

ESG Readiness Level

Coastal waters support economic livelihoods, provide food, and foster socio-cultural connections to marine life for billions globally. Our relationship with the ocean significantly influences coastal economies, culture, and well-being. As a result, applying the environmental, social, and governance (ESG) framework is vital for sustainable economic growth, societal development, and environmental protection, including freshwater ecosystems. ESG principles drive corporate strategy and performance, while ESG scores help direct investments toward more sustainable and ethical businesses, aligning with the UN's Sustainable Development Goals. Thus, companies must ensure compliance with ESG standards to thrive long-term.

	ESG RL: ESG Readiness Level
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Stage 4: Commercialize	8 Establish ESG data systems, dashboards, and processes
Stage 3: Develop & Test	7 Formalize ESG governance and develop policies
	6 Determine budgets, headcount, and other resources (resource allocation for ESG priorities)
Stage 2: Prototype	5 Define top ESG score priorities and create a strategic plan/roadmap
	4 Integrate ESG into business strategy
Stage 1: Conceptualize	3 Engage key ESG ratings stakeholders for guidance
	2 Complete a materiality assessment to identify, refine, and assess potential ESG issues
	1 Conduct an ESG readiness and resources assessment



ESG Readiness Level

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Stage 1: Conceptualize

Step 1: Conduct an ESG readiness and resources assessment

The first step in implementing an ESG (Environmental, Social, and Governance) strategy is to assess readiness and resources. This involves evaluating current ESG activities, risks, and resources while raising internal awareness about their importance. The assessment identifies strengths, weaknesses, and key processes, providing a clear overview of the company's status. Both internal reviews (reports, policies) and external research (regulatory guidelines) inform this gap analysis to guide improvements.

HOW TO

1. **Perform a Gap Analysis:**

Start with a [gap analysis](#) to assess the company's current ESG processes and initiatives by reviewing existing policies, reports, and procedures to identify strengths and gaps. Interviews with key stakeholders—employees, customers, and investors—offer valuable insights.

2. **Evaluate Resources:**

Assess whether your company has sufficient human and financial resources dedicated to ESG initiatives. This includes evaluating the skills and expertise of staff involved in ESG tasks and determining if additional training or hiring is necessary.

3. **Conduct Industry-Specific Research:**

Examine ESG guidelines and regulations specific to your industry, especially for specialized fields like marine restoration, biotechnology, or energy. Each sector has unique ESG needs, making this knowledge essential for strategic alignment.

4. **Raise Awareness:**

Ensure that all levels of the organization are informed about ESG initiatives. Raising awareness helps build internal support for ESG efforts and fosters a company-wide commitment to achieving ESG goals.

5. **Establish Baseline ESG Data:**

Gather and analyze data on the company's environmental, social, and governance performance to establish a baseline for future improvements and goal setting.

EXAMPLE

A marine restoration company performing its ESG readiness assessment starts by reviewing its current initiatives on restoration projects, including the protection of coastlines and reef building efforts. They discover gaps in their environmental reporting, particularly around improved monitoring and risk education. Interviews with stakeholders reveal the need for more community engagement and communication about the long-term impact of their restoration efforts.

The company evaluates its human resources and finds that while it has experts in marine biology, it lacks staff with ESG reporting expertise. After completing this gap analysis, the company adjusts its focus to improve communication strategies, ensure compliance with ESG metrics, and expand its team to cover social and environmental reporting effectively.

ESG metrics regarding marine restoration

Environmental	improved restoration efficiency, attractiveness, impact communication, improved monitoring, risk education
Social	restoration, new reefs, low environmental impact, likeness to nature, coastline protection
Governance	individual contribution, aesthetic value, education, support of local community

Step 2: Complete a materiality analysis to identify and assess potential ESG issues

A materiality analysis aligns a company's sustainability efforts with business goals and stakeholder expectations, helping prioritize ESG issues based on their relevance and impact. This process guides companies in deciding which topics to address in reports and strategic initiatives, ensuring that they focus on the most significant risks and opportunities, both present and future. It also serves as a foundation for integrating ESG factors into corporate decision-making. To enhance an organization's ability to proactively improve its ESG performance and mitigate risks, it is crucial to cultivate a comprehensive understanding of the methodologies employed in ESG ratings. This knowledge will empower a company to make informed decisions and implement targeted strategies aimed at enhancing its ESG score.

HOW TO

1. Identify Key ESG Issues:

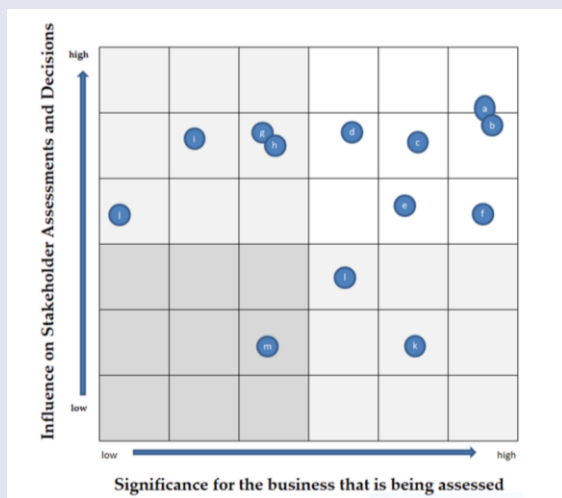
Gather information on potential ESG topics that could impact the company or its stakeholders. This includes industry-specific risks, regulatory trends, stakeholder feedback, and global sustainability frameworks like the [UN's Sustainable Development Goals](#) (SDGs) or [Global Reporting Initiative](#) (GRI) standards. In addition to these resources, public information regarding ESG criteria, voting procedures, and investing expectations can be found on the websites of institutional investors like [Vanguard](#) and [BlackRock](#).

2. Engage with Stakeholders:

Consult internal and external stakeholders—employees, investors, customers, and local communities—to understand their concerns and priorities and to assess what matters most to the company and its broader ecosystem.

3. Assess Materiality:

Use a materiality matrix to rank issues by their importance to stakeholders and the company's long-term value. This matrix highlights the significance of each ESG issue based on stakeholder expectations and strategic relevance.



Example illustration of a materiality matrix (Geldres-Weiss, 2021)

4. Evaluate Impact:

For each ESG issue, assess the potential financial, regulatory, and reputational impacts on the business. Consider factors like regulatory compliance, stakeholder demands, and contributions to the company's sustainability goals.

5. Prioritize:

Prioritize ESG issues based on their materiality. Focus on the most pressing topics that have a significant impact on both the company and its stakeholders. These prioritized issues will form the basis for future ESG initiatives, resource allocation and reporting.

EXAMPLE

A company in the marine restoration industry uses a materiality analysis to identify key sustainability issues, such as the restoration of coral reefs and minimizing the environmental impact of restoration methods. By consulting with stakeholders and using a materiality matrix, the company identifies that protecting coastal ecosystems and contributing to local economies are high-priority issues. They then develop strategies to address these areas, ensuring that their ESG efforts align with both regulatory expectations and stakeholder needs.

Step 3: Engage key ESG stakeholders

Engaging stakeholders is a critical step in the ESG process, as it allows companies to align their strategies with the concerns and expectations of those impacted by their operations. Stakeholders, such as employees, customers, investors, local communities, and maritime organizations, play a pivotal role in shaping a company's ESG initiatives. By fostering open communication, businesses can build trust, gather valuable insights, and strengthen their ESG reporting and performance. Effective stakeholder engagement ensures that ESG efforts are collaborative, responsive, and aligned with both societal and environmental needs.

HOW TO

1. **Identify Key Stakeholders:**

Map out relevant stakeholders, including internal (employees, management) and external (customers, investors, local communities, NGOs) groups. Focus on those who are most affected by or have a significant impact on the company's ESG performance.

2. **Establish Open Communication Channels:**

Create diverse platforms for stakeholder engagement, such as surveys, focus groups, town hall meetings, or online forums. Ensure that stakeholders can easily provide feedback and share concerns regarding the company's ESG practices.

3. **Integrate Stakeholder Feedback:**

Listen to and analyze stakeholder input to understand their priorities. Use their feedback to guide ESG strategies, ensuring that initiatives address both stakeholder concerns and business goals. This builds trust and enhances ESG reporting and performance.

4. **Foster Collaboration:**

Partner with stakeholders, including local communities and industry organizations, to co-create ESG solutions. Collaboration leads to innovative approaches that benefit both the company and the environment.

5. **Maintain Ongoing Dialogue:**

Regularly communicate updates on ESG initiatives and progress to stakeholders. Transparency and accountability are key to building long-term relationships and ensuring continued stakeholder support.

EXAMPLE

A company in the marine restoration sector engaged local coastal communities, environmental NGOs, and fishing associations as part of its stakeholder engagement strategy. By organizing community meetings and conducting surveys, the company gathered valuable feedback on its coastal restoration efforts. This input was used to refine their ESG strategy, ensuring that their restoration practices not only met environmental standards but also addressed the economic needs of local fishermen. Additionally, the company worked with investors and environmental groups to co-develop innovative restoration methods, leading to improved ecological outcomes and enhanced stakeholder relations.

Stage 2: Prototype

Step 4: Integrate ESG into business strategy

After a thorough materiality analysis, the next step is to integrate identified ESG (Environmental, Social, and Governance) criteria into the core business strategy. The goal is to align social and environmental impacts with financial returns, fostering sustainable practices that create long-term value for the company and stakeholders. This integration enhances socio-ecological outcomes and business resilience by recognizing key stakeholder attitudes, such as those of coastal communities in marine restoration.

HOW TO

1. **Align ESG with Business Goals:**

Link key ESG issues with the company's overall mission and objectives. For instance, environmental criteria might shape product development, operations, or supply chains to reduce ecological impacts. Social and governance factors should drive employee engagement, community relations, and leadership to ensure inclusivity and ethical governance.

2. **Embed ESG in Decision-Making Processes:**

Incorporate ESG considerations into decision-making by establishing cross-functional teams to oversee projects and prioritizing ESG in leadership discussions. Integrate ESG into KPIs and management systems to ensure accountability at all levels.

3. **Overcome Barriers:**

Address common challenges such as lack of standardization in ESG data, underreported ESG performance, and high integration costs. Mitigating these obstacles may involve using third-party data providers or adopting internationally recognized standards from the Global Reporting Initiative (GRI) or the Sustainability Accounting Standards Board (SASB).

4. **Monitor and Measure Progress:**

Establish mechanisms for regular monitoring and evaluation of ESG performance by setting clear, measurable targets, collecting reliable data, and reviewing progress periodically. Integrating ESG into business performance reviews ensures sustainability goals align with long-term success.

5. **Communicate ESG Strategy:**

Communicate ESG progress and goals to stakeholders through regular reports, meetings, and various channels to ensure transparency to build trust and strengthen relationships, making ESG efforts resonate throughout the business ecosystem.

EXAMPLE

A marine restoration company in the Atlantic region integrated ESG by aligning environmental goals—restoring coral reefs and improving marine biodiversity—with business objectives like eco-tourism and sustainable fishing. They worked with coastal communities to train in low impact fishing methods, creating local jobs and improving ecosystem resilience. This boosted both their ESG performance and reputation as a sustainability leader.

Step 5: Define top ESG score priorities and create a strategic roadmap

Once companies have laid the groundwork for ESG integration, the next step is to create a comprehensive roadmap that defines their top ESG priorities. This strategic roadmap helps organizations align specific initiatives with ESG goals, ensuring structured implementation. The roadmap serves as a clear guide for operationalizing sustainability efforts, assigning responsibilities, and setting timelines. By focusing on top ESG priorities, businesses can drive measurable progress while integrating these efforts into their core strategy.

HOW TO

1. **Identify Key ESG Priorities:**

Start by identifying the most important ESG issues for your business, based on the materiality analysis, stakeholder input, and industry standards. These priorities should align with both the company's long-term business objectives and sustainability goals.

2. **Set Clear KPIs and Milestones:**

Establish key performance indicators (KPIs) for each ESG priority. This helps measure progress over time. Incorporate both short-term and long-term milestones, ensuring that progress is achievable and quantifiable.

3. **Align ESG with Business Strategy:**

Integrate ESG activities into core business functions like portfolio strategy, operations, talent management, and performance metrics. Embed ESG goals in decision-making processes to create a lasting impact.

4. **Assign Responsibilities:**

Clearly define roles and responsibilities for each part of the ESG strategy. This includes delegating tasks to different departments and ensuring there is accountability at every stage of the process.

5. **Create a Timeline and Track Progress:**

Develop a timeline that includes short-term and long-term goals for each ESG initiative. Regularly monitor and adjust the roadmap based on performance data and evolving ESG trends.

6. **Review and Adapt:**

Continuously assess progress against your KPIs and adjust the roadmap as necessary to account for changing regulations, stakeholder expectations, or business goals.

EXAMPLE

A marine restoration company has identified coastal ecosystem restoration and carbon reduction as key ESG priorities. To address this, the company creates a strategic roadmap with actionable steps for integrating ESG into its core business. This plan visualizes the impact of each ESG effort and aligns them with long-term business goals.

- **Portfolio strategy and products:** The company shifts to eco-friendly restoration methods to meet client demands for sustainable practices, ensuring minimal environmental impact.
- **People and culture:** Employees receive training in marine restoration and sustainability, fostering a culture that champions ESG goals.
- **Systems and processes:** The company updates its operations to incorporate low-impact restoration techniques, aiming to reduce resource waste.
- **Performance metrics:** Measurable KPIs are set, like restoring ecosystems and reducing emissions by 30% over five years. These are tied to employee performance rewards.
- **Positions and engagement:** The company strengthens its external affiliations with global sustainability organizations and aligns its efforts with frameworks like the UN's SDGs.

Starting with small, low-cost initiatives like reducing plastic in operations builds internal confidence to scale ESG efforts, positioning the company as a leader in marine conservation.

Stage 3: Develop and test

Step 6: Allocate resources for ESG priorities

Once a company has defined its ESG priorities and strategic roadmap, the next critical step is allocating the resources necessary to implement these initiatives effectively. Resources may include financial budgets, personnel, and technology. Proper resource allocation ensures that the company's environmental, social, and governance (ESG) goals are not only feasible but also sustainable in the long term. Allocating these resources strategically will also enhance the company's ESG performance, positioning it for long-term success.

HOW TO

1. **Identify Resource Needs:**

Assess which ESG initiatives need funding, personnel, or technological support. Analyze the ESG roadmap and prioritize initiatives that have the greatest impact on sustainability, such as carbon reduction and diversity programs.

2. **Assign Dedicated Personnel:**

Allocate human resources by appointing dedicated ESG professionals, such as sustainability managers, analysts, and project managers. These roles are essential for monitoring initiatives, reporting progress, and aligning efforts across departments.

3. **Allocate Financial Resources:**

Set aside a budget for ESG projects. This budget should include funding for both operational and capital expenditures, such as sustainability initiatives, renewable energy investments, or diversity programs. For companies with limited budgets, prioritizing environmental and social investments over governance may yield the most immediate improvements in ESG scores.

4. **Leverage Technology:**

Invest in technology solutions that support ESG goals, such as data analytics platforms for sustainability tracking or software for improving supply chain transparency.

5. **Monitor and Adjust:**

Continuously monitor the allocation of resources to ensure they are being used effectively. Adjust resource allocation as ESG priorities shift or as projects reach completion to maintain focus on the most critical areas.

EXAMPLE

A marine restoration company allocates resources to support its key ESG goals, such as restoring coastal ecosystems and reducing the environmental footprint of restoration methods. The company hires an ESG project manager to oversee restoration projects and an ESG analyst to track sustainability performance. The company allocates a dedicated budget for sustainability initiatives, including the purchase of eco-friendly materials for restoration and investment in renewable energy to power its operations. To monitor ecosystem recovery, the company invests in satellite imagery and data analytics tools that track biodiversity and carbon sequestration in restored areas. By prioritizing environmental and social aspects in its resource allocation, the company enhances its ESG performance, positioning itself as a leader in sustainable marine restoration.

Step 7: Formalize ESG governance and develop policies

The formalization of ESG governance involves establishing clear policies and guidelines that outline how a company will manage its environmental, social, and governance (ESG) responsibilities. Effective governance ensures that ESG initiatives are embedded in the company's daily operations and decision-making processes. It also enhances accountability and transparency in ESG performance, enabling companies to meet both regulatory requirements and stakeholder expectations. The integration of scientific insights into management decisions also strengthens policymaking and helps achieve broader environmental and developmental goals.

HOW TO

- 1. Establish ESG Governance Structure:**

Determine which governance framework will best suit the company's size, industry, and goals. Designate a board-level ESG committee or assign specific roles and responsibilities within the organization for managing ESG activities.

- 2. Develop ESG Policies:**

Draft clear, actionable policies that align with the company's ESG priorities. These policies should include standards, guidelines, and procedures for managing key issues such as environmental stewardship, social equity, cybersecurity or governance integrity (find a comprehensive list of possible guidelines and templates at "[Brightest](#)").

- 3. Incorporate ESG into Decision-Making:**

Integrate these policies into the company's decision-making processes at all levels, ensuring that ESG factors are considered in operational planning, risk management, and corporate strategy.

- 4. Implement ESG Training:**

Ensure that employees and leaders are trained on ESG policies and understand their role in promoting these values. Establish regular ESG education programs and incorporate ESG-related objectives into performance evaluations.

- 5. Monitor and Review Policies:**

Regularly review and update the ESG governance structure and policies to stay aligned with changing regulations and stakeholder expectations.

EXAMPLE

A marine restoration company formalizes its ESG governance by creating a comprehensive set of policies focused on environmental stewardship and social responsibility. It sets up an ESG committee at the board level to oversee the implementation of these policies and ensure that they are integrated into the company's strategy.

- **Policies:** The company develops specific guidelines for responsible sourcing, ensuring that materials used in marine restoration come from sustainable sources. It also adopts a climate action policy aimed at reducing the carbon footprint of restoration projects and sets clear diversity and inclusion goals for its workforce.
- **Training:** ESG education is provided to all employees, ensuring they understand how their roles contribute to the company's sustainability objectives. This includes training on responsible environmental practices and adherence to business ethics and anti-discrimination policies.

Stage 4: Commercialize

Step 8: Establish ESG data systems, dashboards, and processes

To accurately track and report on ESG performance, companies must implement robust data systems and processes. This step is essential for gathering high-quality, reliable ESG data that meets the expectations of investors, rating agencies, and stakeholders. A well-structured data system provides visibility into key performance indicators (KPIs) and benchmarks while ensuring that the company's ESG efforts are measurable, transparent, and continuously improving. Companies must integrate internal data (such as KPIs), adopt advanced tools for data collection and reporting, and ensure compliance with industry standards to improve accuracy, data governance, and transparency.

HOW TO

1. Create a Data Inventory:

Identify the ESG data that needs to be tracked, including internal KPIs, operational metrics, and industry benchmarks to ensure that the most relevant and impactful data is collected for analysis and reporting. Include data from internal systems, benchmarks, and industry standards to ensure comprehensive tracking.

2. Adopt Data Systems:

Transition from manual or spreadsheet-based systems to more specialized ESG reporting tools. Use software such as [Quickbooks](#) or [Oracle NetSuite](#) to efficiently track and manage ESG data. These systems improve accuracy, enhance efficiency, and ensure better data governance practices.

3. **Set Up Dashboards:**

Implement dashboards to visualize ESG data in real-time. Dashboards offer an easy-to-use interface to track ESG progress and help management teams make data-driven decisions. Ensure dashboards are customizable and aligned with specific ESG goals, providing clear insights into KPIs and trends.

4. **Develop Data Governance Policies:**

Define clear policies for data quality, security, and privacy to ensure compliance with regulations and safeguard data integrity. Ensure that data collection processes meet the required standards for accuracy and reliability.

5. **Ensure Accessibility and Reporting:**

Set up systems to allow key stakeholders access to ESG performance data. This transparency strengthens stakeholder trust and engagement.

EXAMPLE

A marine restoration company implementing an ESG strategy utilizes QuickBooks for tracking financial and operational ESG metrics, including project budgets for restoration initiatives. They establish dashboards to monitor KPIs like carbon emissions, waste reduction, and biodiversity impact in real-time. The company also implements data governance policies to ensure the accuracy and security of ESG data, aligning it with industry benchmarks and best practices. This system allows them to provide reliable information to investors and meet reporting requirements for various ESG ratings agencies.

Stage 5: Sustain

Step 9: Track ESG KPIs, improve disclosure, and work on a long-term plan to increase ESG rating

Tracking ESG Key Performance Indicators (KPIs) and improving transparency are critical for companies aiming to enhance their ESG ratings. Regular performance assessments and continuous disclosure updates ensure that companies can not only meet stakeholder expectations but also improve their ESG impact over time. This tracking process should align with both short-term goals and the company's long-term ESG strategy, promoting resilience and adaptability in changing environments. Furthermore, as companies improve their ESG practices, they can often gain competitive advantages and improve operational efficiency, leading to positive returns on investment.

HOW TO

1. **Track ESG KPIs:**

Develop a system for regular monitoring of key ESG metrics using real-time dashboards and automated data to track targets like carbon reduction, diversity, and waste management. Benchmark KPIs against industry standards and review them to align with evolving goals and regulations.

2. **Enhance Disclosure:**

Enhance ESG reporting by regularly updating stakeholders on company performance. Use frameworks like Global Reporting Initiative (GRI) or Sustainability Accounting Standards Board (SASB) for transparent disclosures, and provide concise reports covering key ESG metrics and their impact on business performance, making information accessible for investors and stakeholders.

3. **Develop a Long-Term Plan:**

Develop a strategic plan to improve ESG ratings through initiatives like enhancing energy efficiency, reducing emissions, and increasing workforce diversity. Ensure the plan remains adaptable to new challenges and opportunities, with a focus on measurable, impactful ESG progress.

4. **Leverage Data Analytics:**

Utilize advanced data analytics and technology to identify trends, anticipate risks, and adjust strategies as needed. This approach enables companies to make informed, real-time decisions that enhance their ESG performance.

5. **Engage with Stakeholders:**

Foster ongoing dialogue with investors, employees, and communities to gather feedback on ESG performance and expectations. By aligning the company's efforts with stakeholder concerns, long-term sustainability goals are more easily met.

EXAMPLE

A marine restoration company focused on protecting coral reefs tracks KPIs related to ecosystem recovery, such as the survival rate of planted coral species and improvements in local water quality. In addition to ecological metrics, the company monitors economic and social benefits in coastal communities, such as job creation and tourism revenue, through both market and non-market valuation methods. By using integrated ecological and social data, the company continuously updates its ESG reports, demonstrating both environmental impact and community engagement. This comprehensive approach not only boosts transparency but also contributes to the company's long-term success and enhances its ESG ratings.



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