



# ESG Beginner's

# Checklist

## Action Items for Overcoming Common Obstacles

Today's companies face challenges on the path to sustainable environmental, social, and corporate governance (ESG) practice. Some of these obstacles appear before you even get started, or in the early stages of your ESG journey. Early challenges often come from inside an organization, like a lack of knowledge or resources. With good planning and perseverance, any organization should be able to overcome the hurdles. **We created this checklist to help you address the challenges your company may face in adopting ESG practices — and how to take effective action.**

### **OBSTACLE 1: LIMITED HUMAN RESOURCES**

The Challenge	What Companies Can Do
<p><b>Companies at the beginning of their ESG journey may have few employees to dedicate to the project. Many ESG managers find they are the only person in their department, or they lead a small team of one or two. In either case, they need help.</b></p>	<ul style="list-style-type: none"><li><input type="radio"/> Develop the business case for hiring for key roles. Assuming your ESG plan has buy-in from the top, it will be understood that you will need to hire.</li><li><input type="radio"/> Seek support from a range of departments and teams throughout your company by creating cross-functional working groups.</li><li><input type="radio"/> Work with third-party ESG consultants to augment your efforts in the early stages of the journey.</li></ul>

 **OBSTACLE 2: OVERWHELMING ESG INFORMATION**

The Challenge	What Companies Can Do
<p>Leaders starting ESG programs may be unsure about what issues are important, what actions to take, how to prioritize, or even where to find basic information. As a result, they may lack knowledge of important ESG concepts.</p>	<ul style="list-style-type: none"> <li><input type="radio"/> Look to industry groups, international associations, and leading ESG service providers, for clear information targeted directly at managers beginning their ESG efforts.</li> <li><input type="radio"/> Consider your company's potential goals, learn the issues that affect your organization (<a href="#">review this list of material ESG issues</a>), then consult stakeholders to understand what data are available.</li> <li><input type="radio"/> If you lack ESG expertise internally, work with an ESG consultant or third-party service provider to figure out what the data means and what to do next.</li> </ul>

 **OBSTACLE 3: INCONSISTENT COMMUNICATION WITH STAKEHOLDERS**

The Challenge	What Companies Can Do
<p>Companies often face challenges when it comes to understanding what ESG issues are most important to stakeholders and communicating their actions and progress on those issues. Communications with stakeholders must be clear to make your ESG program truly effective.</p>	<ul style="list-style-type: none"> <li><input type="radio"/> Solicit stakeholder feedback. Whether investors, regulators, communities, customers, employees, suppliers, or others, your stakeholders will want to tell you what they care about and what kind of actions they want to see from your organization. (Don't worry! This doesn't mean you have to do everything they ask.)</li> <li><input type="radio"/> Determine how and what you want to share publicly. Make sure you involve your communications team.</li> </ul>

 **OBSTACLE 4: UNDERSTANDING THE LANDSCAPE**

The Challenge	What Companies Can Do
<p>ESG leaders need to look at their industry to get a clear picture of how they are performing relative to their peers. Without this information, companies can't know where they are leading and lagging and which areas to prioritize for action to reduce risk and enhance competitiveness.</p>	<ul style="list-style-type: none"> <li><input type="radio"/> Companies with the necessary resources can conduct their own competitive analysis by gathering and analyzing publicly available data about competitors' sustainability performance.</li> <li><input type="radio"/> Alternatively, companies can engage an ESG specialist to conduct their competitive research and provide insights.</li> <li><input type="radio"/> To get the most thorough and data-driven comparative analysis, including tailored information on ESG strengths, weaknesses, and performance gaps, companies will likely need to work with an ESG ratings provider.</li> </ul>

## **OBSTACLE 5: FUNDING ESG PROGRAMS**

The Challenge	What Companies Can Do
<p>Many business leaders are interested in implementing an ESG strategy but consider it a “nice-to-have” because they assume the cost is too high. However, a growing body of research is finding that the value of good ESG performance is far higher than the cost.</p>	<ul style="list-style-type: none"> <li><input type="radio"/> Explore sustainable finance instruments that are structured to benefit issuers or borrowers when they improve their ESG performance.</li> <li><input type="radio"/> Issue labeled bonds or obtain labeled loans to fund a specific ESG program.</li> <li><input type="radio"/> Issue a sustainability-linked bond or get a sustainability-linked loan with relevant and ambitious ESG-related targets. In this case, the issuer or borrower may use the proceeds for general purposes as long as they meet their target.</li> </ul>

Read our new ebook, **Getting Started With ESG: What Every Company Needs to Know**, for more insight on starting your ESG journey.



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## Connect With Our Team of Experts to Take the First Steps on Your ESG Journey

Sustainalytics, a Morningstar Company, is a leading global ESG research, ratings, and data firm supporting corporations and their financial intermediaries to consider sustainability issues in their policies, practices, and capital projects. As the leading second-party opinion provider in the market, Sustainalytics offers issuers credible verification on the use of proceeds for sustainable finance products. Corporations also leverage Sustainalytics’ ESG Risk Ratings to understand and promote their ESG performance with their internal and external stakeholders. The firm has received awards in recognition of its ESG solutions and opinion services, most recently from Climate Bonds Initiative, Environmental Finance, and GlobalCapital. With 17 offices globally, Sustainalytics has more than 1,200 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

**EMEA:**  
 (+44) 20 4526 5640  
[inquiries.EMEA@sustainalytics.com](mailto:inquiries.EMEA@sustainalytics.com)

**APAC:**  
 (+65) 6329 7596  
[inquiries.APAC@sustainalytics.com](mailto:inquiries.APAC@sustainalytics.com)

**Americas:**  
 (+1) 347 630 9308  
[inquiries.Americas@sustainalytics.com](mailto:inquiries.Americas@sustainalytics.com)

**Japan:**  
 (+81) 3 4567 0198  
[inquiries.Japan@sustainalytics.com](mailto:inquiries.Japan@sustainalytics.com)

[www.sustainalytics.com](http://www.sustainalytics.com)

