



**Corp
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Audit Process**

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What is an ESG audit?

An ESG audit is a systematic evaluation of an organisation's Environmental, Social, and Governance (ESG) practices, policies, and performance. Its purpose is to assess how well the organisation is managing ESG-related risks and opportunities and aligning with recognized standards, frameworks, and stakeholder expectations. ESG audits are essential for regulatory compliance, investor confidence, and long-term value creation.

Objectives of an ESG Audit:

- **Compliance:** Ensures adherence to ESG-related regulations, standards (e.g., GRI, SASB, ISSB), and industry benchmarks.
- **Risk Identification:** Identifies ESG risks that could impact financial performance or reputation.
- **Opportunities for Improvement:** Highlights gaps and areas where ESG performance can be enhanced.
- **Stakeholder Trust:** Builds confidence among investors, customers, employees, and regulators by demonstrating accountability.
- **Sustainability Reporting:** Provides data and insights for preparing sustainability reports and disclosures.

Benefits of an ESG Audit:

- Improves **operational efficiency** and reduces costs.
- Enhances **brand reputation** and **investor confidence**.
- Identifies risks that could lead to **legal penalties** or **financial losses**.
- Demonstrates **commitment to sustainability** and **corporate responsibility**.

An ESG audit is not just a compliance exercise—it's a strategic tool for embedding sustainability into an organisation's DNA and driving long-term value creation.

A breakdown of Key Components of an ESG Audit:

Environmental: Evaluates how the organisation impacts the environment.

- Carbon emissions (Scope 1, 2, and 3)
- Energy usage and efficiency
- Waste management
- Water usage
- Biodiversity impact
- Compliance with environmental laws and regulations

Social: Focuses on the organisation's impact on people and communities.

Key areas include:

- Diversity, equity, and inclusion (DEI)
- Employee health and safety
- Labor practices and human rights
- Community engagement and philanthropy
- Product responsibility and customer well-being

Governance: Assesses the organisation 's leadership, decision-making, and accountability.

Key areas include:

- Board structure, diversity, and independence
- Ethical practices and anti-corruption measures
- Risk management processes
- ESG strategy integration into overall business plans
- Regulatory compliance and transparency

Audit Process:

Steps of an ESG Audit:

An ESG audit is typically conducted in a structured and phased manner to ensure a comprehensive assessment of the organisation 's ESG performance. Below are the key steps:

1. Define the Scope and Objectives

Purpose: Establish what the audit aims to achieve and the areas it will cover.

Actions:

- Identify the specific ESG aspects to be audited (Environmental, Social, Governance).
- Decide on the geographical and operational boundaries (e.g., one site vs. entire organisation).
- Select the standards, frameworks, or benchmarks to use (e.g., GRI, SASB, ISSB, TCFD).
- Define the timeline for the audit.

2. Gather Relevant Data and Documentation

Purpose: Collect all necessary information to analyse ESG performance.

Actions:

- Request internal policies, procedures, and governance documents.
- Collect ESG performance data (e.g., carbon emissions, diversity statistics, board composition).
- Review past sustainability or ESG reports and disclosures.
- Gather records related to compliance with ESG-related regulations.

3. Conduct Stakeholder Interviews

Purpose: Gain insights into the organisation 's ESG practices from key personnel.

Actions:

- Identify relevant stakeholders, such as executives, sustainability teams, HR, legal, and operations staff.
- Ask targeted questions about ESG strategies, goals, and challenges.
- Include external stakeholders (e.g., suppliers, customers, or community representatives) if needed.

4. Assess Compliance and Performance

Purpose: Evaluate the organisation 's alignment with ESG standards and performance benchmarks.

Actions:

- Compare policies and practices against industry standards, frameworks, and regulations.
- Assess environmental impacts (e.g., energy usage, carbon footprint, waste management).
- Evaluate social initiatives (e.g., employee well-being, diversity, and community involvement).
- Review governance practices (e.g., ethical standards, risk management, board diversity).

5. Conduct On-Site Inspections (if applicable)

Purpose: Verify the accuracy of data and observe ESG practices in action.

Actions:

- Visit facilities, factories, or offices to assess compliance with ESG policies.
- Inspect waste management systems, energy efficiency measures, and health and safety conditions.
- Verify supply chain practices and stakeholder engagement activities.

6. Benchmark Against Industry Standards

Purpose: Compare the organisation 's ESG performance to peers and best practices.

Actions:

- Use industry-specific benchmarks or tools to assess competitiveness.
- Highlight areas where the organisation lags or exceeds expectations.

7. Identify Risks and Opportunities

Purpose: Uncover potential ESG risks and areas for improvement.

Actions:

- Analyse gaps in current ESG practices and compliance.
- Identify emerging risks (e.g., regulatory changes, reputational threats).
- Highlight opportunities for innovation, cost savings, or competitive advantage.

8. Prepare an Audit Report

Purpose: Summarize findings and provide actionable recommendations.

Actions:

- Document strengths, weaknesses, risks, and improvement areas.
- Include quantitative metrics (e.g., emissions data, diversity rates).
- Offer specific recommendations with short-, medium-, and long-term timelines.
- Suggest a roadmap to align with ESG standards or improve ESG maturity.

9. Present Findings to Leadership

Purpose: Ensure management understands the audit results and their implications.

Actions:

- Deliver a clear, concise presentation to leadership or board members.
- Highlight key risks, opportunities, and business impacts.
- Emphasize the strategic importance of addressing ESG issues.

10. Develop and Implement an Action Plan

Purpose: Address gaps and enhance ESG performance.

Actions:

- Create a detailed action plan to implement recommendations.
- Assign responsibilities and set timelines for each action.
- Prioritize quick wins while planning for long-term improvements.
- Allocate resources (budget, staff, tools) to support ESG initiatives.

11. Monitor Progress and Conduct Follow-Up Audits

Purpose: Ensure continuous improvement and accountability.

Actions:

- Set up key performance indicators (KPIs) to track ESG performance.
- Conduct periodic audits to monitor progress and ensure compliance.
- Update stakeholders on improvements through ESG or sustainability reports.

Summary of ESG Audit Steps:

Step	Objective
1. Define Scope and Objectives	Set boundaries and goals for the audit.
2. Gather Data and Documentation	Collect necessary ESG-related information.
3. Stakeholder Interviews	Gain insights from internal and external stakeholders.
4. Assess Compliance and Performance	Evaluate alignment with ESG standards.
5. On-Site Inspections (if needed)	Verify practices and data on the ground.
6. Benchmarking	Compare performance to peers and standards.
7. Identify Risks and Opportunities	Highlight gaps and areas for improvement.
8. Prepare an Audit Report	Summarize findings and offer recommendations.
9. Present Findings to Leadership	Communicate results to decision-makers.
10. Develop an Action Plan	Address gaps and implement improvements.
11. Monitor Progress and Follow-Up	Track performance and ensure continuous improvement.

By following these steps, an ESG audit provides a roadmap for enhancing ESG performance and embedding sustainability into core business strategies.