



# ESG v Budgets:

## How to Use Technology to Build a Sustainable, Resilient Business

### Prioritising Environment, Social and Governance through IT

ESG, short for “Environmental, Social and Governance”, is a widely used term that describes a set of standards, initiatives or programmes that businesses and organisations operate with the goal of reducing carbon emissions, operating with minimal impact on society and local communities and practising inclusivity and empowerment. It also incorporates measures that organisations take to make these initiatives transparent and accountable.

In this eBook, based on our webinar [“ESG v Budgets: How to Use Technology to Build a Sustainable, Resilient Business”](#), our panel of experts from Microsoft, Cisco, Sage, TalkTalk and Chess share their expertise on the why, what, how and who of ESG.



#### Watch the FIT 2022 Panel

ESG V Budgets: How to Use Technology to Build a Sustainable, Resilient Business

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# What is ESG?

What is ESG? Why should SMEs care about it and where should they start when developing their own programmes? When they do, who within the organisation should own ESG initiatives and drive them forward?

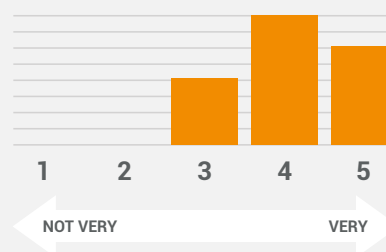
In this eBook we cover the answers to these questions and more. We also explain why successful ESG programmes look beyond words and ideas to specific, measurable goals and how progress towards these goals must be measured and monitored.

In his introduction to the webinar, Chess COO Stephen Dracup explained that Chess has been involved in CSR (Corporate Social Responsibility) “as long as he can remember”, with initiatives aimed at creating a great place to work and empowering people to become successful.

More recently, Chess has been transitioning to a more target-driven approach in the form of ESG, driven by customer and supplier concerns around environmental impacts. Noting that up to 90% of carbon emissions for many companies may be inherited from suppliers, we look at how SMEs can align themselves with the ESG policies of their larger customers.

## How important is the role of technology in achieving ESG goals?

At the start of our webinar, we asked attendees to answer to this question on a 1 to 5 scale, where 1 = not important and 5 = very important.



Most responses lean towards technology being very important to the success of ESG initiatives.

## What is ESG for Today's Business Organisations?

Lisa Weaver-Lambert, Large-Cap Private Equity, Data & AI Lead at Microsoft, explains that ESG programmes incorporate social, scientific and environmental imperatives that can benefit the growth aspirations of SMEs.

Indeed, all our experts agree that for SMEs wanting to do business as suppliers with larger corporates or government organisations, ESG is going to be a requirement at some point. This should give SMEs reason enough to pursue ESG initiatives.

Apart from this, ESG should also be pursued from a scientific as well as a social standpoint, because it is the right thing to do for any business organisation, large or small, and will ultimately benefit shareholders, customers and partners.

Microsoft's position is that “Those companies that can help should help”, and for a company like

Microsoft, which does business in virtually every country around the globe, there are real possibilities for solving the global sustainability challenge.

Microsoft customers have come to expect that the company will deliver sustainability-related technologies, and so the firm has developed four key pledges in areas where it believes technology can have the greatest impact. These are to:

- Be carbon neutral
- Be water positive
- Generate zero waste
- Protect ecosystems.

Implementing initiatives like this requires drive, passion and commitment from stakeholders and leaders alike.

# Why Should Organisations Drive ESG Initiatives?

With concerns about climate change front and centre for most organisations, sustainability has become a major priority. Unlike its predecessor CSR, ESG puts sustainability at the heart of responsible operations, involves multiple stakeholders at all levels and – crucially – uses measurement and accountability.

## Reducing Carbon Emissions

For Will Ennett, Head of Sustainability at TalkTalk, the reason businesses must drive ESG is to reduce operational carbon emissions.

ESG initiatives should be underpinned with science-based targets in line with what climate science says is necessary and should include employees, investors and suppliers, particularly as the latter group (for Chess and others) represents the biggest source of emissions.

Chris Zachriat, Meraki UKI ESG Ambassador at Cisco, agrees and says that reducing emissions is a central issue for Cisco both across its own operations as well as via its initiatives with other organisations.

*Chess's belief is that technology can reduce emissions by 15%-17% and 'power and inclusive future of all'.*

Elena Zayakova, Senior Director of Sustainability Disclosure at Sage, says that cutting carbon emissions is critical for her organisation. For most businesses, around 80% - 90% of carbon emissions are Scope 3 i.e. "They include both upstream emissions-producing activities (everything to produce your product) and downstream emissions-producing activities (everything to consume your product)."\*



She adds that further key drivers of ESG include:

- Increasing regulation in the EU, UK and USA, which brings benchmarks and standards to ESG around which organisations can align.
- Pressure from investors who, alongside pushing for more decisive climate action, are also interested in fostering wellbeing and mental health improvements for employees and other stakeholders.

In summary, ESG is increasingly more important across government, business and society around the world.

Different companies (especially SMEs who supply government and larger corporates) are at multiple stages of their commitment and action plans towards ESG. So going back to Lisa Weaver-Lambert's point, it is incumbent on those organisations who can do something to help progress ESG do so.

\* SOURCE: <https://www.sustain.life/blog/scope-3-emissions>

# Where to Start With ESG

For many SMEs who face constraints on time, resources and budgets, getting started with ESG initiatives is an understandably daunting prospect. So we asked our expert panellists for their advice on where to start and how.

A common point which all our experts agree on is that ESG is “different things to different people and businesses.” Every organisation will manage ESG initiatives differently, depending on what type of business they are, their size and structure, shareholder base, target market and supply chain.

## Define Why ESG is Important for Your Organisation

To begin with, SMEs should define the key ESG drivers for their organisation. For Cisco, achieving manufacturing supply chain sustainability is important, according to Chris Zachriat. Cisco ensures that products can be recycled as far as possible to avoid a negative impact on the environment.

## Prioritise Initiatives

For SMEs where time and budget are at a premium, it is not possible to run a broad range of ESG initiatives. So the key is to focus on four or five priorities. As part of the supply chain to larger organisations, SMEs should identify what the priorities of these large customers are. This needs to be done sooner rather than later, before it becomes an urgent requirement for doing business.

## Appoint an ESG Owner to Drive Momentum

Ownership of the ESG agenda is key at so many levels. A key figurehead in the organisation must not only drive and be accountable for ESG performance, but must also be passionate about its goals and the ethos behind it. Whoever owns and drives ESG, it requires a combination of hard-headed focus on targets, financial oversight, accountability and motivational abilities to fire up passion in others.

## Involve People at all Levels of the Organisation

Driving ESG cannot be the preserve of top-level management only. TalkTalk sees “the business” as the biggest stakeholder in ESG, according to Will Ennett, and sees employees as “#netzeroheros.” Chris Zachriat suggests that Sustainability Ambassadors are needed to spread the word through the root and branch organisation, ensuring all employees are included in the initiatives towards net zero.

## Set Short and Longer Term Targets

According to our expert panellists, goals are concerned mostly with reducing carbon emissions by a key date and then becoming carbon neutral by some time later. However, these targets disguise the nearer term operational goals. 75% of Cisco’s carbon footprint comes from the use of its products rather than from their manufacture, so its near term goals are to:

- Increase product packaging efficiency e.g. less use of plastics
- Use circular design principles to ensure more elements of its products can be recycled.

## Make Use of Existing Platforms and Models

Lisa Weaver-Lambert stresses that many smaller businesses can adhere to existing platforms and schemes which will help them achieve ESG goals, quoting that “MS Cloud is more efficient than anything on-premise, offering a 90% reduction in carbon emissions.” From a governance perspective, Microsoft also offers tools to allow customers to collect, unify and report on ESG related data.



# How Can ESG Positively Impact on Budgets?

Implementing ESG policies can be beneficial to organisations from the perspective of both adding value and saving on costs. This makes implementing ESG attractive for many stakeholders, from investors to customers, employees and prospective staff.

**Here's how ESG can have a positive impact on organisations – and their budgets.**

## Improved Sales

When shopping around and comparing suppliers, buyers (both consumer and commercial) are increasingly looking to source goods and services from firms that have a robust ESG policy. Indeed some customers state they prefer to buy from suppliers with an ESG policy than a less ethical brand – even if it costs them more. Research by McKinsey found that “Over 70% of people would pay an extra 5% for a green product if it met the same standards as non-green alternatives.”\*

## Cost Reductions

Hybrid work, such as holding meetings online, means less travel and fewer commuting miles which results in reduced emissions but also in lower business costs e.g. mileage expenses, subsistence costs and room hire. It also produces time savings. Other environmentally sound initiatives such as reducing packaging and production waste can result in lower costs, while investments such as installing LED lighting can deliver immediate savings.

## Improved Productivity

Hybrid working is considered significantly better environmentally because of reduced emissions, yet deployment of fibre networks to homes means fast connection speeds and less lag, thus improving productivity. Furthermore, many employees say they benefit from a better work-life balance and improved job satisfaction, which in turn is known to reduce sickness-related absences and staff turnover. According to an article by Mind, hybrid working can “Improve employee retention and reduce business costs for your organisation”.\*\*

## Improved Reputation

Companies with a strong ESG policy can enhance their reputation both for potential investors and employees. Investors and shareholders look for opportunities to invest in businesses with strategies to improve their environmental record and reduce carbon footprint, while many employees now specifically want to work for eco-conscious organisations that support diversity, inclusion and equal opportunities and that place an emphasis on wellbeing and work-life balance.

\* SOURCE: <https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Strategy%20and%20Corporate%20Finance/Our%20Insights/Five%20ways%20that%20ESG%20creates%20value/Five-ways-that-ESG-creates-value.ashx>

\*\*SOURCE: <https://www.mind.org.uk/workplace/coronavirus-and-work/hybrid-working-tips-on-creating-a-mentally-healthy-hybrid-workplace/>

# Who Should Own ESG in the Organisation?

Ownership of ESG provokes great debate because where it sits in the organisation clearly requires the authority to drive through directives, the oversight to ensure that initiatives hit their target and the belief and passion to motivate individuals at all levels of the organisation.

Yet opinion on where ESG ownership should belong in the organisation is divided for each of our panellists. For Elena Zayakova of Sage, ownership of ESG needs to be in finance to reflect that it is a “hard business” matter. On the other hand, Chris Zachriat of Cisco believes ESG ownership must be at Board/senior management level so that responsibilities can be devolved down to line of business managers.

Meanwhile, for Will Ennett of TalkTalk, ownership for at least the sustainability element of ESG needs to sit firmly within product design teams because “It is estimated that over 80% of all product-related environmental impacts are determined during the design phase of a product”\* according to the EU Science Hub.

Finally Lisa Weaver-Lambert at Microsoft argues that the CEO must own the ESG agenda and be accountable for the entire organisation's ESG performance – in exactly the same way as they would be responsible for its overall financial performance.

## Why Ownership is so Important

It is worth noting that savvy consumers are now increasingly selecting which products they buy and who they buy them from based on their perceived ESG credentials.

The same is true of supply chain selection and management on the part of corporate buyers, particularly in industries such as oil and gas, extraction/mining and large-scale industrial manufacturing.

Among the competition for talent, Microsoft is also conscious of the fact that ESG-aware candidates are selecting their future employers based on their credibility and track record.



\* SOURCE: [https://joint-research-centre.ec.europa.eu/scientific-activities-z/sustainable-product-policy\\_en#](https://joint-research-centre.ec.europa.eu/scientific-activities-z/sustainable-product-policy_en#)

# Technology to Enable ESG

Here we highlight four technology solutions that can enable organisations to achieve their ESG goals.

## Microsoft 365

Maximising the value of your Microsoft 365 investment means maximising opportunities for collaboration among distributed teams as well as for personal productivity.

To make the most of M365, organisations need access to the digital skills to manage licensing, deploy, support and update software correctly and optimise enhanced features such as security, Power Platform and SharePoint.

## Cisco Meraki

Today's hybrid working patterns mean that staff must be provisioned to work securely, anywhere, anytime. The Secure Access Service Edge (SASE) approach to networking and security provides remote staff with secure access to web, cloud, and private applications by combining VPN and SD-WAN capabilities with cloud-native security functions.

The Cisco Meraki stack features security capabilities such as a next-gen layer-7 firewall, Advanced Malware Protection (AMP), intrusion prevention, SSL decryption/inspection, data loss prevention (DLP) and complete end-to-end network visibility.

## Sage Intacct

Sage Intacct integrates with existing tools and automates financial processes such as accounts payable and receivable, billing, cash management, order management, and purchasing.

Sage's Sustainability and Society strategy is built on three key pillars underpinned by strong ESG fundamentals: Protect the Planet, Tech for Good and Fuel for Business.

## Fibre/FTTP

Excellent connectivity is key to working effectively in a hybrid world, and FTTP is undoubtedly a lot faster and more reliable than FTTC or ADSL. Unlike 5G, UK FTTP is very energy efficient because it is based on a technology called GPON which is 7.5 times more efficient than the networks it is replacing.



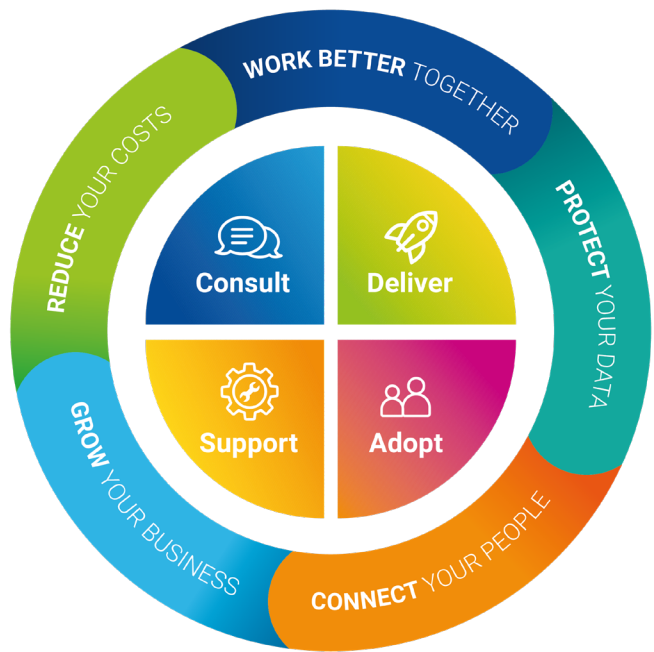


## Making it easy to work securely anywhere, anytime

Chess is one of the UK's leading independent and trusted technology service providers, employing 340 skilled people across the UK, supporting over 30,000 organisations.

By leveraging world-class technology, Chess helps you to connect your people, protect your data, grow your business, reduce your costs and work better together, which means your business, your people and your customers can thrive. At Chess, we're passionate about our unique culture and our continuous investment in our people to be industry experts.

We're extremely proud that our people voted us No.1 in 'The Sunday Times 100 Best Companies to Work for' list 2018, and we continue to celebrate more than ten years in the top 100.



## Next Steps to find the right outsourcing solution for your organisation



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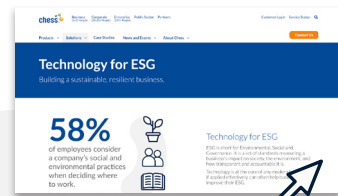
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