

Introduction to ESG reporting

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Frequently Asked Questions

Q: Is ESG reporting required?

A: No, reporting in line with ESG metrics is currently voluntary. However, reporting ESG data is becoming expected by clients and many investors, who are evaluating companies based on both qualitative and quantitative ESG information as part of their financial analysis.

Q: Are there common standards for ESG reporting?

A: Yes, there are a voluntary frameworks and standards that are commonly used. Many companies use a combination of standards to create reporting that reflect their operations while also ensuring that customers, investors, and other stakeholders get useful information.

Q: Do other companies like us do this?

A: Yes, ESG reporting is becoming standard practice across all industries, including real estate and retail companies of all sizes. It is being used by shareholders, bond investors, private equity, and other finance professionals to evaluate enterprise value.

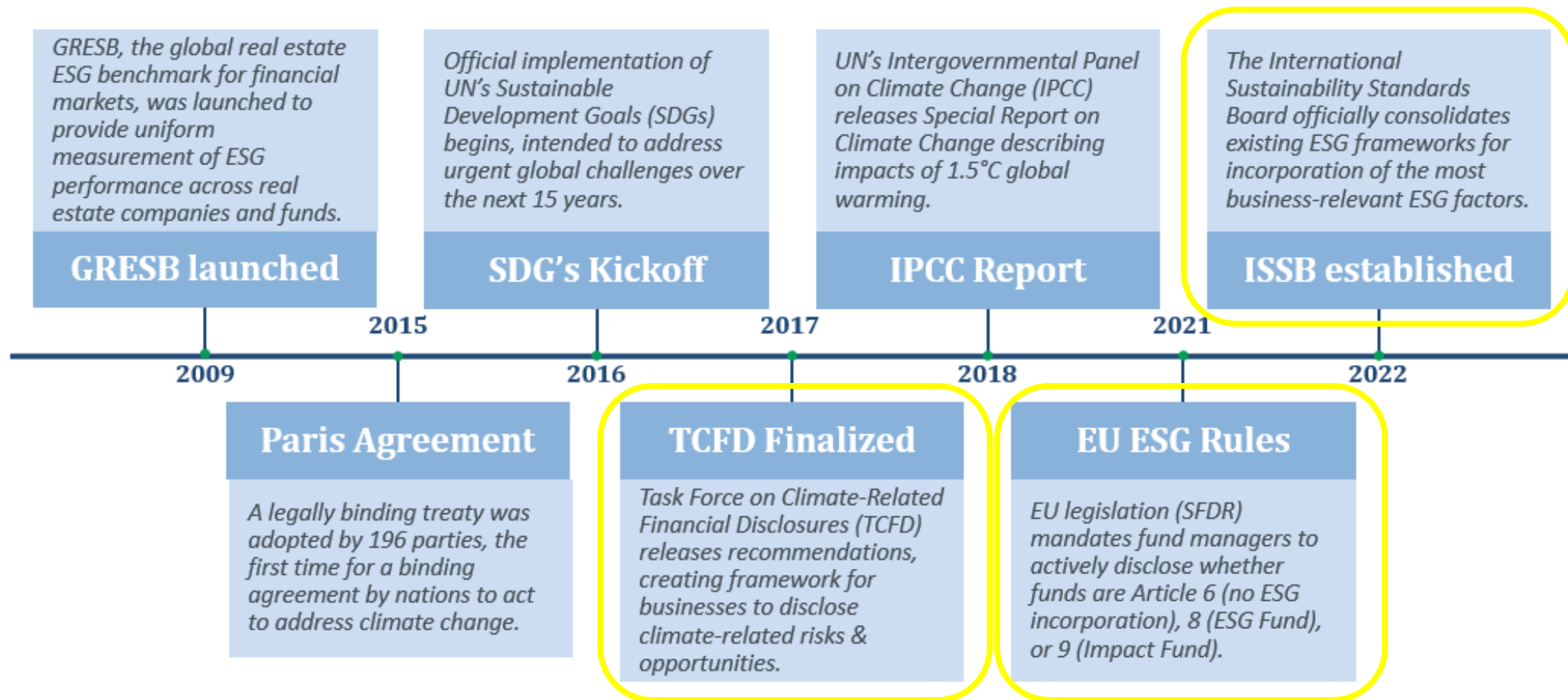
Examples of ESG Issues

Across all industries, investors and other stakeholders are seeking reliable metrics and standardized information on many ESG issues, such as those listed here.

Environmental Issues	Social Issues	Governance Issues
<ul style="list-style-type: none"> ■ Climate change and carbon emissions ■ Air and water pollution ■ Biodiversity ■ Deforestation ■ Energy efficiency ■ Waste management ■ Water scarcity 	<ul style="list-style-type: none"> ■ Customer satisfaction ■ Data protection and privacy ■ Gender and diversity ■ Employee engagement ■ Community relations ■ Human rights ■ Labor standards 	<ul style="list-style-type: none"> ■ Board composition ■ Audit committee structure ■ Bribery and corruption ■ Executive compensation ■ Lobbying ■ Political contributions ■ Whistleblower schemes

Recent Milestones

ESG Reporting is increasingly driven by formal tools and rules.



ESG Frameworks and Standards

What are ESG Frameworks & Standards?



In most countries reporting ESG information is voluntary. However, it is often expected by clients and investors, who are evaluating companies based on both qualitative and quantitative ESG information as part of their financial analysis.

There are a voluntary frameworks and standards developed to address this need. The ones on the left are among the most used.

Frameworks – Guidance to structure and prepare information and what broad topics are covered. *Ex: TCFD*

Standards – Specific, detailed, & replicable reporting requirements for topics, including metrics. *Ex: SASB, GRI*

How to use ESG Frameworks & Standards



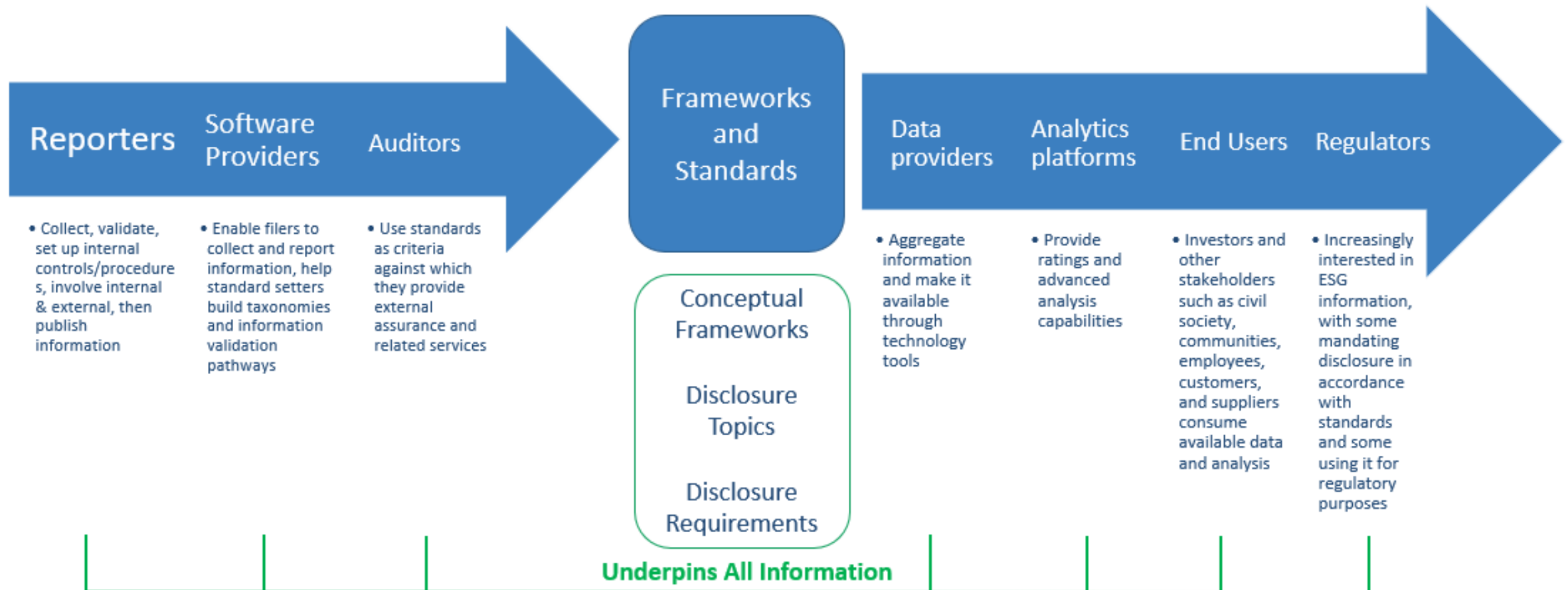
Resource	Recommended Use
<p>SASB Sustainability Accounting Standards Board</p>	<p>Use as the base for ESG reporting because:</p> <ul style="list-style-type: none"> • Market consensus on most financially material factors • Center of ESG gravity for investment management • Relatively adaptable and simple to use
<p>TCFD Task Force on Climate-related Financial Disclosures</p>	<p>Use to guide climate reporting and strategy because:</p> <ul style="list-style-type: none"> • Issue is central for regulators and financial sector • Essential for keeping up with recent advancements • Full reporting is heavy lift at first, but can grow over time
<p>GRI Global Reporting Initiative</p>	<p>Use to supplement reporting as needed because:</p> <ul style="list-style-type: none"> • Longtime market leader on comprehensive ESG reporting • Best choice for reporting on societally material ESG issues • Can adapt for use without committing to full accordance

Companies often combine frameworks to ensure that customers, investors, and other stakeholders get the most useful information.

Here is how they can complement each other.

Who Uses ESG Frameworks and Standards?

Common definitions produce standardized information for many end users.



ESG FRAMEWORKS ARE EVOLVING

In 2022, many leading frameworks formally aligned into a global standard.



Spotlight: SASB's Industry-Specific Approach



Environment	Social Capital	Human Capital	Business Model & Innovation	Leadership & Governance
GHG Emissions	Human Rights & Community Relations	Labor Practices	Product Design & Lifecycle Management ⓘ	Business Ethics
Air Quality	Customer Privacy	Employee Health & Safety	Business Model Resilience	Competitive Behavior
Energy Management ⓘ	Data Security	Employee Engagement, Diversity & Inclusion	Supply Chain Management	Management of the Legal & Regulatory Environment
Water & Wastewater Management ⓘ	Access & Affordability		Materials Sourcing & Efficiency	Critical Incident Risk Management
Waste & Hazardous Materials Management	Product Quality & Safety		Physical Impacts of Climate Change ⓘ	Systemic Risk Management
Ecological Impacts	Customer Welfare			
	Selling Practices & Product Labeling			

SASB identifies the highest priority ESG issues for each industry, so companies can focus efforts and better allocate ESG resources.

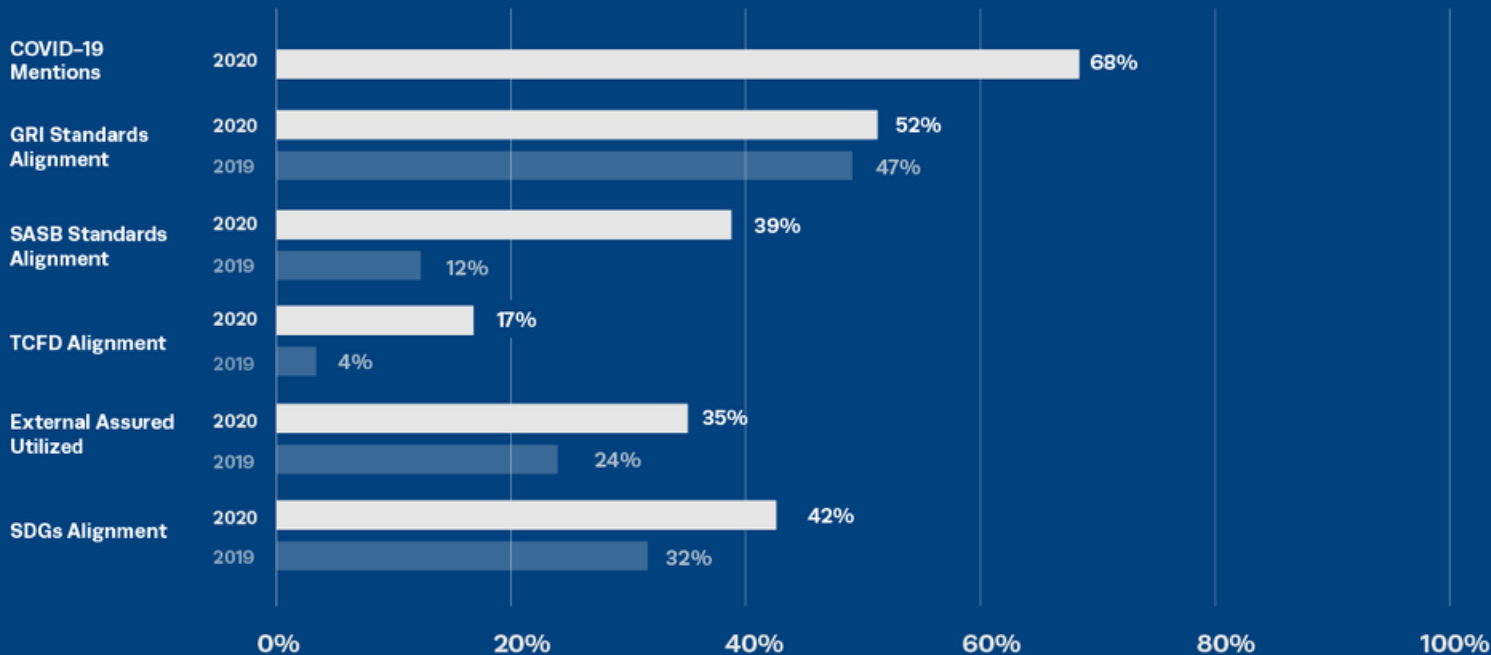


Environment	Social Capital	Human Capital	Business Model & Innovation	Leadership & Governance
GHG Emissions	Human Rights & Community Relations	Labor Practices ⓘ	Product Design & Lifecycle Management ⓘ	Business Ethics
Air Quality	Customer Privacy	Employee Health & Safety	Business Model Resilience	Competitive Behavior
Energy Management ⓘ	Data Security ⓘ	Employee Engagement, Diversity & Inclusion ⓘ	Supply Chain Management	Management of the Legal & Regulatory Environment
Water & Wastewater Management	Access & Affordability		Materials Sourcing & Efficiency	Critical Incident Risk Management
Waste & Hazardous Materials Management	Product Quality & Safety		Physical Impacts of Climate Change	Systemic Risk Management
Ecological Impacts	Customer Welfare			
	Selling Practices & Product Labeling			

What Frameworks are used in ESG Reports?

KEY TAKEAWAYS ON RUSSELL 1000® REPORTING

G&A found that 70% of the Russell 1000 companies published sustainability disclosures in 2020. Below is a summary of growth in specific reporting behaviors from 2019 to 2020 for this cohort of reporters:



Source: Governance & Accountability Institute, Inc. 2021 Research - ga-institute.com

Key takeaways:

- Alignment to frameworks is increasing
- GRI is still most common
- Materiality focus is growing (SASB/TCFD)
- Impact matters (SDGs)

Across the board, companies are expanding use of ESG frameworks to standardize their reporting.

ESG Ratings

How do ESG Ratings Work?

ESG ratings seek to measure a company's exposure to ESG risks over the long-term.

MSCI is one of the most widely used. Their approach is highlighted here but each service takes a slightly different approach.



Overview of ESG Raters

	Sustainalytics	MSCI	ISS	RepRisk
Market	<p>Utilized by institutional investors such as Fidelity</p> <p>Ratings viewable on Yahoo! Finance</p> <p>Acquired by Morningstar in 2020</p>	<p>Utilized by many institutional investors, many EU investors</p> <p>A leading providers of indexes</p> <p>Began building ESG business via acquisition over a decade ago</p>	<p>Known for ISS Governance Score</p> <p>Market leader in proxy advisory services</p> <p>Once PE-owned, acquired by Deutsche Börse in 2021</p>	<p>Developed to serve credit market, broadest universe coverage</p> <p>Independent, no parent</p>
Approach	<p>Rate on 60-80 issues per industry in 4 dimensions (preparedness, disclosure, qualitative performance, and quantitative performance)</p>	<p>Assesses 37 key ESG issues</p> <p>Claim to have a leading approach for estimating GHG emissions</p>	<p>E&S score rates the level of transparency on topics, not performance</p>	<p>Identifies ESG risk from sources excluding self-reported corporate data</p>

Finding Your Next Step

Selecting Frameworks



This sample decision pathway shows how to approach selecting frameworks when developing an ESG reporting plan.

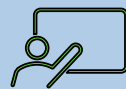
Sample ESG Project Approach

Producing an initial ESG report can be daunting. A formal ESG reporting process can bring increased confidence in decision-making regarding ESG reporting.

Key points:

- Consider available internal resources
- Plan ahead
- Invest in internal alignment

ESG Reporting Workshop – What to Expect



Comprehensive training for long-term ESG reporting strategy



Learn how to identify key messages and best formats and channels for communication



Key documents commonly used for ESG reporting



ESG report planning workshop descriptions and example agendas



Walk-through on different reporting frameworks and how to choose the right one for your report



Enhanced understanding of best practices for data collection and disclosure

Potential inputs from external partners:

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- Industry & market intelligence
 - ESG strategy, reporting & communications expertise
 - ESG tools & templates

Appendix

Key Terms and Definitions

Terms	Definition
ESG	Stands for Environmental, Social, and Governance issues.
Environmental Factors	Environmental factors relate to how a company affects the earth. It includes climate change impact, waste production & management, water and other resource use, and related risks and opportunities.
Social Factors	Social factors relate to how a company treats employees and the community. It includes employee engagement, human rights, health/wellbeing initiatives, and employee and consumer protection.
Governance Factors	Governance factors relate to how a company is run. It includes management structure, compensation, internal controls and accountability, shareholder rights, and oversight of ESG.
Greenwashing	Promoting a product, service, or company as more environmentally-friendly than it truly is by advertising environmental benefits that are overstated or misleading.
Impact Investing	Impact investing refers to investments made into companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return.
Materiality	Materiality is a measure of the importance of specific topics and information to overall business performance. The more significant a topic is, the more material it is, and vice versa.