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Module 6

Adapting ESG Strategies for Local Communities

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MODULE 5

MODULE 6

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Welcome to Module 6!

An ESG strategy outlines a company's approach to managing its environmental, social, and governance responsibilities. It provides a framework for embedding sustainability and ethical practices into business operations, ensuring that the company addresses a variety of issues.

A good ESG strategy is proactive, transparent, and measurable. It considers the unique challenges of the business and its industry, setting clear goals that align with global standards. In short, an ESG strategy is a roadmap for building resilience, fostering trust, and driving positive change - both within and outside the organisation.

While developing an ESG strategy is essential, it's not without its challenges. Many businesses encounter obstacles that can slow progress or make implementation more complex. Amongst the main challenges is the local context the organisation operates in. Adapting an ESG framework to the Local Contexts offers multifaceted benefits that extend beyond mere compliance. It enhances reputation, attracts talent, secures investment, ensures regulatory compliance, drives operational efficiency, spurs innovation, and promotes long-term sustainability.

This module will help you understand the main challenges faced by rural SMEs, evaluate local conditions and understand them, familiarise yourselves with the legislative framework, identify and understand stakeholder needs and engage stakeholders and initiatives to build partnerships.

Let's get started—and let's build the future, sustainably.

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What will you learn?

Each unit builds on the last—by the end, you'll be ready to adapt ESG Strategies to Local Contexts.

By the end of this module, you will be able to:

- **LO1. Assess and address specific ESG challenges in rural SME contexts.**
- **LO2. Assess local socio-economic and environmental conditions.**
- **LO3. Adapt ESG practices to meet local challenges and leverage community strengths.**
- **LO4. Prepare and adaptation plan for an ESG strategy tailored to a rural SME.**

These outcomes guide the activities, tools, and exercises you'll complete across all three units.

Unit 1	**ESG issues identifications**
Unit 2	**ESG rural needs and requirements**
Unit 3	**Establishment of community focused initiatives**

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Unit 1

ESG ISSUES IDENTIFICATION

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Learning objectives

At the end of the Unit, you are expected to:

- Understand ESG main challenges faced by rural SMEs.
- Identify local ESG (environmental – social – governance) challenges.
- Understand mitigation measures.

This Unit works on the following ESG Competences:

4.E.2: Understanding Rural SMEs needs
4.S.6 Understanding of community impacts
4.G.1: Coping with ambiguity, uncertainty and risks

What will we discuss in this Unit?

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Lesson 1

ESG REQUIREMENTS

ESG Requirements

Environment

The organization’s activities impact on nature

Social

Relationships between the organization and employees, as well as local community and society

Governance

The way the organization is governed and structured.

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ESG Requirements

Environment

Environmental criteria examine the performance of an organisation in terms of stewardship towards the protection of the natural environment. The factors could include emission reduction, climate change, waste management, biodiversity impact, water stewardship, circular economy, etc.

Key issues: carbon emissions, waste management, climate risk, resource use

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ESG Requirements

Social

Social criteria for ESG consider topics like inequality, working conditions, human rights, product safety, community relations, supply chain transparency, and more. ESG Social performance indicators can include things like diversity, income equality, workplace injury rates, philanthropy, and labor practices of suppliers.

Key issues: labour practices, diversity, human rights

ESG Requirements

Governance

The way the organization is governed and structured.

ESG requirements for Governance focus on a company's leadership, transparency, and accountability to its stakeholders through ethical conduct, fair shareholder rights, and transparent reporting. Key requirements include having a diverse and independent board, aligning executive pay with company goals, implementing robust internal controls, and ensuring ethical business practices like anti-corruption measures and responsible tax strategies.

Key issues: board diversity, executive compensation, compliance, anti-corruption practices

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Lesson 2

CHALLENGES FACED BY RURAL SMES

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Challenges faced by rural SMEs

Data Collection & Measurement Issues

Many **rural SMEs lack digital tools** to track emissions, water use, and ethical sourcing. ESG reporting **requires a significant number of (real-time) data**, which is challenging in fragmented supply chains.

Cost & Resource Constraints

ESG compliance **requires expertise**, which small businesses often lack. At the same time **costs for certifications** are high.

Regulatory Complexity & Changing Standards

ESG regulations **vary by region**, making compliance difficult. **SMEs often lack legal expertise** to keep up with evolving requirements.

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Challenges faced by rural SMEs

Local Specificities

A strategy that is not **adaptable to the local needs** will not be effective. They are highly variable based on local culture, environmental conditions, availability of resources etc.

GOAL

- Understanding the unique context of each location, including environmental risks, social needs, and governance structures.
- Tailoring ESG strategies to these local contexts can lead to more meaningful impact and better risk management.

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Lesson 3

LOCAL ECOLOGICAL – ECONOMIC – SOCIAL CHALLENGES

Local ecological – economic – social challenges

Environmental Challenges

- **Lack of data**
  Inability to Monitor Environmental Impact, ineffective Environmental Planning and Risk Management, Weak Enforcement of Environmental Regulations
- **Limited environmental infrastructure**
  Inadequate Waste Management Systems, Lack of Renewable Energy Infrastructure, Limited Resilience to Climate Events
- **Changing legislation**
  Policy Uncertainty , lack of Localized Guidance, Delayed Implementation and Compliance Costs, Weak Enforcement of Environmental Regulations
- **Lack of Infrastructure for Sustainability Projects**
  Limited access to clean energy, waste management systems, water treatment, and pollution control, Difficulties in deploying renewable energy (like solar or wind) due to grid or storage limitations.
- **Low Awareness of Environmental Practices**
  Environmental sustainability may not be a priority due to more immediate concerns like income and basic services.
- **Agricultural Impact**
  Rural economies often rely on agriculture, which may involve deforestation, pesticide use, and water overuse. Shifting to sustainable practices can be costly and risky for small farmers.

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Local ecological – economic – social challenges

Societal Challenges

- **Special circumstances (e.g. ageing population, migration status)**
  Workforce shortages, lack of succession planning, Social integration issues
- **Limited supply chain**
  High transport and logistics costs, limited access to ESG-compliant vendors, Seasonal road inaccessibility or poor digital connectivity can disrupt supply chain resilience and ESG tracking, dependence on informal or local suppliers
- **Health and Safety Issues**
  Limited access to healthcare and emergency services, lack of safety training and awareness
- **Limited Education and Training**
  Lack of ESG literacy among local populations and even local business operators, difficulty in communicating the benefits of ESG in relatable terms
- **Healthcare and Social Services**
  Poor access to healthcare, education, and clean water makes basic social development a challenge before ESG goals can be fully pursued.
- **Gender and Social Inequality**
  Entrenched social norms may inhibit inclusive development, especially regarding women's participation in ESG initiatives.
- **Cultural Resistance**
  Resistance to change from traditional practices and skepticism of outside initiatives, especially if not community-led.

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Local ecological – economic – social challenges

Governance Challenges

- **Costs to adapt processes and technologies to meet ESGs**
  Limited access to ESG financing (e.g., green loans, sustainability-linked funds) in rural settings, technological compatibility issues
- **Type of company e.g. family run**
  Traditional decision-making often prioritizes stability, family values, or legacy over regulatory or ESG trends, resistance to external oversight, succession and leadership issues
- **Corporate purpose and culture**
  Short-term focus on profitability over sustainability, cultural resistance to change
- **Lack of ESG Expertise in Local Management**
  Run by managers without ESG training or awareness, decisions may prioritize short-term profits or production over long-term sustainability goals.
- **Weak Internal Governance Structures**
  No formal ESG committees, risk management frameworks, or sustainability officers at the local level.
- **Poor Compliance with ESG Regulations**
  Lag in adhering to environmental, labor, and safety regulations due to oversight gaps, SMEs risk legal penalties or reputational damage due to local non-compliance.
- **Data and Reporting Tools**
  Inadequate tools or frameworks for collecting ESG data and monitoring impact, difficulty in reporting and meeting disclosure standards required by investors or regulator

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Local ecological – economic – social challenges

Why adapt to local challenges?

Contextual Relevance:

ESG factors vary significantly across regions. For example, water scarcity might be a critical environmental issue in one area, while air pollution is more pressing in another. Similarly, social needs like access to healthcare or education, and governance structures, differ widely.

Effective Resource Allocation:

Adapting ESG strategies ensures that resources are directed towards the most impactful issues within a specific location, maximizing the positive change.

Stakeholder Engagement:

Understanding local concerns and engaging with diverse stakeholders is crucial for successful ESG implementation. This builds trust and buy-in from communities and employees.

Local ecological – economic – social challenges

Why adapt to local challenges?

Regulatory Compliance:

Local regulations and reporting requirements need to be integrated into the ESG framework to ensure compliance and avoid potential penalties.

Mitigating Risks:

By understanding local challenges, organizations can better identify and mitigate risks related to environmental, social, and governance factors.

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Lesson 4

MITIGATION MEASURES ON LOCAL CHALLENGES

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Mitigation measures on local challenges

Water Scarcity:

- In regions facing water shortages, ESG strategies might focus on water conservation, efficient irrigation techniques, and wastewater treatment.

Climate Change Impacts:

- In areas vulnerable to extreme weather events, ESG strategies could include investments in climate adaptation infrastructure, disaster preparedness, and resilient agricultural practices.

Social Inequality:

- In communities with high levels of social inequality, ESG strategies might focus on promoting inclusive employment, access to education and healthcare, and community development.

Governance Deficiencies:

- In areas with weak governance structures, ESG strategies might focus on promoting transparency, accountability, and ethical business practices.

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Mitigation measures on local challenges

Aspect	Challenge	Mitigation measure
Water resources	Water scarcity in the area	Employ water saving and recycling technologies Report on measures and quantities saved Educate local community on best water saving practices
Unique natural environment, biodiversity, flora - fauna	Impact because of construction works	Restoration of the intervention area Promote restoration activities
Waste management	No organised collection of recyclable waste produced	Collaborate with waste management company Organise additional collection points within the local community
Local Staff	Lack of adequately trained local staff	Supporting educational initiatives / Providing incentives to the local population
Health and Safety	Lack of local health promotion programmes	Collaboration with the Company Physician or the Local Health Unit to provide education to the local community / Hosting relative events / workshops/ Provision of private insurance for employees and their families / Inclusion of health education seminars in the staff training programme

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Overall…

- **Context Matters**
  – ESG is not one-size-fits-all. Strategies must align with **local cultural, social, and environmental realities** to succeed.
- **SME-Specific Barriers**
  – Rural SMEs face **resource and knowledge gaps**, making standard ESG approaches impractical without adaptation.
- **Integration with Daily Challenges**
  – ESG must link with pressing local issues (e.g., water scarcity, healthcare access) to be relevant and gain buy-in.
- **Governance Weakness as a Critical Gap**
  – Strengthening governance (transparency, accountability, internal structures) is often the first step for rural SMEs to make ESG work.
- **Community Engagement is Essential**
  – Without addressing **local stakeholder needs and perceptions**, ESG strategies risk being seen as irrelevant or imposed from outside.
- **Practical Focus Over Compliance**
  – Instead of chasing certifications, SMEs should prioritize **low-cost, high-impact actions** (e.g., water-saving, inclusive hiring, waste reduction).

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Unit 2

ESG RURAL NEEDS AND REQUIREMENTS

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Learning objectives

At the end of the Unit, you are expected to:

- Knowledge of EU and national frameworks
- Assessing specific ESG challenges.
- Adapting ESG strategies to fit local specificities.

This Unit works on the following ESG Competences:

- 4.E.2: Understanding Rural SMEs needs
- 4.E.3: Understanding Country ESG Report
- 4.S.5 Valuing and promoting Culture, values and traditions
- 4.S.6 Understanding of community impacts
- 4.G.1: Coping with ambiguity, uncertainty and risks
- 4.G.3: Knowledge of EU and national legislative framework

What will we discuss in this Unit?

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Lesson 1

EU AND NATIONAL LEGISLATIVE FRAMEWORK

EU and national legislative framework

The **EU ESG Legal Framework** refers to the entirety of European legal regulations that require companies and financial market participants to consider ESG aspects. The aim is to promote sustainable investments, increase transparency, and support the EU's social and environmental goals.

Key elements of the EU ESG Legal Framework
The ESG framework consists of several regulations and directives that companies must gradually integrate into their processes, including:

- EU Taxonomy Regulation (Regulation (EU) 2020/852): Defines which economic activities are considered sustainable.
- **Corporate Sustainability Reporting Directive (CSRD)** Outlook 2024: Expands reporting obligations for companies regarding ESG criteria.
- Corporate Sustainability Due Diligence Directive (CSDDD) Outlook 2024: Obligates companies to examine their supply chains for sustainability aspects.
- EU Climate Law (Regulation (EU) 2021/1119): Sets binding climate targets for the EU by 2050.
- Fit for 55 Package (measures to reduce greenhouse gas emissions by 55% by 2030).

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EU and national legislative framework

The **CSRD** expands sustainability reporting requirements to cover a broad range of environmental, social, and governance (ESG) issues.
The main goal is to **enhance transparency and integrity of ESG rating activities**
Starting in 2025, the new CSRD directive will significantly extend the scope of companies subject to the reporting requirements to the following:

1. All large companies, regardless of capital market orientation that meet at least two of the following three requirements:

a) 250 or more employees;
b) 50 million EUR in net turnover;
c) 25 million EUR in assets

2. All listed companies on EU regulated markets. This applies also to companies not established in the EU but are listed on EU-regulated markets generating a net turnover of 150 million EUR and which have at least one subsidiary or branch in the EU.

3. Small and Medium Enterprises (SMEs) listed on EU regulated markets from the financial year 2026.

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Sustainability standards and certification frameworks

There are quite a few **standards and certification frameworks** for sustainability, each covering different aspects of ESG (environmental, social, and governance).

Environmental Certifications

- **ISO 14001** – Environmental Management Systems (framework for reducing environmental impact).
- **EMAS (Eco-Management and Audit Scheme)** – EU scheme for organizations committed to evaluating, reporting, and improving environmental performance.
- **Social Certifications**
- **SA8000** – Global standard for decent working conditions
- **Fairtrade** – Certification for ethically sourced agricultural products
- **Rainforest Alliance** – Certification for sustainable agriculture, forestry, and tourism.
- **Governance & Broader ESG Reporting Standards**
- **GRI (Global Reporting Initiative)** – Widely used sustainability reporting standard, covering ESG impacts.
- **SASB (Sustainability Accounting Standards Board)** – Provides industry-specific ESG metrics.

Sustainability standards and certification frameworks

Agriculture & Rural SME-Relevant Standards

- **Organic Certification (EU Organic, USDA Organic, etc.)** – Standards for organic farming.
- **GlobalG.A.P.** – Certification for good agricultural practices in farming, aquaculture, and livestock.
- **EU Ecolabel for Tourist Accommodation**
- Focuses on reducing energy, water, and waste; sustainable cleaning; promoting local/organic food.
- **ISO 21401:2018 – Sustainability management system for accommodation establishments**

  Provides a framework for hotels, resorts, lodges, and other types of accommodation to implement, maintain, and improve sustainability management systems. It covers **environmental, social, and economic requirements** in line with the UN Sustainable Development Goals (SDGs).

SMEs don't need all certifications—they should **choose the most relevant standard** based on their sector, size, and local challenges.

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EU and national legislative framework

The regulatory landscape surrounding ESG reporting is constantly evolving. Voluntary frameworks often serve as a testing ground for future mandatory regulations. Companies that actively report under these frameworks gain valuable experience and establish a foundation for compliance when new regulations come into effect.

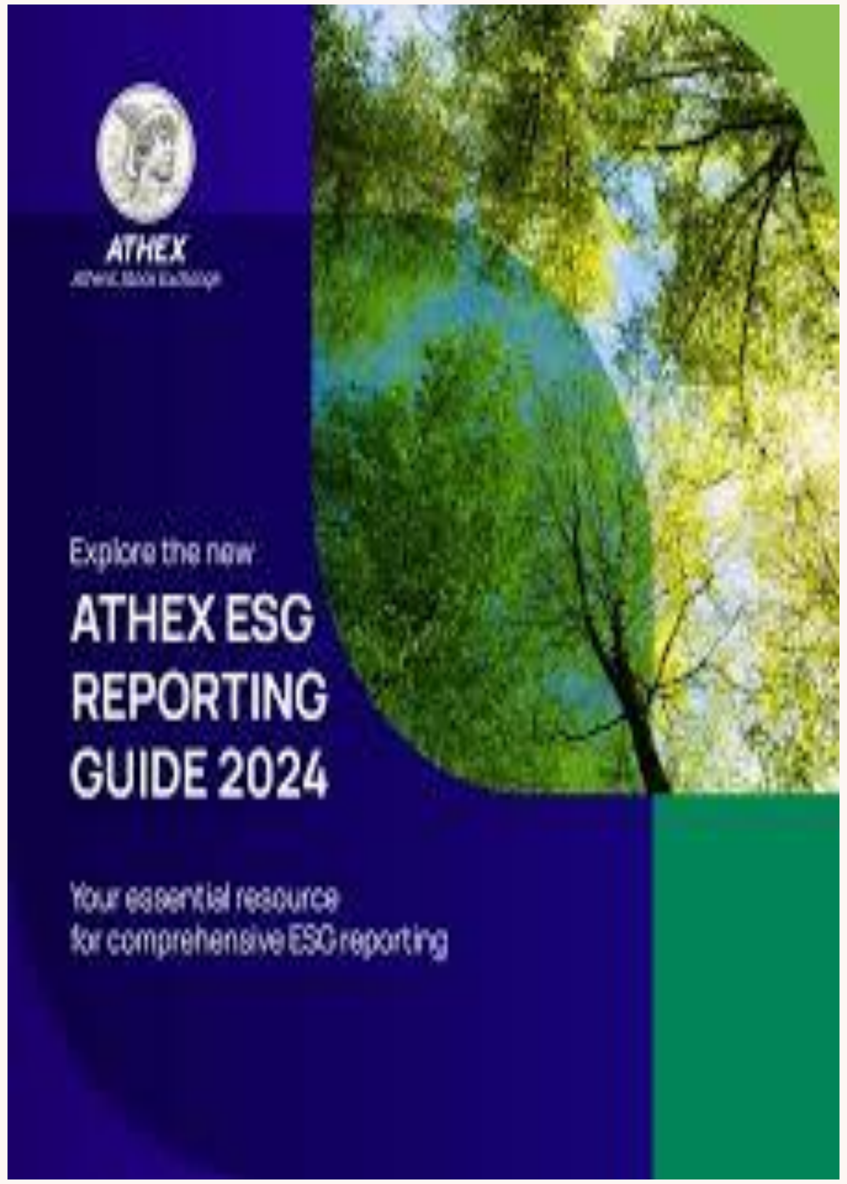
National frameworks are transposed in EU countries to enable implementation:

- **Germany** is currently transposing the CSRD into national law through the CSRD Implementation Act, which will update the German Commercial Code (HGB) and other relevant laws.
- The **Dutch** government is in the process of incorporating the CSRD into national law, with a legislative proposal submitted to the House of Representatives in January 2025. The CSRD mandates detailed sustainability reporting for a wide range of companies, covering various ESG topics.
- The newly enacted Law 5164/2024 constitutes **Greece**'s national transposition of Directive 2022/2464 of the European Union, reinforcing the regulatory requirements for corporate sustainability disclosures.
- **Italy** has transposed the CSRD into national law through Legislative Decree 125/2024. This decree introduces mandatory sustainability reporting for large and listed companies, extending the scope of previous regulations.

EU and national legislative framework

ESG REPORTING

GUIDELINES GREECE



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EU and national legislative framework

FOCUS ON THE NATIONAL & LOCAL SPECIFIC FRAMEWORK

- Is the area under a specific protection status ? *(i.e. natura, habitats directive, nitrogen sensitive, traditional settlement, unique architectural value)*
- Are there local incentives for renewable energy adoption (solar, wind, geothermal)?
- Are there legal requirements for energy efficiency in buildings or infrastructure?
- Are there specific laws for gender balance, child labor laws, ….?
- Is green procurement a local requirement?
- Are there guidelines for responsible marketing, data privacy, and consumer protection?
- Are there laws or incentives supporting local employment or hiring local suppliers?
- Are there local strategies for waste management, CO_2 reduction, greening, eco-mobility?
- Are there potential liabilities (environmental damage, labor disputes, governance failures) that could arise from non-compliance with ESGs?
- Are there governance frameworks for risk management and internal controls?

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Lesson 2

ASSESSING SPECIFIC ESG CHALLENGES

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Assessing specific ESG challenges

The process of identifying, refining, and assessing the potential local environmental, social, and governance issues and challenges that are most relevant and impactful to an organization and its various stakeholders.

Issues Identification (local specificity)

- Brainstorming and researching potential relevant ESG issues
- Consider Local legislative restrictions

Impact and Likelihood Assessment

- Evaluating the potential impact (positive or negative) of each identified issue on the organization and its stakeholders.
- Assessing the likelihood of each issue occurring.
- Often done through scoring or ranking systems.

Prioritization

- Using a materiality matrix or similar tool to plot issues based on their assessed impact and likelihood.

Set a strategy

- Decide upon a specific strategy for "high impact/likelihood" categories.

Evaluation criteria

- Decide upon specific indicators to monitor and assess the organisation’s strategy impact

Assessing specific ESG challenges

ESG Classification	Local specificity	Impact / likelihood	Strategy	Criteria
Environment	Not organised waste collection system	Low / medium / **high**	Circular Waste Management	Quantities of recycled materials
	Water scarcity	Low / medium / **high**	Water Management	Reduction in quantities used
Social	High percentage of unemployed women	Low / medium / **high**	Gender balance amongst employees	Female employees
	Lack of local health promotion programmes – ageing population	Low / medium / **high**	Health and safety performance	Accident frequency rate Number of employees visiting the occupational doctor
Governance	Lack of trust	Low / medium / **high**	Transparency	Publication of ESG report Survey to local stakeholders
	Isolated population	Low / medium / **high**	Stakeholder engagement	Engaged stakeholders Events organised in the local community

! Common tools used are risk assessment matrixes or materiality matrixes

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Lesson 2

ADAPTING ESGs TO LOCAL NEEDS AND REQUIREMENTS

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Adapting ESGs to local needs and requirements

To effectively adapt to local needs, thorough research, understanding local culture and values, and tailoring offerings to specific preferences are crucial.

1. Understand the Local Context

- Cultural Sensitivity
- Market Research
- Local Regulations

2. Tailor Your Offerings

- Product Adaptation
- Marketing Strategies

3. Build Local Relationships:

- Partner with local businesses, organizations, or individuals to gain valuable insights and build trust.
- Engage with the Community

4. Adapt and Iterate

- Flexibility
- Monitor and Evaluate
- Collect Feedback!!!!

Adapting ESGs to local needs and requirements

How to Adapt?

Materiality Assessment:
- Conduct thorough materiality assessments to identify the most relevant ESG issues for each specific location.

Stakeholder Engagement:
- Actively engage with local communities, NGOs, government agencies, and other relevant stakeholders to understand their priorities and concerns.

Data Collection and Analysis:
- Gather and analyse relevant data to understand the specific environmental, social, and governance challenges in the local context.

Tailored Strategies:
- Develop ESG strategies that are tailored to the specific needs and priorities of each location, addressing the most pressing issues.

Adapting ESGs to local needs and requirements

How to Adapt?

Capacity Building:
- Invest in building local capacity for ESG management and reporting, ensuring that local teams have the knowledge and skills to implement and monitor the strategies.

Collaboration and Partnerships:
- Collaborate with local partners, including NGOs and government agencies, to leverage their expertise and resources.

Monitoring and Evaluation:
- Continuously monitor and evaluate the effectiveness of the adapted ESG strategies, making adjustments as needed.

Transparency and Reporting:
- Be transparent about the ESG strategy and report on progress against locally relevant indicators.

Flexibility and Adaptability:
- Embrace a flexible and adaptable approach, recognizing that local conditions can change over time and strategies may need to be adjusted accordingly.

Adapting ESGs to local needs and requirements

Collect feedback from local stakeholders to assess how they perceive the significance of this strategy and on the measures taken by the organization!

Stakeholder input

- can guide the development of sustainability strategies, prioritize initiatives, and allocate resources effectively.
- should include a range of stakeholders, such as employees, customers, suppliers, investors, local communities, and NGOs.
- provides valuable insights for setting priorities and making informed decisions on sustainability initiatives.

Ask

- What issues are most important to you?
- How satisfied are you with the work of our organization?
- How can we better engage with you and meet your needs?

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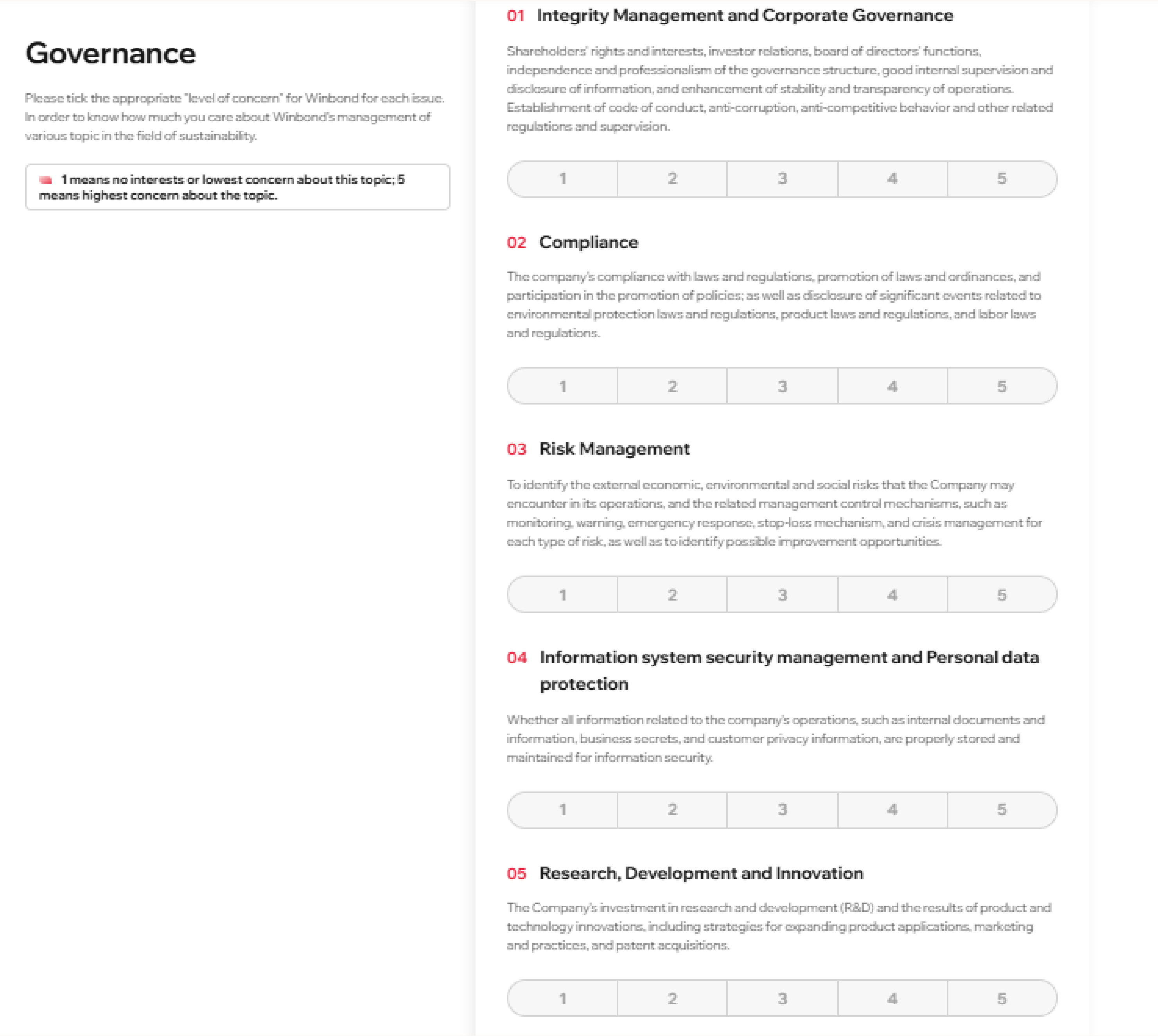
Adapting ESGs to local needs and requirements



Governance

Please tick the appropriate "level of concern" for Winbond for each issue. In order to know how much you care about Winbond's management of various topic in the field of sustainability.

1 means no interests or lowest concern about this topic; 5 means highest concern about the topic.

01 Integrity Management and Corporate Governance

Shareholders' rights and interests, investor relations, board of directors' functions, independence and professionalism of the governance structure, good internal supervision and disclosure of information, and enhancement of stability and transparency of operations. Establishment of code of conduct, anti-corruption, anti-competitive behavior and other related regulations and supervision.

1 2 3 4 5

02 Compliance

The company's compliance with laws and regulations, promotion of laws and ordinances, and participation in the promotion of policies; as well as disclosure of significant events related to environmental protection laws and regulations, product laws and regulations, and labor laws and regulations.

1 2 3 4 5

03 Risk Management

To identify the external economic, environmental and social risks that the Company may encounter in its operations, and the related management control mechanisms, such as monitoring, warning, emergency response, stop-loss mechanism, and crisis management for each type of risk, as well as to identify possible improvement opportunities.

1 2 3 4 5

04 Information system security management and Personal data protection

Whether all information related to the company's operations, such as internal documents and information, business secrets, and customer privacy information, are properly stored and maintained for information security.

1 2 3 4 5

05 Research, Development and Innovation

The Company's investment in research and development (R&D) and the results of product and technology innovations, including strategies for expanding product applications, marketing and practices, and patent acquisitions.

1 2 3 4 5

Stakeholders Feedback

Tools like surveys, interviews, and focus groups can be used to gather stakeholder feedback.

https://esg.winbond.com/en/stakeholder/questionnaire

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Overall..

Regulation shapes practice:
The EU ESG framework (CSRD, CSDDD, EU Taxonomy, etc.) and national laws drive transparency, accountability, and sustainable investments. Voluntary standards often become precursors to mandatory compliance.

Certifications provide guidance, not one-size-fits-all: SMEs should focus on the most relevant sustainability standards, balancing credibility with feasibility.

Local context is decisive: ESG challenges vary widely across rural settings — effective strategies must be adapted to cultural, environmental, and economic realities, rather than applying generic frameworks.

Materiality matters: Tools like risk assessment and materiality matrices help prioritise the most impactful and likely ESG issues for each local context.

Stakeholders hold the key: Meaningful engagement with employees, communities, suppliers, and regulators ensures that ESG initiatives are relevant, trusted, and more likely to succeed.

Adaptation is continuous: ESG strategies must be flexible, iterative, and open to feedback, evolving with changing local conditions and stakeholder expectations.

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Unit 3

ESTABLISHMENT OF COMMUNITY FOCUSED ACTIVITIES

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Learning objectives

At the end of the Unit, you are expected to:

- Identify local stakeholders and initiatives.
- Understand local stakeholder needs.
- Engage stakeholders and initiatives and build partnerships.

This Unit works on the following ESG Competences:

4.E.2: Understanding Rural SMEs needs
4.E.3: Understanding Country ESG Report

4.S.5 Valuing and promoting Culture, values and traditions
4.S.6 Understanding of community impacts
4.G.1: Coping with ambiguity, uncertainty and risks
4.G.3: EU/National legislative framework

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What will we discuss in this Unit?

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Lesson 1

STAKEHOLDERS MAPPING

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Stakeholder Mapping

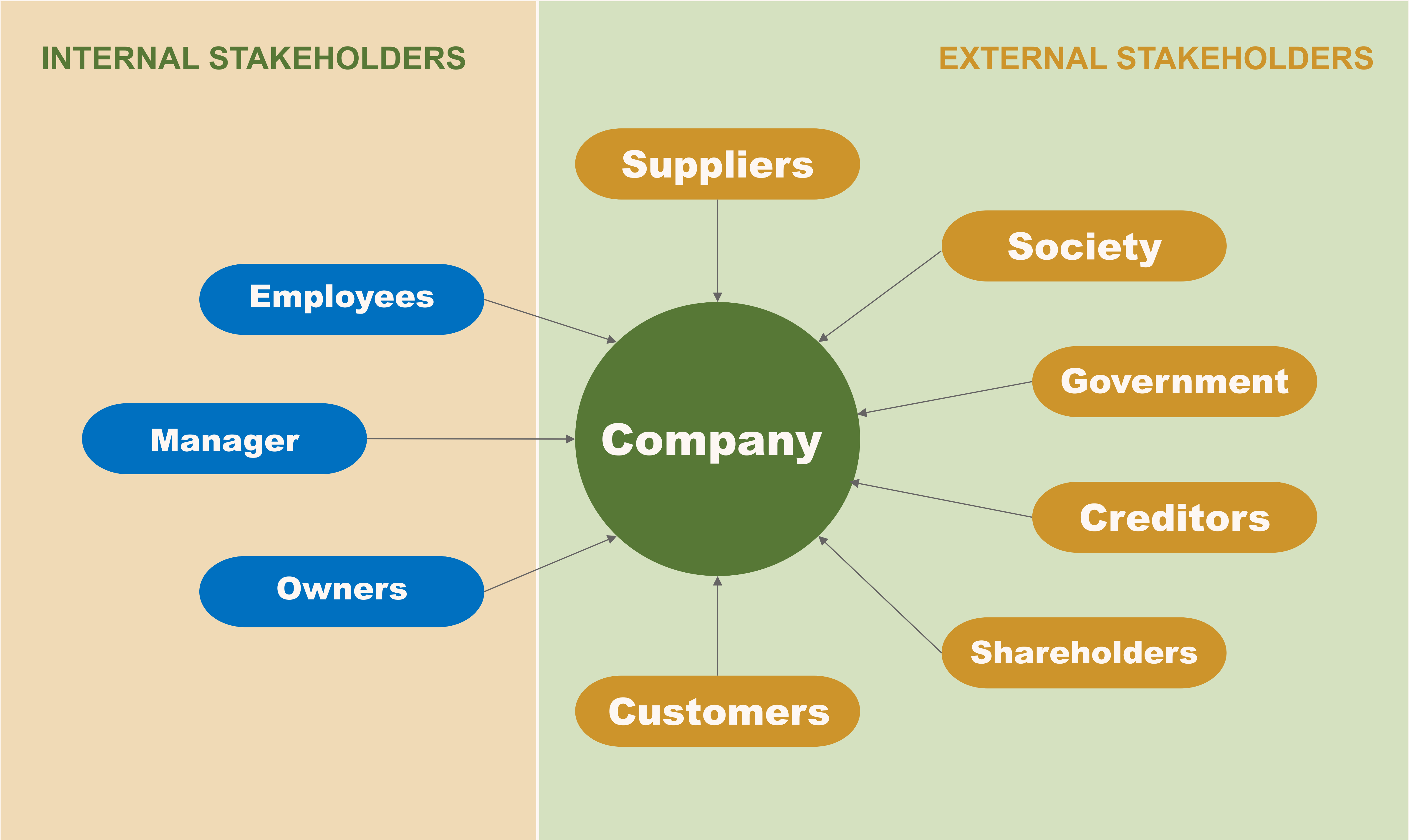
Stakeholder mapping is a visual representation and analysis of the individuals, groups, or organizations that have an interest or influence the organisation.

It helps to identify key players, understand their level of interest and influence, and develop effective communication and engagement strategies.

They can be categorized as internal or external, with each group having different interests and levels of influence.

- Internal stakeholders are those within the organization who are directly involved in its operations and decision-making.
- External stakeholders are those outside the organization who are affected by its activities or can influence its operations.

Stakeholder Mapping



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Stakeholder Mapping

Key benefits of Stakeholder mapping

- **Proactively address challenges**: Identify potential concerns early to resolve them before they become significant issues.
- **Optimize resources**: Prioritize stakeholders based on their influence and interest to ensure efforts are focused where they matter most.
- **Strengthen communication:** Create targeted strategies that deliver the right message to the right audience at the right time.
- **Build stronger relationships:** Foster trust with local communities, making it easier to gain project approvals and avoid costly delays.
- **Ensure compliance:** Map all key stakeholders to meet ESG standards and regulatory requirements.
- **Achieve better results:** Secure buy-in and support from critical stakeholders for smoother implementation and long-term success.

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Lesson 2

NEEDS ANALYSIS

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Needs Analysis

A stakeholder needs analysis in ESG is a process of identifying, understanding, and prioritizing the needs and expectations of various groups that are affected by or have an interest in a company's ESG performance.

This analysis helps companies develop effective ESG strategies, build stronger relationships with stakeholders, and enhance their overall sustainability performance.

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Needs Analysis

- **Improved ESG Performance:**
  By understanding and addressing stakeholder needs, companies can enhance their environmental practices, social responsibility, and governance structures, leading to better ESG ratings and performance.
- **Enhanced Reputation and Trust:**
  Engaging with stakeholders and demonstrating a commitment to their concerns can build trust and improve the company's reputation among investors, customers, and the wider community.
- **Risk Management:**
  Identifying potential ESG-related risks and opportunities early on through stakeholder analysis can help companies mitigate negative impacts and capitalize on positive trends.
- **Strategic Alignment:**
  Stakeholder needs analysis helps align ESG strategies with the company's overall business objectives, ensuring that sustainability efforts are integrated into core operations.
- **Long-Term Value Creation:**
  By focusing on the needs of all stakeholders, companies can create long-term value and contribute to a more sustainable and equitable future.

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NEEDS ANALYSIS

Stakeholder	Type	Needs	Level of influence (high – medium - low)	Impact (high – medium - low)	Priority (high – medium - low)	Activities to be carried out	Expected impact
Employees	Internal	• Work security • Health & Safety • Personal development	High (3)	High (3)	High (3X3=9)	• Trainings • Health care programmes • Sponsoring of educational programmes	• Reduction of occupational accidents • Reduction in no of sick days • Higher number of skilled personnel
Local Suppliers	External						
Local community	External	• Clean water • Local employment +++	Medium (2)	High (3)	High >6		

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Lesson 3

BASIC PRINCIPLES OF COMMUNITY PARTNERSHIP-BUILDING

Basic Principles of Community Partnership-Building

Basic Principles of Community Partnership-Building

COMMUNITY-CENTERED

Address community-identified needs, as communities are best equipped to identify their own challenges and priorities

RECIPROCAL

Ensure the partnership is mutually beneficial, balancing company strategy and community impact.

PURPOSEFUL

Clearly and explicitly identify goals and expectations and hold all stakeholders accountable to specified intended impacts.

CO-CREATED

Share decision-making and meaning-making in all phase of the collaboration.

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Basic Principles of Community Partnership-Building

EQUITABLE
Attend to inequities between communities and the organisation, sharing resources and using interpersonal strategies to avoid reinforcing power dynamics.

ASSET-BASED
Strengthen existing capacity in the organization, and local community. Focus on the value and utilization of assets rather than solely relying on needs or deficits.

INCLUSIVE
Ensure activities are inclusive of and accessible to diverse communities.

RELATIONAL
Centre investment and maintenance of relationships rooted in trust, authenticity, and honest, ongoing communication and feedback.

Basic Principles of Community Partnership-Building

CO-LEARN

Honor the validity of community knowledge and seek to learn from their experience not only based on academic / entrepreneurial own knowledge.

SUSTAINABLE

Engage in long-term relationship building and sustained commitments to partnerships, recognizing that sustainability is necessary to impact complex real-world challenges.

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Case studies

BUILDING PARTNERSHIPS

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Understanding the Importance of Local Community Engagement

Stakeholder: Local community

Type: External

TOMS Shoes has made community engagement a centerpiece of its brand identity. For every pair of shoes sold, TOMS donates a pair to a child in need, an initiative that resonates deeply with socially conscious consumers. However, TOMS takes this a step further by involving local communities in the giving process. By collaborating with non-profit organizations in various regions, they tailor their contributions to meet the specific needs of families, making a tangible impact. Such strategic community involvement not only enhances brand reputation but also fosters a committed customer base that feels invested in the company's mission.

Goal

Community engagement

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Understanding the Importance of Local Community Engagement

Stakeholder: Suppliers

Type: External

In the early 2000s, Unilever faced a significant hurdle when it came to its supply chain management. Despite being one of the largest consumer goods companies in the world, they found that their relationships with suppliers were often fraught with mistrust. This resulted in inconsistent product quality and delayed deliveries. To turn this around, Unilever implemented a collaborative partnership framework based on transparency and communication. They introduced a series of meetings where suppliers were encouraged to voice concerns and share insights.

By fostering an environment of openness, Unilever reported a 30% increase in supplier satisfaction over two years. This real-world example underscores the importance of nurturing open dialogues as a cornerstone for building trust in partnerships.

Goal

Secure supply

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Understanding the Importance of Local Community Engagement

Stakeholder: Employees

Type: Internal

Starbucks faced a public relations crisis in 2018 when two coloured men were arrested at a Philadelphia store while waiting for a friend. The fallout was immediate and damaging, but Starbucks responded by implementing mandatory racial bias training for employees and openly discussing the incident on various platforms. By creating transparent communication channels with their customers and community, the company not only addressed the issue at hand but also strengthened their brand reputation.

According to a 2021 survey by Deloitte, organizations with high levels of transparency enjoy 57% higher employee engagement, highlighting the impact of open communication on overall business success.

Goal

Transparency

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Lesson 5

COMMUNICATION OF ESG ACTIVITIES, ENGAGEMENT AND AWARENESS RAISING

Communication of ESG activities, Engagement and Awareness raising

For rural SMEs, a communication and engagement plan is **not just about publicity:** it is about **building trust, reducing risks, securing support, and making ESG strategies locally meaningful and sustainable**.

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Communication of ESG activities, Engagement and Awareness raising

Why should you build on Awareness Raising?

1. Build Trust and Credibility

Transparent communication reduces scepticism and shows genuine commitment.

It reassures communities, employees, and partners that ESG is not just a “tick-box exercise.”

2. Strengthen Community Support

Rural SMEs operate in tight-knit communities, where reputation spreads quickly.

A clear plan ensures locals understand the benefits (jobs, sustainability, health) and support initiatives instead of resisting them.

3. Enhance Stakeholder Relationships

Engagement creates dialogue with employees, suppliers, regulators, and NGOs.

Stronger relationships mean smoother operations, quicker approvals, and better partnerships.

Communication of ESG activities, Engagement and Awareness raising

Why should you build on Awareness Raising?

4. Raise Awareness & Drive Behaviour Change

A plan helps **educate employees and communities** on sustainable practices (e.g., water saving, recycling, inclusivity).

When people understand the "why," they are more likely to participate and change behaviours.

5. Attract Talent and Investment

Investors, banks, and young professionals increasingly value companies with strong ESG communication.

A structured plan shows professionalism and increases chances of securing funding or partnerships.

6. Manage Risks & Conflicts Early

Communication prevents misinformation or resistance.

Engagement allows SMEs to detect concerns early and adapt before they become costly issues.

Communication of ESG activities, Engagement and Awareness raising

Why should you build on Awareness Raising?

7. Improve ESG Performance

Stakeholder input often reveals local priorities (e.g., water scarcity, road safety, youth employment) that may not be obvious internally.

Aligning ESG actions with local needs ensures greater impact and relevance.

8. Demonstrate Accountability & Compliance

Many ESG frameworks (EU CSRD, certifications, national laws) require evidence of stakeholder engagement.

A communication plan provides structured proof of how SMEs involve and inform stakeholders.

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Communication of ESG activities, Engagement and Awareness raising

Communication Plan & Awareness Raising for ESG

Set Clear Objectives

- Define the purpose of communication: e.g., inform stakeholders about ESG actions, build trust, attract partners, or change local practices.
- Focus on *local relevance* (e.g., water conservation, fair employment, waste reduction).

Identify Stakeholders & Audiences

- **Internal**: employees, family members (if family-run), local managers.
- **External**: customers, suppliers, local communities, municipalities, NGOs, regulators.
- Segment by influence and interest (using stakeholder mapping).

Communication of ESG activities, Engagement and Awareness raising

Communication Plan & Awareness Raising for ESG

Craft Key Messages

- Use **simple, relatable language** — avoid jargon.
- Link ESG to **tangible community benefits**: better water quality, safer working conditions, local jobs, healthier food.
- Highlight shared values: tradition, stewardship of land, resilience.

Choose the Right Channels

- **Low-cost, local-friendly channels**: community meetings, posters, local radio, newsletters, WhatsApp/Facebook groups.
- **Visual storytelling**: before/after photos, short videos, infographics about ESG progress.
- **Events & participation**: open days, workshops, school visits, co-hosting with local associations.

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Communication of ESG activities, Engagement and Awareness raising

Communication Plan & Awareness Raising for ESG

Raise Awareness & Educate

- Run **awareness sessions** for employees and community members (short, practical, hands-on).
- Partner with schools, NGOs, or cooperatives to extend outreach.
- Share success stories and case studies from within the community to inspire trust.

Encourage Two-Way Dialogue

- Use surveys, focus groups, or informal conversations to gather feedback.
- Actively listen and adjust ESG initiatives based on concerns.
- Make stakeholders feel they are *co-creators*, not just recipients.

Communication of ESG activities, Engagement and Awareness raising

Communication Plan & Awareness Raising for ESG

Monitor & Report Progress

- Provide simple, transparent updates (quarterly or annually) on ESG actions.
- Use local indicators people care about (e.g., litres of water saved, % local hiring, waste reduced).
- Celebrate small wins publicly to keep momentum and trust.

Keep It Ongoing, Not One-Off

- Build communication into regular business activities, not as a side project.
- Show consistency to reinforce credibility and prevent “greenwashing” perceptions.

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Overall..

Stakeholder mapping clarifies influence: Visualising internal and external stakeholders helps SMEs identify who matters most, anticipate concerns, and tailor engagement.

Needs analysis builds alignment: Understanding and prioritising stakeholder needs strengthens ESG performance, reduces risks, and enhances reputation and trust.

Community partnerships thrive on principles: Successful collaborations are community-centered, reciprocal, purposeful, co-created, equitable, inclusive, and sustainable.

Relationships are strategic assets: Trust, transparency, and long-term commitment to community engagement generate lasting value and smoother implementation of ESG initiatives.

Real-world cases show impact: Companies like TOMS, Unilever, and Starbucks demonstrate how aligning business strategies with stakeholder engagement improves reputation, supply chain trust, and inclusivity.

Awareness and participation drive success: Raising local awareness and involving communities early ensures ESG strategies are not perceived as external impositions but as shared solutions.

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Thank you for completing the Module!

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