

# Defining ESG Goals



As regulatory pressures increase and the need for sustainable practices becomes the norm, more organizations are focusing their attention on defining ESG (Environmental, Social, Governance) goals that will shape their future growth path.

While on the surface this may seem as simple as choosing to focus on something such as reducing carbon emissions or material wastage, the reality is that it is far more complex. This executive summary analyzes the challenges of defining ESG goals, the benefits of a detailed ESG strategy, and how IFS supports its customers in defining their ESG goals.

## Understanding the Challenges

The first hurdle faced when defining ESG goals is understanding the three components of ESG and that while they are linked, they can be analyzed in isolation to show areas of specific focus, such as:



### Environmental

- Reducing greenhouse gas emissions
- Increasing the use of renewable energy
- Reducing waste and pollution
- Improving water and energy efficiency



### Social

- Improving labor practices
- Promoting diversity and inclusion
- Ensuring product safety and quality
- Supporting local communities



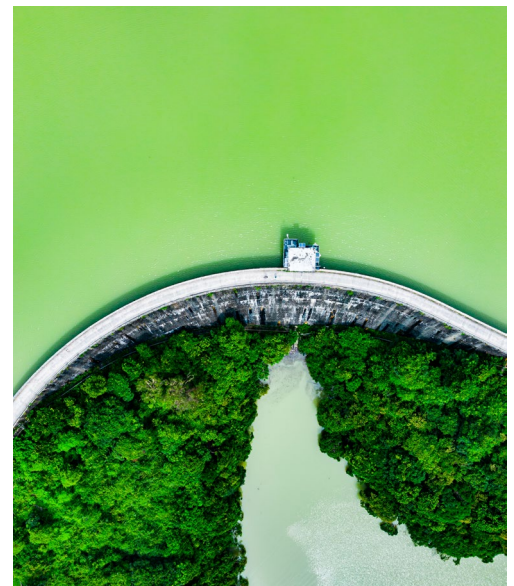
### Governance

- Enhancing board diversity and independence
- Improving transparency and disclosure
- Strengthening ethical business practices

Naturally, there is a tendency to focus on selecting Environmental goals as this is normally the area that comes under the most regulatory pressure. However, doing this could be misleading as a well-thought-out ESG strategy should consider all three areas when selecting ESG goals.

For example, when considering Governance, establishing a focused, layered sustainability governance structure that allows you to embed this across the organization, with subject matter experts from each function engaged, has significant benefits and helps to establish data controls and BAU monitoring of each function's sustainability impacts, risks, and opportunities.

So the real question you should ask yourself is, **“What steps should I take when defining goals?”**



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To answer this question, below is a simplified 5-step process that outlines how an organization can select its ESG goals:

- 1 Assess materiality:** Identify the ESG issues that are most relevant to the company and its stakeholders, taking into account the company's industry, size, and geographic location.
- 2 Engage with stakeholders:** Consult with stakeholders, including employees, customers, investors, and local communities, to understand their sustainability risks and opportunities.
- 3 Set targets:** Set specific, measurable targets for each ESG goal, taking into account the company's baseline performance and industry benchmarks.
- 4 Integrate into strategy:** Integrate ESG goals into the company's overall strategy, ensuring that they are aligned with the company's mission and values.
- 5 Monitor and report:** Regularly monitor progress towards ESG goals and report on performance to stakeholders.

### Understanding the benefits

Following these steps provides a more rounded platform for selecting ESG goals which considers, stakeholders, employees and customers. This enhances performance and reputation by addressing the most critical environmental, social, and governance issues.

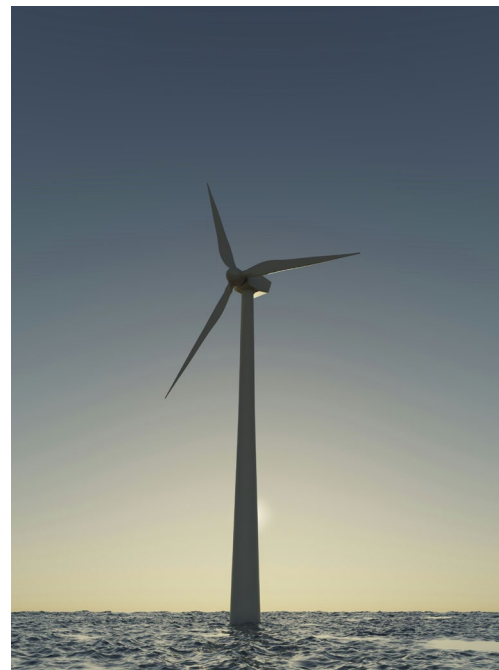
It should also be considered that the benefits of selecting the right ESG goals are not one-size-fits-all, as every organization is different, so improvements will vary as will timescales to realizing the benefits.

For many organizations, adopting an integrated ESG strategy is a significant organizational change. However, monitoring and reporting on progress, and communicating the impact of the strategy has also shown it can help to create long-term value and reduce risks.

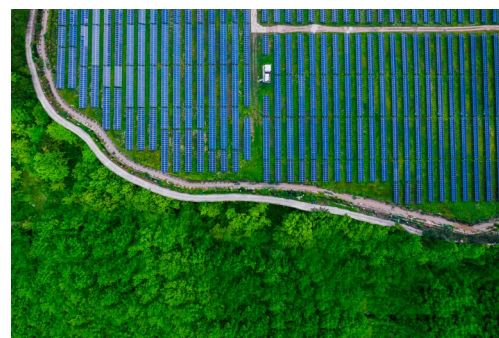
### How does IFS support its Customers' ESG goals?

IFS Cloud is the ideal solution to help hit your ESG goals, with a strategic focus on supporting frameworks and standards including the CSRD (Corporate Sustainability Reporting Directive). Track emissions and improve operational performance, while providing a single source of the truth and addressing the challenges of inaccurate and siloed sustainability data. IFS Cloud seamlessly embeds sustainability into business processes.

To find out how IFS can support you in achieving your ESG goals, [book a time](#) with one of our solution experts today.



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