

## **Earth Day Series 2022: Environmental, Social & Governance Part 3 – Practical Steps to Develop or Refine an ESG Policy**

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On Friday, April 22, the United States and the rest of the world recognized Earth Day 2022. With “Invest in Our Planet” as its theme, Earth Day 2022 focused additional attention on Environmental, Social, and Governance (ESG) as an important metric for evaluating activities that may impact human health or the environment. This is the third and final alert in a series of publications by Bradley’s Environmental Law team in recognition of Earth Day 2022. In the [first article](#), we looked back at the more than 50-year history of Earth Day and the progress that has been made in addressing environmental issues in the U.S. In the [second article](#), we discussed the birth of the ESG metric and the current status of various efforts to standardize the way ESG issues are measured, including the Securities and Exchange Commission’s proposed rule governing ESG disclosures. This final article provides practical guidance on how to establish or refine an ESG program.

### **Step 1: Leadership Buy-In**

Before an entity considers or adopts an ESG policy, it is important that the entity is committed to the process and that any policy has the support of the entity’s leadership and workforce. Without such commitment, the entity runs the risk of losing credibility with various stakeholders, including regulatory agencies, investors, customers, and members of the general public. Developing a process that ensures entity-wide support and participation in the ESG policy is significant.

### **Step 2: The Ten Principles**

The starting point with any ESG program or guideline should be a review of the Ten Principles of the Global Compact. Designated as fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption, the principles were derived from [Universal Declaration of Human Rights](#), the [International Labor Organization’s Declaration on Fundamental Principles and Rights at Work](#), the [Rio Declaration on Environment and Development](#), and the [United Nations Convention Against Corruption](#). Although the principles are general in nature and mostly non-controversial, the application and reach of each principle to a particular organization may vary. For example, eighth principle requires businesses to “undertake initiatives to promote greater environmental responsibility.” For some businesses the application of this principle may involve simply providing recycling containers for the use of their employees and customers; for other businesses, this may involve eliminating a product line or practice that impacts the environment or depletes natural

resources.

### Step 3: Review the Sustainable Development Goals

In 2015, the United Nations agreed to a plan called “Agenda 2030.” Seventeen Sustainable Development Goals (SDGs) were established as part of the Agenda 2030 plan. The SDGs include a number of aspirational goals (e.g., no poverty and zero hunger) and others that are less defined (e.g., affordable and clean energy and climate action). After an entity’s review and evaluation of the Ten Principles, the next step should be to review the SDGs and decide how the entity could adopt programs, policies or procedures that may contribute towards a particular SDG. Even if an entity finds that one or more SDGs are not applicable to their operations or business philosophy, it is likely that every entity could find one or more programs or projects that it could implement or support that matches with one of the SDGs.

While no single entity would be able to eliminate poverty on a global scale (SDG 1), there are programs in most communities with whom an entity could partner to contribute towards that SDG. Similarly, a business entity may not be equipped to end hunger (SDG 2), but partnering with food banks and other organizations would be a way to address that goal in a local and significant way. An entity with a desire to establish an effective ESG policy would evaluate each SDG and ask the following questions:

1. Is this an appropriate goal for the communities in which we do business or have significant stakeholders?
2. If yes, are there actions we are equipped to take that address that goal or are there organizations that we can partner with in our communities to leverage that goal?
3. How can we evaluate the effectiveness of actions/partnerships identified in b?

Identifying the goals for an entity, the actions that the entity will take towards those goals, and a mechanism to measure the impact of these actions provides the basis for an effective ESG policy.

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National Law Review, Volume XII, Number 124

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