

Integrating ESG into your organization: Selecting the right model

Executive summary

Control Risks is a partner and participant of the ESG Working Group established by corporate ethics advisor Ethisphere, through their Business Ethics Leadership Alliance (BELA).

The group channels the collective experience of ethics, compliance and sustainability leaders within companies across a broad range of sectors including technology, manufacturing, healthcare, financial services and extractives. The group's objective is to produce practical tools and share experiential insight into the most critical issues on the journey to setting and implementing ESG and sustainable business strategies.





Participants agreed that sustainable business strategies depend on thoughtful and clear engagement with a range of business stakeholders. With this in mind, the working group has designed *Integrating ESG into Your Organization*.

- ▶ The guide presents a workflow for developing an ESG program and outlines four models to facilitate integration of ESG management within core business functions.
- ▶ The guide also highlights key success factors for businesses embarking on this journey.

As Ethisphere's partner in co-ordinating the working group, Control Risks provided technical expertise, its frontline perspective advising on these issues globally and support to the guide's development.

Selecting the right model

The working group identified four organizational structure models. Each model considers structure, roles, reporting lines and guidance on the challenges and benefits associated with each approach. Participants also recognized the benefits of blending models as appropriate for their organization.

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<p>Centralized command and control is an ESG governance model with single source of authority and decision-making power in the form of centralized ESG function. The centralized ESG function delegates responsibilities to regional/business function ESG heads and is responsible for setting consistent ESG targets throughout the organization.</p>	<p>In a C-suite model, the Chief ESG or Sustainability Officer acts as the "face" of ESG for the company and is the point person between the business and the board. They are in charge of co-ordinating and overseeing the implementation of ESG strategy but are not themselves a technical specialist in ESG matters.</p>	<p>In a pillar model there are three separate ESG leads appointed for E, S, and G pillars. The pillar leads are technical experts in their ESG focus area and are responsible for individually proposing strategies for their area to the board. They form their own project teams to execute their strategies.</p>	<p>The network or project-based model comprises a corporate ESG team, made up of sustainability experts and technical advisors who oversee implementing the ESG program. Project teams are formed as needed and dissolved after the goal is met.</p>

A key success factor is determining the model that aligns best with your current management and operational structure, as well as corporate culture.

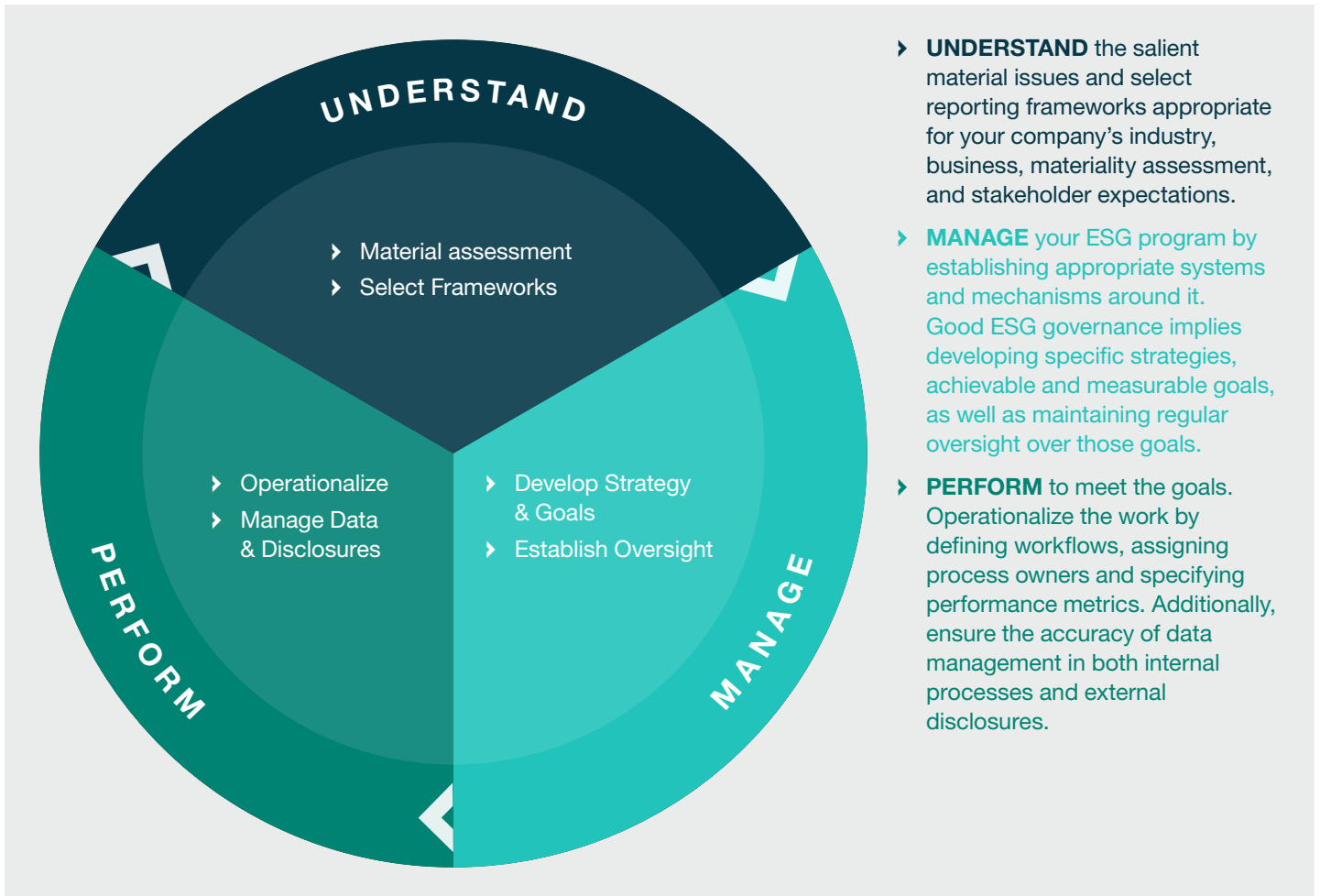
- ▶ ESG leader(s) need to establish the appropriate mandate to create accountability for performance and drive change.
- ▶ Remain agile and regularly re-evaluate your ESG model. Your model should evolve with your company's ESG program, as well external regulatory and market pressures.

Integrating ESG into your organization

Effective implementation for each organization

Each organization is unique. Developing the success of an ESG program depends on understanding the material issues affecting it and developing appropriate program governance strategies to underpin this with strong performance mechanisms.

The working group recommends the Understand-Manage-Perform process to ensure a continuous improvement cycle throughout program implementation. This flexible and responsive approach is particularly important in the context of ESG programs, as market, regulatory and stakeholder priorities and expectations are continuously shifting.



To find out more about how you can integrate ESG programmes and frameworks in your organization, download the full report; Integrating ESG into your organization: Selecting the right model.

