**BizBoost News**

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**ESG and Small Businesses**

Pick up just about any public company’s most recent annual report, and you’ll find a section on ESG. ESG stands for Environment, Social, and Governance, and the trend of not only considering, but also measuring a company’s sustainability performance on ESG issues has become key. A new generation of investors is driving this movement as they become more discerning when selecting companies to invest in.

While ESG is still predominately a large company issue, small companies can benefit from being aware of this trend. But first, here is a very brief summary of the ESG components:

**Environment**

Measuring a business’s impact on the environment means taking into consideration topics such as climate change and sustainability. How many natural resources does the company use, and are they replenishing them as they use them? If they are polluting, how are they cleaning it up?

**Social**

The social impact of a business is the broadest of the three areas. It includes a multitude of topics, including:

* Diversity and inclusion in the workforce and with suppliers
* Consumer protection related to its products
* Human rights, including workforce issues such as working conditions and minimum wage, especially overseas
* Animal welfare in product research and development

**Governance**

The area of governance measures the leadership of the company when it comes to topics such as ethics, transparency, compensation issues for both executives and employees, and employee relations in general.

**Accounting for ESG**

The accounting industry is developing and adopting standards for how to measure a corporation’s sustainability performance. As of this writing, the IFRS (International Financial Reporting Standards) Foundation has proposed the creation of the Sustainability Standards Board, which will help to set standards for ESG in 140 countries.

This move will better align the current financial performance of the company with the new sustainability measures. However, all of this is many years off, as there are many organizations that have developed standards for numerous components of ESG that need to be consolidated and adopted.

In the meantime, we do know that positive sustainability performance by a company drives positive financial performance. There are many ways small businesses can participate in ESG’s benefits.

**ESG and Small Business**

ESG can have a positive impact on your company’s value, company culture, who you hire, the vendors you select, and the customers that select you.

As an example, if you plan to do business with a large company, mirroring their ESG values can help you align with them, giving you an edge in the selection process. Similarly, when you communicate your ESG values and contributions, you are more likely to attract employees with the same individual values, making for a better fit.

While there are a lot of things a small business can do, here are just a few ideas:

* Disclose your starting hourly rate, if it’s well above your state’s minimum wage, to attract better quality hiring candidates.
* When purchasing vehicles, consider electric or hybrid.
* Match employee nonprofit contributions, and give them time off to volunteer.
* Practice transparency when it comes to executive salaries or financial results.
* Write and post a diversity and inclusion statement.
* Conserve electricity by closing off unused spaces, turning off lights when not in use, and switch from gas to electric appliances when possible.
* Optimize service routes to reduce fuel consumption.
* Donate excess food to shelters (in the case of restaurants).
* Protect customers’ private information with privacy processes and policies.
* Make product components recyclable, purchase supplies that are recyclable, and train employees to recycle.

Add your own ideas to the above list.

Ask yourself how your business measures up when it comes to ESG, and make a plan to make the changes you want to see in your business.

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Learn more about ESG in our latest blog article: [link]

#BusinessTip: Ask yourself how your business measures up when it comes to ESG (Environment, Social, and Governance), and make a plan to make the changes you want to see in your business. Learn more here: [link]

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A few ways a small business can boost their ESG (Environment, Social, and Governance) are:

•When purchasing vehicles, consider electric or hybrid.

•Match employee nonprofit contributions, and give them time off to volunteer.

•Practice transparency when it comes to executive salaries or financial results.

•Write and post a diversity and inclusion statement.

•Donate excess food to shelters (in the case of restaurants).

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