and that those present might be asked to help implement the policy within the business.

Stage 5 – Making change happen – considering the practical difficulties and barriers to change

Until this point the workshop has been about understanding ESG, the potential it offers and then applying it to your own firm's internal corporate policy environment. Its possible to conclude the workshop at this point, but in Rotterdam we went further. We went on to examine some of the practical obstacles and challenges that often trip up policy implementation in an exercise that uses the John Kotter change model to broaden staff's understanding of how difficult change can be in a small to medium sized accounting firm.

At this time, the facilitator runs a plenary session using a set of ppt slides that illustrate the common difficulties of making successful organisational change actually happen. The presentation also introduces the Kotter change model. *(this ppt deck is included in the workshop pack). (20 min inc discussion).*

The stage 5 exercise involves handing out 5 large 'ESG Change' cards, one to each table team. Each card presents a unique change to the team that they have to consider and respond to with a plan (using the third flip chart template) The ESG Change cards highlight 5 of the 8 Kotter principles above. *(examples below – the cards are included in the workshop pack). (20 mins table discussion – 20 mins feedback)*

Example ESG Change cards:



ESG CHANGE
ESG CHANGE
ESG CHANGE
ESG CHANGE
ESG CHANGE
ESG CHANGE
ESG CHANGE
ESG CHANGE

A sense of urgency!

The Managing Partner has approved your ESG plan but dislikes your proposed timeframe. She says she wants wide scale adoption of all the proposed policies across the firm "quicker, faster...and with a degree of urgency. We have got to change our business now! Not only is it the right thing to do it's a commercial and competitive issue! We are losing staff, potential recruits and clients because we are not changing fast enough..."

Task: You need to give the ESG initiative a greater sense of urgency? You need something to happen next week! What is your plan to **speed up** adoption of the policies throughout the firm by all of the staff?



Support needed

The Managing Partner has approved your ESG plan but has accused your group of being isolated and "stuck in an ivory tower...making announcements that fall on 'deaf ears'...you need to get out more". She went on... "Even I find getting anyone to do anything around here almost impossible, so what chance do you have?"

It's true that so far you've identified some good ESG strategies but you're just a small group of managers – in a 15 partner firm.

Task: You lack support, power, influence, traction. What do you do to get broader involvement and support for your plans?



But why us?

The Managing Partner has approved your ESG plan but says... "It all feels a bit fake...sort of stuck on to the business, not part of the business". She continues with some good challenges; "How does all this fit with our strategy? How does it contribute to our goals? ...it's a nice set of policies, but what are you trying to achieve? If we did all of this what's the outcome...the destination?"

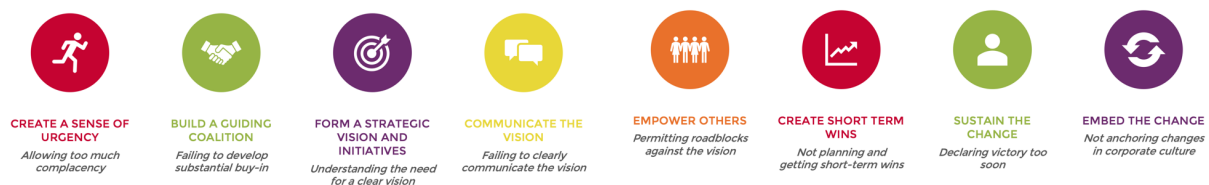
You realise that you've missed a critical thing – VISION. How do you develop a vision?

Task: Develop a compelling 'Vision' for the ESG strategy? What might help sell it to the firm and its staff?



John Kotter

"A force for Change: How Leadership Differs from Management" (1990)



Professor of Leadership, Emeritus, at the Harvard Business School

Stage 6 – Wrap-up and prize giving

If all has gone to plan and you've followed this guide accurately, you should now have a series of ESG policy ideas in priority areas that tackle the main tenets of ESG – an effective outline strategy.

The facilitator needs to spend 15 mins circulating back to the process they've just been through highlighting some of the ideas and suggested developments that have come from the exercise, emphasizing how positive the exercise has been. The facilitator needs to ensure the following:

- Someone needs to take responsibility for collecting and collating the flipchart sheets into a word report that can be circulated.
- Promise that all of the policy ideas will be reviewed and as far as is practically possible will be enacted upon and embedded into firmwide policy and strategy.
- Highlight the need for volunteers to assist with detailed development and implementation of the strategy.
- Set a date for this group to reconvene and review what has come from the workshop.

You now have a body of staff that are engaged and motivated around this subject – they will be keen to remain involved and to ensure that this doesn't become a 'one-off' initiative that doesn't go anywhere. They will expect to see change and their ideas come to life.

Prizes can be a nice touch – nothing expensive just a token. In Rotterdam we gave a copy of a leading management book to each on the winning table and chocolates for the runners up. The group also took part in refreshments and informal reflections on how the afternoon had gone – ideas generated.



Conclusion

For most small and medium-sized organisations, ESG timing and eventual form of regulation is uncertain, but right now, ESG offers near-term commercial opportunities to drive value by creating a differentiated competitive position.

An effective approach to ESG requires a major organisational commitment at both strategic and operational levels, alongside a thorough change management process. But businesses that are late adopters not only risk failing to capitalise on the opportunity, but also could be placing their longer-term performance in jeopardy.

The connection between Environmental, Social, and Governance (ESG) principles and employer brand is crucial in today's accounting employment landscape. Integrating ESG values into a firm's ethos enhances its reputation as a socially responsible employer, attracting top talent and fostering employee loyalty. A strong commitment to ESG demonstrates a firm's dedication to sustainability, diversity, and ethical practices, aligning with the values of modern job seekers. Moreover, employees increasingly seek purpose-driven workplaces where they can contribute to positive societal impact. By prioritizing ESG initiatives, companies not only enhance their employer brand but also create a more engaged workforce dedicated to driving sustainable growth and social change.



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For further information on this topic, workshop packs or anything relating to the AGN International association of accounting and advisory firms, or to become an AGN member, please email your closest AGN Regional Director (see below) or go direct to www.agn.org.

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Appendix 1 – Typical Workshop Outcomes To Policy Area Priority Challenge

FINAL 3 ESG POLICY AREAS	COMMUNITY ENGAGEMENT	ENVIRONMENTAL RESPONSIBILITY	CUSTOMER IMPACT	ORGANISATIONAL GOVERNANCE	WORKFORCE WELL-BEING
1	Local sourcing and supplier diversity	Carbon footprint reduction policy	Customer collaboration and co-creation	Mission alignment statement	Work life balance and flexible working
2	Employee volunteering & time off policy	Sustainable procurement & supply chain	Social responsibility promotion	Anti-corruption & money laundering policy	Fair compensation and benefits policy
3	Social partnerships	Eco-friendly transportation policy	Customer feedback and complaint resolution	Review & evaluation mechanisms	Professional development & training
Round 2 Elimination – Policy areas disregarded by the AGN member NextGen groups to arrive at 3 priority policy areas – (above)					
4	Social entrepreneurship support policy	Environmental compliance & reporting	Responsible pricing & fair value policy	Ownership structure	Equal employment & opportunities policy
5	Community investment programs	Energy efficiency & renewable energy policy	Supply chain & fair labour policy	Sustainability & social responsibility reporting	Employee ownership and participation
Round 1 Elimination - Policy areas disregarded by the AGN NextGen groups to arrive at top 5 policy areas.					
	<ul style="list-style-type: none"> • Advocacy for social causes • Community engagement & outreach policy • Community need assessment • Impact assessment and reporting • Charitable giving & donation policy • Ethical supply chain • Environmental stewardship and conservation • Collaboration with educational institutions • Corporate Social Responsibility policy 	<ul style="list-style-type: none"> • Pollution prevention & reduction policy • Water conservation & management policy • Product lifecycle assessment policy • Waste reduction and recycling policy • Emission reduction and offset policy • Plastic packaging reduction policy • Biodiversity & ecosystem protection • E-waste management • Environmental sustainability policy 	<ul style="list-style-type: none"> • Customer privacy data protection • Product transparency & labelling • Product quality & safety assurance • Accessibility & inclusivity policy • Ethical marketing & advertising policy • Continuous improvement and innovation • Customer education and empowerment policies • Sustainable packaging & waste reduction policy • Customer engagement in ESG policies 	<ul style="list-style-type: none"> • Technology & data security • Stakeholder engagement policy • Change of control and exit strategies • Whistleblower (and protection) policies • Transparency and accountability policy • Board diversity and inclusion policy • Conflicts of interest policy 	<ul style="list-style-type: none"> • Retention and succession planning • Ethical sourcing and labour standards • Employee engagement and feedback policy • Parental leave and family support policy • Health and safety policy • Volunteer and community engagement policy • Anti-harassment and anti-bullying policy • Employee wellness programs • Conflict resolution and grievance policy • Diversity and inclusion policy

Appendix 2 – Typical Workshop Outcomes To Detailed Policy Development Challenge

	COMMUNITY ENGAGEMENT	ACTION	ENVIRONMENT RESPONSIBILITY	ACTION	CUSTOMER IMPACT	ACTION	ORGANISATIONAL GOVERNANCE	ACTION	WORKFORCE WELL-BEING
1	Local sourcing and supplier diversity	Target 100% local (within 30km) suppliers.	Carbon footprint reduction policy	Commit to working with sustainable suppliers to introduce eco-friendly materials across the firm.	Customer collaboration and co-creation	?	Mission alignment statement	?	Work life balance and flexible working
2	Employee volunteering & time off policy	Commit to 1 day per month per employee for volunteering and charity work.	Sustainable procurement & supply chain	Commit to a hybrid home/ office working policy and move to an all-electric company car fleet.	Social responsibility promotions and campaigns	?	Anti-corruption & money laundering policy	?	Fair compensation and benefits policy
3	Social partnerships	We will identify at least 5 local social enterprises and partner with them.	Eco-friendly transportation policy	We will aim to reduce business travel by 15% by promoting online meetings.	Customer feedback and complaint resolution	?	Review & evaluation mechanisms	?	Professional development & training

excellent.
connected.
individual.



For further information, or become involved, please contact:

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