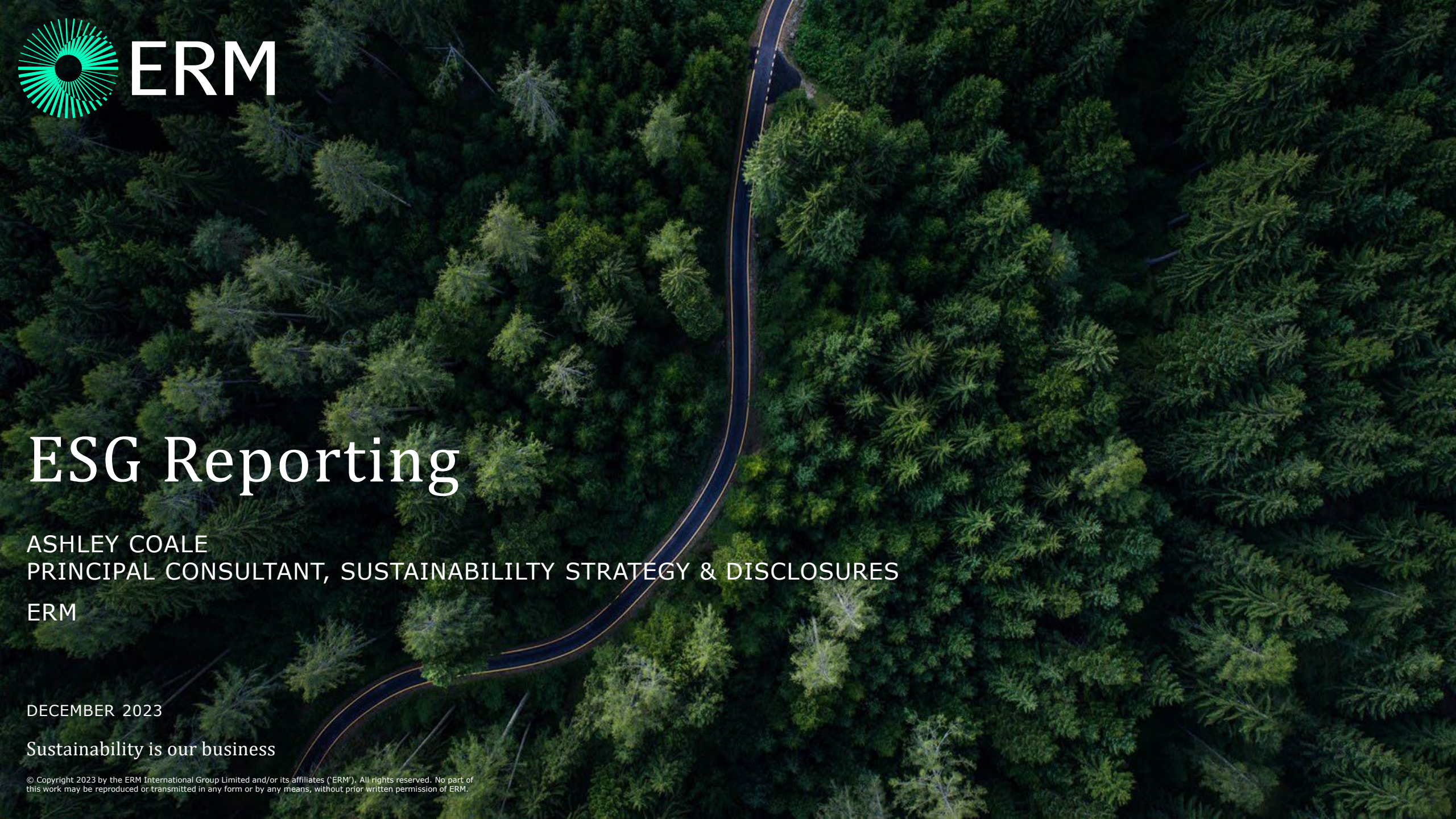

ESG Reporting

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ERM

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Sustainability is our business

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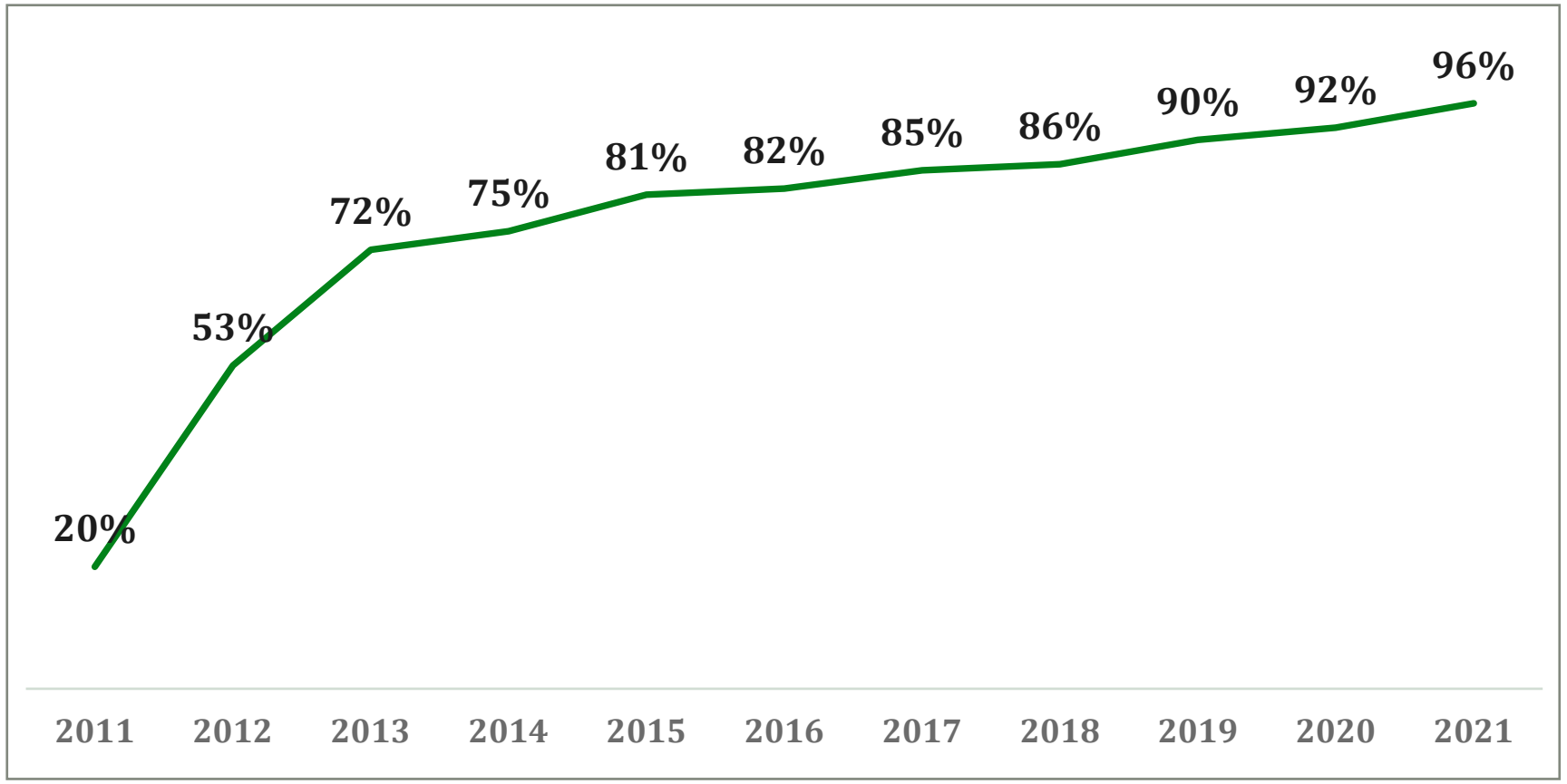
Agenda

1. A look back at the history of reporting
2. Today’s current state
3. Implementation of reporting
4. A look forward at what comes next

The advent of the ESG report

Percentage of S&P 500 that issues an ESG report



Source: G&A Institute 2022 Research

What's driving the uptick in reporting? Stakeholder demand

Key audiences continue to pay attention, demand more transparency and push for more disclosures

Activists and nonprofits

Employees

Investors

Communities

Consumers

Regulators

Why do companies issue a report?

Transparency

To disclose information on the company's risks and opportunities as aligned with expectations from key stakeholders

Strategic accountability

To set commitments or goals, assess progress, identify gaps and improve

Crafting a narrative

To tell the broader story of all that the company is doing to address and manage its impacts

Today’s current state

The practice of ESG reporting

- Disclosure of time-bound, rear-looking data and qualitative information, typically published on an annual basis, covering topics often under 3 categories:
  - **Environment**
  - **Social**
  - **Governance**
- Targeted to multiple audiences, such as investors, employees, customers, consumers, business partners, community members, NGOs, government regulators, etc.
- Aligned with sustainability topics that matter most with stakeholders
- Transparent disclosures of the wins and the challenges

Content typically covered in reports

Qualitative information

- Updates on initiatives and programs that took place in the reporting year
- Discussion of goals and progress toward meeting them (setting context for the data)
- Case studies, stories or examples of progress the company has made
- The governance structures in place to manage/oversee the initiatives and programs discussed, including leaders ultimately accountable
- How the company evaluates its approach to managing these topics (incorporating lessons learned and improving)

Quantitative information

Usually aligned with goals; year-over-year consistency

Environmental data

- Energy use and resulting GHG emissions
- Water
- Waste

Social data

- DE&I – workforce breakdown by age, race, gender, and by level
- Other employee metrics: pay ratio; turnover and tenure, parental leave

Aligning with voluntary frameworks

External frameworks help companies align with a best practice standard and drive what types of data companies collect.

The challenges, considerations and opportunities

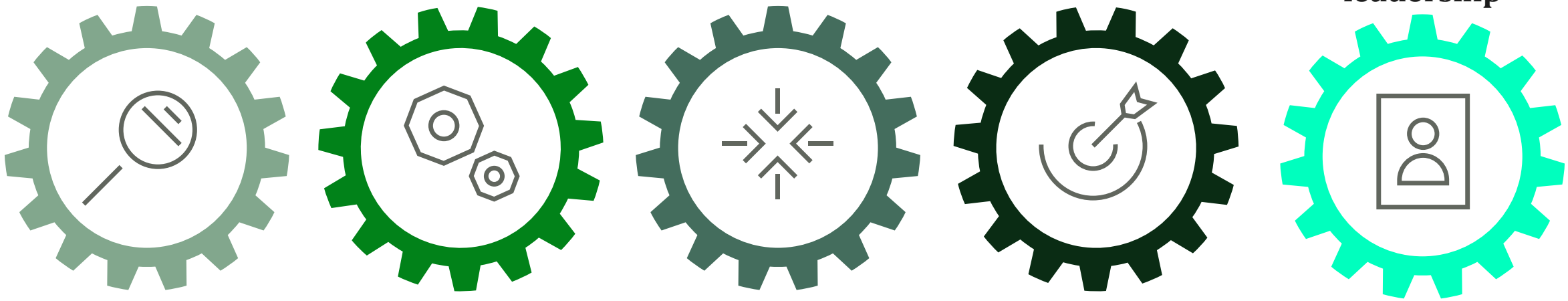
Data collection and validation

Organization-wide process

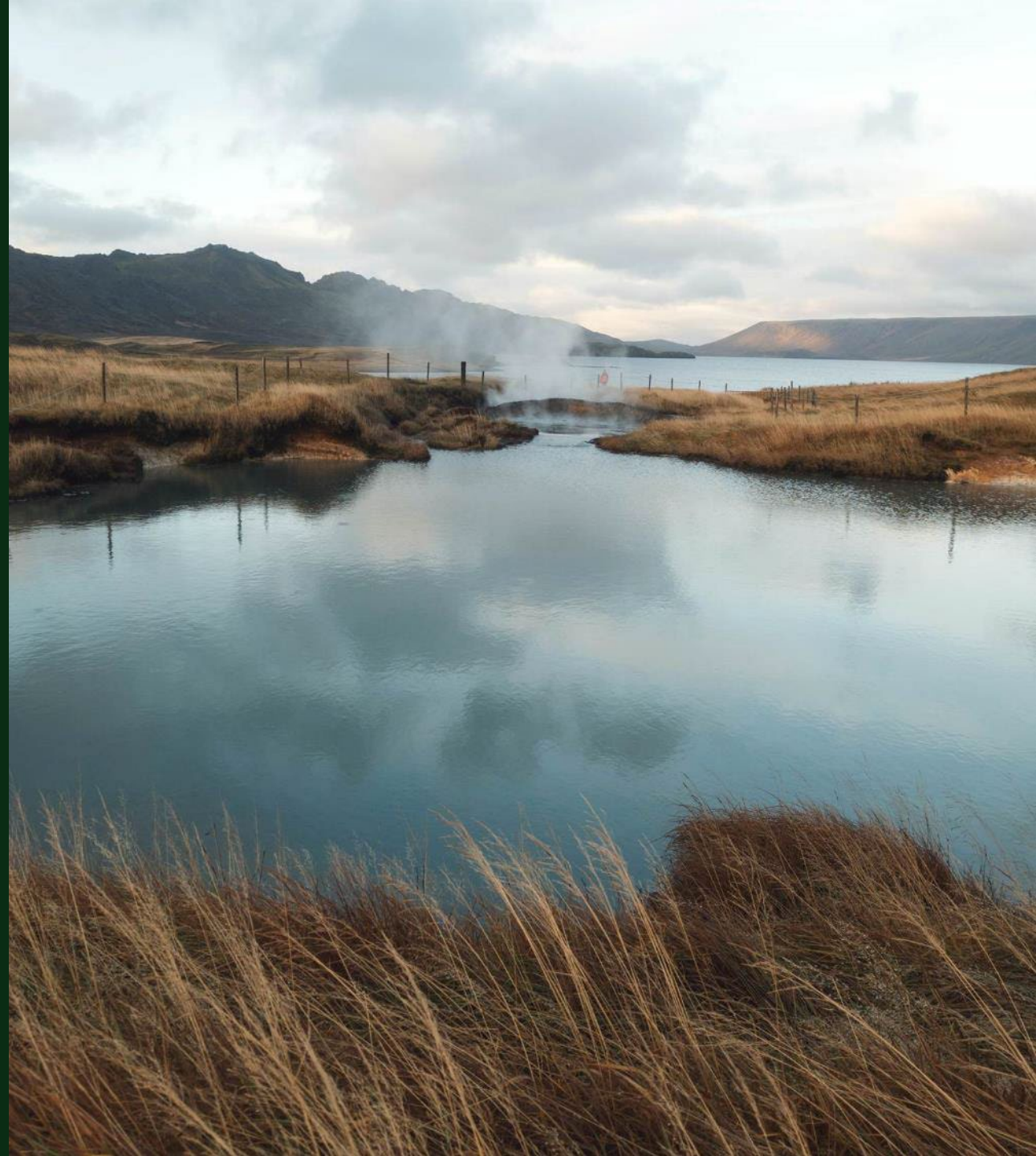
Prioritization and focus

Drives strategy

Engages leadership



Future state



Convergence and harmonization; voluntary to required

CDP

INTEGRATED REPORTING <IR>

SASB

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

GRI

ISSB

Europe
Corporate Sustainability Reporting Directive (CSRD)

California
SB 253 and SB 261

United States
SEC proposed rule change

The end of an era, the beginning of another

What is changing

- Reach
- Data requirements
- Assurance
- Financial quantification
- Alignment with financial reporting
- Broadening definition of what matters

What is not changing

- Opportunity to:
  - Drive strategy
  - Own and articulate a narrative
  - Build trust and communicate to broader stakeholders
  - Build business value