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ESG LAB

ESG REPORTING PLAN

Operational Guide for SMEs

1. Introduction

Environmental, Social and Governance (ESG) reporting is the process through which a company identifies, measures, manages and communicates its material impacts, risks and opportunities. For SMEs, the objective is not only external disclosure. A robust ESG reporting process also strengthens internal decision-making, clarifies accountability, supports customer and supply-chain requests, and prepares the business for future regulatory or financing expectations.

Rather than treating ESG as three disconnected themes, this reporting plan uses a practical architecture aligned with European reporting logic. In particular, it incorporates cross-cutting general disclosures, governance arrangements, materiality analysis, policies, actions, metrics and targets, while remaining proportionate for SMEs.

2. Reporting architecture for SMEs

For a first-time SME reporting process, the reporting architecture should be organised in three layers:

- Cross-cutting and general disclosures: reporting boundary, basis of preparation, governance, roles and responsibilities, stakeholder approach, and internal controls over ESG reporting.
- Material topics and their impacts, risks and opportunities: topics selected based on the level of effect on stakeholders, the business, and the company's exposure to risks and opportunities across short-, medium- and long-term horizons.
- Indicator-level disclosures: definitions, formulas, data sources, methodologies, baselines, targets, current-year performance, commentary and mapping to the relevant standards, frameworks and legislation.

3. Purpose of this ESG Reporting Plan

- Define how the company will organise ESG governance and reporting responsibilities.
- Establish a repeatable process for identifying material ESG topics and related stakeholders.
- Create a structured register of indicators with clear definitions, formulas, data owners and evidence sources.
- Enable performance tracking through SMART targets, time horizons and periodic review cycles.
- Support preparation of an ESG report that is suitable for customers, lenders, investors, partners or future regulatory alignment.

4. ESG Reporting Process Framework

The reporting process should follow six phases. Each phase has a clear objective, a practical workstream and an expected output.

Phase	Key actions	Consulting-quality checkpoints	Output
1. ESG Preparation and Governance	Assign ESG coordinator/team; define reporting objectives, scope, boundary and period; confirm internal owners by department; define internal review and approval workflow.	Confirm management sponsorship, reporting scope, legal entity coverage, data owners and reporting timetable.	Governance structure, reporting boundary and annual workplan.
2. Topic Identification and Materiality	Identify ESG impacts, risks and opportunities; identify stakeholders and explain how they are affected by those risks/opportunities; assess severity/likelihood/time horizon; prioritise based on level of effect and business exposure.	Document rationale, stakeholder categories, scoring method and decision criteria.	Material ESG topic list and materiality register.
3. Indicator Architecture and Data Design	Define indicators for all material topics; include each indicator's definition, unit, formula where needed, source system, evidence file, owner and mapping to standards/frameworks/legislation.	Check completeness across environmental, social and governance areas and value chain relevance.	Indicator register with KPI definitions and methodologies.
4. Data Collection and Monitoring	Collect baseline and current-year data; document methodologies; calculate derived indicators; store evidence and assumptions; update dashboard/template.	Check data traceability, formula consistency and evidence sufficiency.	Validated ESG dataset for the reporting period.
5. Performance Evaluation and Target Setting	Set SMART targets with explicit target years; compare current performance against baseline and target; identify gaps, corrective actions and ownership.	Ensure targets are time-bound and realistic; distinguish lagging and leading indicators.	Performance analysis and action plan.
6. ESG Report Preparation and Validation	Compile quantitative results and ESG narrative; explain ESG initiatives, achievements, gaps and challenges; conduct internal review; obtain management approval.	Review consistency of narrative vs metrics and verify completeness of mapped disclosures.	Completed ESG report ready for issue or stakeholder sharing.

5. Indicator design principles

Each indicator used in the template should be treated as a controlled reporting datapoint. At minimum, every indicator should include:

- Indicator code and title.
- Definition and business purpose.
- Unit of measure.
- Baseline year and current year value.

- Materiality rating or material topic linkage.
- Relevant data source(s) and responsible owner.
- Methodology or formula, where applicable.
- Target, target year and percentage achieved.
- Theoretical notes explaining why performance is below target or what enabled target achievement.
- Relevant standards, frameworks and legislation (for example ESRS, GRI, VSME, SASB/ISSB, UNGC, UN WEP, national or sector legislation where applicable).

6. Example indicator categories to be included in the template

Area	Examples to include	Illustrative mapping examples
General disclosures / governance	Reporting boundary, basis of preparation, governance structure, internal controls over ESG reporting, stakeholder engagement process.	ESRS 2 general disclosures; VSME basic disclosures; CSRD-aligned preparation logic.
Environmental	Energy consumption, energy production and consumption, renewable energy share, Scope 1 and Scope 2 emissions, water withdrawal, wastewater discharge, waste streams, biodiversity impacts.	ESRS E1, E2, E4, E5; GRI 302, 303, 305, 306.
Social / workforce / value chain	Total employees, female employees, female employees in management positions, training hours, health & safety incidents, human rights policy, value chain labour practices.	ESRS S1, S2, S3, S4; GRI 401, 403, 404, 405, 408, 414; UN WEP where relevant.
Governance	Code of conduct, anti-corruption controls, board composition, women board members (%), financial reporting controls, data security / cybersecurity policy, whistleblowing mechanisms.	ESRS G1; GRI 205, 206, 207, 418; sectoral regulatory references where relevant.

7. Methodology and formula guidance

Derived indicators should be supported by transparent formulas so that calculations are consistent from one reporting cycle to the next. Indicative examples:

- Women board members (%) = Number of women board members / Total board members × 100
- Female employees in management (%) = Female managers / Total managers × 100
- Employee turnover (%) = Number of leavers during the period / Average number of employees during the period × 100
- Renewable energy share (%) = Renewable energy consumed / Total energy consumed × 100
- Target achievement (%) = Current performance progress / Total required improvement × 100

8. Target setting and performance evaluation

Targets should be set before performance is evaluated, and each target should specify the year or date by which it should be achieved. For SME reporting, the SMART model is recommended:

Specific	Measurable	Achievable	Relevant	Time-bound
Clearly defined outcome	Supported by formula or metric	Realistic for company capacity	Linked to material issue	Includes target year/date

Performance evaluation should therefore follow this sequence: define baseline → set target and target year → collect current performance → assess progress → identify causes of underperformance or enablers of success → define corrective or scaling actions.

9. Reporting resources and benchmarking references

In addition to the toolkit, SMEs may benchmark their reporting approach against recognised reporting frameworks and consulting-style reporting structures. Official EFRAG materials provide guidance for VSME reporting and digital templates, while ESRS 2 sets out cross-cutting general disclosures applicable across sustainability topics. Consulting-oriented ESG control frameworks also emphasise governance, internal controls, data traceability and narrative consistency.

- EFRAG VSME Standard and VSME Digital Template.
- ESRS 2 General Disclosures and topical ESRS standards.
- GRI Standards.
- ISSB / SASB references where investor-oriented metrics are relevant.
- UN Global Compact and UN Women's Empowerment Principles where policy commitments and workforce indicators are reported.

10. Indicative reporting timeline

Period	Focus	Output
Month 1	Governance, scope, owners, evidence list	Reporting charter and governance map
Month 2	Materiality and stakeholder analysis	Materiality register
Month 3	Indicator definitions, formulas and mappings	Indicator register
Months 4–6	Data collection, evidence gathering and validations	Reporting dataset
Month 7	Performance review and target assessment	Gap analysis and action plan
Month 8	Drafting, internal review and sign-off	Completed ESG report

11. Expected outputs

- Revised ESG reporting template with definitions, formulas, materiality and mappings.

- Implementation tracker / checklist for review status, urgency and task execution.
- Documented ESG governance structure and reporting boundary.
- Materiality register linked to stakeholders and affected parties.
- Baseline data, targets and performance commentary for each relevant indicator.
- A repeatable and auditable ESG reporting process for future cycles.