Sustainability, Corporate Social Responsibility, and Environmental, Social, Governance (ESG) Programs

An AXA XL environmental whitepaper

Environmental, Social, Governance (ESG) programs are now driving the evolution of sustainability and social responsibility initiatives with complex strategies that assess materiality, include stakeholder input, and capture relevant data.

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ESG is advancing these concepts in a manner that meshes with enterprise risk management and financial results to make organizations more attractive to stakeholders and businesses more resilient.

As investor, business partner, and regulatory reporting demands have increased, businesses are placing more time and resources toward ESG. In fact, Deloitte, a leading professional services consultancy, recently conducted an on-line survey of 300 large public companies across industry sectors that indicated 80% have dedicated roles and responsibilities involving ESG. Nearly all (99%) respondents planned to invest in more ESG disclosure focused-technology tools and resources within a year.

In addition to AXA XL's core risk management products and services, our current strategy is aligned with key issues pertinent to our business: valuing nature, addressing climate change and integrating ESG across our operations. We aim to leverage our (re)insurance products, our people, our operations, and our partnerships with nonprofits, academia and like-minded firms that support our ESG strategy.

AXA and AXA XL have authored numerous related publications over the years, such as our Climate and Biodiversity Report and our Roots of Resilience Sustainability Strategy, respectively, which outline these efforts. However, this is not the focus of this paper. Rather, we hope you will partner with us in this journey and use this overview as a tool to better understand the evolution and importance of ESG and jumpstart your program development.

Introduction

Environmental protection and conservation efforts have been on-going for many years, but it was not until the 1990s that sustainability concepts were more widely introduced.

Sustainable initiatives slowly began to be incorporated into business and community practices. Sustainability and sustainable development have many definitions, but the basic conceptual principles remain constant. Simply stated, they involve the avoidance of the depletion of natural resources to maintain an ecological balance with economic development and focus on making positive improvements where possible to communities and ecosystems.

When AXA XL published our first bulletin on Corporate Sustainability Programs (CSP) in January 2010, sustainable business practices were growing in areas such as water management, waste recycling and energy conservation, while sustainable development was focused largely on ecosystem conservation (e.g., rain forests), agricultural programs, and urban sprawl. Global warming and climate change was still emerging as a mainstream concept, with limited public awareness.

The past decade saw the growth of Corporate Social Responsibility (CSR) efforts that placed additional emphasis on philanthropy, volunteering, and community partnerships. Admittedly, CSP and CSR terminology and initiatives have co-existed and been employed interchangeably with overlapping strategies and goals. For example, AXA XL's sustainability strategy identifies actions we can take within our business as well as our broader role as a "corporate citizen". This has focused on products, programs and positions related to climate change, water resources and financial resilience.

Fast forward to the present day and ESG, a term first introduced in the mid-2000s, is now the buzz around the globe. The corporate world has already included CSP and CSR concepts into operational and risk management decisions, marketing materials, and financial reports. Like many organizations, AXA XL now aspires to integrate ESG more fully into our operations and thereby create shared value for our stakeholders.

66%

Currently, 66% of AXA Investment Managers (Assets Under Management) have binding ESG targets.

80%

Nearly 80% of executives in large companies have either released a report covering the ESG aspects of their business or are working on their first report.

What is Sustainability and Sustainable Development?

The United States Environmental Protection Agency (USEPA) defines sustainability based on a simple principal: Everything that we need for our survival and well-being depends, either directly or indirectly, on our natural environment. To pursue sustainability is to create and maintain the conditions under which humans and nature can exist in productive harmony to support present and future generations.

The United Nations has defined sustainable development as meeting the needs of the present without compromising the ability of future generations to meet their own needs. This includes concepts such as environmental protection, social justice and equality, economic and educational opportunities, and health and well-being.

What is Corporate Social Responsibility?

CSR is the business practice of joining environmental and social policies with business economic goals and operations. It is based on the idea that businesses can reduce their adverse social and environmental impact on the world. CSR is a way of doing business that aims to increase a company's positive social impact while meeting business objectives such as growth and revenue. It can also refer to any effort to improve a company's eco-friendliness or carbon footprint. Companies can deploy CSR efforts as a separate stand-alone program or as part of a broader reporting framework.

What is Environmental, Social and Governance?

The business world has changed and implementing CSP and CSR practices has become the norm; however, the next generation of business leaders will need to carefully consider an ESG strategy and reporting framework. According to The Sustainable Agency, ESG is the most readily emerging organizational concept, having significantly increased in popularity over the past several years.

ESG criteria are a set of standards that potential investors and other stakeholders can use to screen companies they want to potentially invest in or do business with. For example, AXA maintains a Responsible Investing ESG Standards Policy to help guide delivery of sustainable, long-term value for clients and to make a positive impact on society. Currently, 66% of AXA Investment Managers' open funds (Assets Under Management) have binding ESG targets.

ESG is comprised of three pillars or functional areas as follows:

Environmental
- Stewardship of resource use and conservation
- Energy, water, waste, pollution, greenhouse gases, natural resources, recycling, animal treatment

Social
- Treatment of employees, suppliers, customers, and communities
- Products & services quality, safety, & access (includes supply chain sourcing, labor, and health & safety standards)

Governance
- Leadership, diversity, executive pay, audits, internal controls, and shareholder rights
- Company business conduct (often linked to sustainability, anti-competitive, and corruption practices)

Based on a study by the Boston College Center for Corporate Citizenship (BCCC), employees, investors, and other stakeholders are calling for more ESG data, especially on social issues. Corporate stakeholders are also calling for the use of more standardized frameworks for ESG disclosure to enhance ease of evaluation. The BCCC survey responses indicate that nearly 80% of executives in large companies have either released a report covering the ESG aspects of their business or are working on their first report.

CSR vs. ESG

The difference between CSR and ESG is often questioned as there are no universally accepted definitions. Some even say that ESG is replacing CSR; although, they are still quite different.

Business Leader, a publication that covers issues critical to UK business owners, defines CSR as a self-regulating business model where companies are more conscious of the impact they are having on wider society. This includes the environment, the economy, and people within society. Companies that practice CSR actively operate in ways that enhance society and the world around them, while also making themselves more accountable to their stakeholders and the public. While CSR is employed by individual organizations, ESG can provide additional criteria to assess whether a company is a good financial investment and/or partner.

ESG standards evaluate a company's resource use and environmental impact (Environmental) and business relationships (Social), including those with employees, suppliers, customers, and the wider community. These are also common focal points in CSR programs; however, ESG standards go further in evaluating the company's leadership & compensation, shareholder rights, and internal controls (Governance). ESG evaluations attempt to better quantify non-financial risk factors and business practices that could impact financial performance.

In brief, CSR is a company's framework of sustainability plans and responsible cultural influence. On the other hand, ESG focuses on assessing the outcome of a company's overall sustainability performance. Generally, CSR includes a sustainability framework, mainly used by companies on behalf of various stakeholders. ESG is better described as a measurable assessment of sustainability and other factors popular with investors.

Today, sustainability is measured in terms of ESG issues – going beyond a company's green footprint and philanthropic contributions. ESG is an opportunity to evaluate and develop goals that will positively impact the environment, improve the social impact a company has on the community and its employees, and then demonstrate how the company is delivering on these goals.

Developing an ESG Strategy

Creation of an ESG program and report starts with development of an ESG strategy. The process of strategy development includes identifying key ESG factors unique to each organization's operations. This often begins with an examination of the organization's core mission, goals, strategies and tactics. Generally, it then progresses through a screening of the impacts the organization, suppliers, and its value chain have on people and the environment. Ultimately, a defined strategy is developed in conjunction with an in-depth materiality assessment that engages and provides feedback from multiple internal and external stakeholders.

Developing an ESG strategy requires an internal evaluation but may also require outside experts that can offer independent perspectives and industry benchmarking. For example, Ernst & Young Global Limited, a global organization whose member EY firms provide business consulting services, offers ESG support to public and private companies, government institutions, and financial and investment firms. EY notes that ESG strategies can include an array of considerations. Depending on the organization, strategy priorities can include issues as diverse as decarbonization and energy transition, sustainable sourcing, and supply chain partner human rights. Strategies can have many different drivers including government incentives and regulations, investor standards, customer and community sentiment, and employee input. Strategy development should also consider the culture, behavior, systems and processes needed to implement desired changes to enhance ESG efforts.

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ESG Materiality Assessments

Before an organization can prepare an ESG report, they must identify the most impactful ESG factors in their business and the scope of any proposed evaluation. An ESG materiality assessment reviews company operations through an enterprise risk management lens to identify the ESG factors that are most material/impactful to financial performance. The materiality assessment process helps organizations identify, prioritize, validate, and monitor specific issues material to their operations.

Materiality assessments need to consider what data is available, how it can be collected, tracked, and evaluated, and how it could best be consolidated to help define ESG risk factors.

Enterprise financial risk can be driven by many different ESG factors at public and nonpublic corporations, and other organizations. Evaluations need to include considerations for the most crucial factors in both their industry sector and specific operations. These factors can be quite different for manufacturing, oil & gas, healthcare, retail, financial services, etc.

Datamaran, an ESG technology and risk management firm, emphasizes the importance of conducting a rigorous materiality assessment to expose business inefficiencies, cut program costs, and avoid greenwashing accusations and financial penalties. Understanding which ESG issues an organization should focus on via a materiality assessment can have a long-term impact on financial performance, value creation, reputation and legal position.

Materiality assessments must first consider and identify the parties that have a vested interest in the company – The Stakeholders. This can include employees, investors, shareholders, lenders, customers, community members, suppliers, regulatory agencies, and non-governmental organizations. These are the entities that the ESG strategy and reports are targeting and attempting to satisfy. The assessment should identify the factors most important for disclosure to these stakeholders. Stakeholders will also influence selection of the reporting framework and format selected as discussed in detail below.

Datamaran differentiates between “financial materiality,” which has the potential to affect the organization’s cash flow and financial value creation, and “impact materiality,” which are the impacts an organization can have on the environment, society, and the economy. Financially material ESG issues, also referenced as “dependencies” are viewed from an outside-in perspective. Conversely, impact materiality issues are viewed from an inside-out perspective. Capturing both perspectives is referenced as a “double-materiality” approach, which is necessary for comprehensively understanding the sustainability-related risk and opportunities for an organization. Finally, the concept of “dynamic materiality” recognizes that the importance of various ESG factors is ever evolving. Both the needs and expectations of stakeholders can change over time, so it is important to periodically review them to ensure an ESG strategy remains relevant.

The scope of a materiality assessment must be defined, although various reporting frameworks dictate requirements for public companies. Like ISO certifications, voluntary industry standards, and internal audits, assessments can be applied to unique aspects of private company operations. Materiality assessments can be completed on a corporate-wide basis, on a division or subsidiary, or on a site-specific basis. Pilot programs for developing a comprehensive ESG strategy can start with smaller, more manageable segments of their business – for example logistics only. However, companies should ultimately consider using a consistent approach across their organization that results in a comprehensive ESG program.

Finally, materiality assessments need to consider what data is available, how it can be collected, tracked, and evaluated, and how it could best be consolidated to help define ESG risk factors. The goal is to provide quality data that helps define how each ESG pillar is performing and impacting the business and the communities it operates within. Data sources and availability can also change over time, so it is important to revisit these factors (i.e., dynamic materiality).

Sustainability and ESG Reports

Benefits of Developing and Implementing a Sustainability and/or ESG Report

Voluntary ESG reporting has gained adoption, attention, and momentum in recent years, and this trend will likely continue. More recently, companies are issuing separate non-financial reports along with their annual financial reports, or integrating sustainability content into annual reports, to provide an update on sustainability activities. Over the past several years, the amount of sustainability reporting and the frameworks utilized have grown exponentially.

According to VelocityEHS, a provider of Environmental, Health and Safety (EHS) and ESG software platforms, studies increasingly show that companies with high ESG ratings, on average, are more financially successful than those with a low or no ESG rating. This is obviously of prime interest to potential investors and business partners.

Some benefits companies gain by implementing an ESG strategy include the following:

- **Helps visualize the degree to which organizations are adhering to sustainability goals**
- **Creates a competitive advantage and increases attractiveness to investors**
- **Fosters engagement from a variety of stakeholders, which can lead to stronger relationships and better communication**
- **Provides transparency to all parties involved with the company’s value delivery**
- **Helps identify and qualify supply chain prospects/opportunities**
- **Assists with expense reduction efforts**
- **Enhances attraction and retention of employee talent**
- **Encourages accountability over time allowing company evaluation relative to previous progress reports**
- **Identifies opportunities for continual improvement**

An ESG program and report is a prime opportunity for communication about social responsibility and sustainability initiatives from the very top of the organization.

The aforementioned BCCC study also found that an ESG program and report is a prime opportunity for communication about social responsibility and sustainability initiatives from the very top of the organization. It allows chief executives and officers to layout ESG priorities as valuable to the business. This can be important in demonstrating and communicating a company’s mission and vision to stakeholders.

Developing an ESG report

Developing an ESG strategy and completing a materiality assessment are critical to the ESG development process, but there are some key steps involved in the report generation process to make it an on-going successful effort. According to ESG – The Report, an on-line resource for professionals focused on ESG, socially responsible investment, and sustainability principals, the key steps in developing an ESG report include the following:

- Gathering information from the company’s leadership on which ESG factors they consider within their sphere of influence and identifying the company’s value chain.
- Categorizing risks and opportunities that could affect the performance of the company along its value chain.
- Preparing the written report and deciding how risk, opportunities (and material issues) will be communicated to internal and external stakeholders.
- Deciding how frequently reports will be prepared and factors reassessed.
- Establishing a data collection and report generation process that is manageable for employees by defining information needs and responsible parties.
- Creating an action plan for how ESG risks and opportunities will be managed at the company.

ESG reporting should cover both current and future performance by including relevant trends and metrics. An action plan should be created to address how key risks and opportunities will be managed relative to ESG goals. Without future planning, an ESG report can become outdated and irrelevant for stakeholders. To avoid this, companies should include data on long-term goals and objectives to demonstrate commitment to sustainability and continual improvement.

Most companies will need to rely on some outside support when developing ESG programs. The Global Reporting Initiative (GRI) is a leading non-profit organization that helps companies set guidelines for ESG reporting. The GRI provides free tools and resources designed to help companies create a sustainability report that is useful for investors, employees, and customers.

Many environmental consulting firms have sustainability practices that can also be relied upon to assist in developing an ESG program. Staff are experienced in performing materiality assessments and familiar with ESG software tools that can assist with data collection and reporting. There are also numerous technology firms that specialize in EHS and ESG data management. Many of these companies have established formal partnerships and alliances to make the ESG journey from assessment to reporting easier. This helps develop appropriate solutions based on client sophistication, desired granularity of reporting, and their current stage of ESG development.

Engaging an experienced consulting firm for assistance with materiality assessments and ESG reporting is highly recommended. Required reporting frameworks and formats are evolving quickly and these firms can provide the latest ESG guidance, best practices, and tools. They can also help review ESG reports published by peer companies to gain perspective on strategy, material issues and ESG approaches. Consultants have emerged to provide independent benchmarking and company rankings on ESG performance.

What should be included in an ESG Report?

The information in an ESG report should be easy to understand and available in a format that is relevant and useful for each audience. For example, investors want to see detailed financial data, while employees may want to see ESG information that relates to daily operations or charitable contributions. Reports may include internal and external data as well as industry benchmarking for broader perspective.

Generally, ESG reports should include information on environmental performance such as energy use, greenhouse gas emissions, water usage, waste generated, material used and waste management. The report should also include information on social aspects such as labor practices, human rights impacts, community engagement, and diversity efforts from suppliers. Finally, the reports should include information on governance such as compliance, board structure including diversity or race and gender of the board members, political contributions, policies related to the environment and society, and any other issues regarding how the company interacts with the government.

The report should provide perspective on prior sustainability, CSR and ESG efforts as well as establishing a path forward for continual improvement. It should acknowledge action plans to enhance company ESG efforts and explain priorities to better demonstrate metrics and company commitments to stakeholders. Fortunately, there are numerous frameworks for documenting results and sharing performance that help drive consistency of reporting.

In terms of the specific content, organization, and format, this can be highly variable based on the internal and external resources relied upon. This is not unfamiliar as corporate annual reports have long ranged from lengthy documents with glossy photographs, to more concise reports with just key facts and data. These choices can be driven by the stakeholders and audience a report is intended to benefit.

Greenwashing Risks

There are some potential risks in ESG strategies and reports if they are not created with care.

According to Investopedia, the definition of “Greenwashing” is the act of providing the public or investors with misleading or outright false information about the environmental impact of a company’s products and operations. It is an attempt to capitalize on the growing demand for environmentally sound products and the socially responsible investment movement.

As noted in Deloitte’s report, Greenwashing Risks in Asset Management – Staying One Step Ahead, the UK government describes it as misleading or unsubstantiated claims about environmental performance made by firms about their products or activities. Greenwashing is seen as a conduct risk associated with deliberate mis-selling or misrepresentation of financial products. Due to the roll out of new ESG-themed investment funds, there continues to be widespread concern about the risks of greenwashing financial statements and marketing materials.

Because there is no standard or universal definition on what makes a product, service, or investment sustainable, this may result in consumers and financial advisors doing business with the wrong companies. Financial market participants are still in the process of understanding and implementing new regulatory definitions and disclosure requirements. Data used to support investment selection for ESG/Sustainability funds is often incomplete or provided by unregulated entities.

To mitigate further greenwashing, the EU has developed several sustainable finance regulatory initiatives, including the EU Taxonomy and the Sustainable Finance Disclosure Regulation (SFDR). It serves as a classification system for economic activities that are environmentally sustainable. The SFDR was introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing, and to increase transparency around sustainability claims made by financial market participants. Deloitte concluded that Greenwashing will continue to be high on regulators’ agendas even while a lack of investment disclosure regulations and the quality sustainability data remain a key challenge.

As with all company publications, ESG data and reports should be subject to technical and legal peer review. Information sources, data quality and the conclusions derived must be based on current company operations and programs, rather than future aspirations or projections. Appropriate governance of ESG program inputs will ensure the credibility of ESG reports for stakeholders and help limit legal liability.

Data used to support investment selection for ESG/Sustainability funds is often incomplete or provided by unregulated entities.

Communicating ESG goals and performance with stakeholders

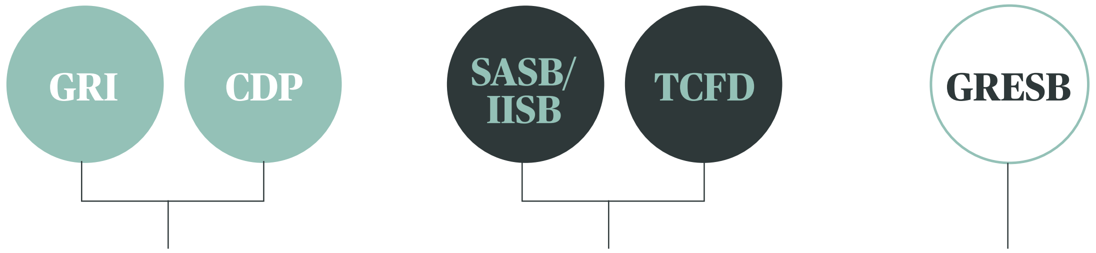
Depending on the stakeholders that will be evaluating ESG and relying on the report, different reporting standards are utilized.

At first glance, the various reporting standards appear to be a confusing alphabet soup. There are currently efforts to consolidate some of the standards, but it remains a key ESG challenge. Until this is accomplished, it will remain more difficult for companies to select a framework and for stakeholders to evaluate ESG efforts at companies throughout the world.

Fortunately, there are currently some widely recognized ESG reporting frameworks that are serving the ESG community well. This paper concludes with highlights of the most common and widely accepted frameworks for further consideration.

Measurabl, an ESG software firm, has reviewed the numerous available reporting frameworks and focused on the five most used by their clients. These frameworks were developed by different organizations and include GRI, CDP SASB, TCFD and GRESB. Use is dependent on reporting objectives and stakeholder acceptance. However, these frameworks are popular and have become particularly essential to real estate industry operations and management and public real estate investment trusts.

Again, the challenge for many firms is to understand how these sustainability and ESG reporting standards work and which ones are the most relevant to their organizations. A framework is selected based on the company reporting objectives and these selections can be linked as follows:



Two of the most widely adopted frameworks for general corporate reporting

Have emerged as the leading frameworks for aligning non-financial and financial disclosures

Most common and accepted for benchmarking assets of portfolios of real estate owners, asset managers and developers

The challenge for many firms is to understand how these reporting standards work and which ones are the most relevant to their organizations.

Let us take a closer look at each one of these reporting frameworks:

GRI

Global Reporting Initiative - An independent, international organization that helps businesses and other organizations take responsibility for their impacts, by providing them with the global common language to communicate those impacts. GRI provides the world's most widely used standards for sustainability reporting. It is the default framework for the UN Global Compact's more than 9,500 companies. GRI relies heavily on stakeholder engagement to determine materiality. The GRI Standards are a modular system comprised of three standards to be used together: Universal Standards, Sector Standards, and Topic Standards. Organizations can either use the GRI Standards to prepare a Sustainability Report in accordance with the Standards or use selected parts of the Stanards for specific users or purposes.

CDP

Formerly known as the Carbon Disclosure Project, CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts. Each year, CDP supports thousands of companies, cities, states, and regions to measure and manager their risks and opportunities on climate change, water security and deforestation. Registering through CDP is conducted at the request of their investors, purchasers, and city stakeholders. CDP claims to have the world's most comprehensive data set which tracks global progress towards building a sustainable economy. Approximately 680 investors with over $130 trillion in assets and 200+ large purchasers in procurement spend are requesting thousands of companies to disclose their environmental data through CDP.

SASB

Sustainability Accounting Standards Board - These standards guide the disclosure of financially material sustainability information by companies to their investors. Available to 77 Industries, the SASB Standards identify the subset of environmental, social, and governance issues most relevant to financial performance in each industry. Effective August 1, 2022, the Value Reporting Foundation – home to the SASB Standards, consolidated into the IFRS Foundation, which established the first International Sustainability Standards Board (ISSB). SASB is now under the oversight of the ISSB. SASB Standards are industry-based because the issues that are most likely to impact financial performance vary by industry. The standards are designed to be cost-effective and were developed using an evidence-based and market-informed process that is modeled after the process used in developing financial accounting standards. Internationally, these standards are viewed as being a key framework for the future.

TCFD

Task Force on Climate Related Financial Disclosures - The TCFD was created by the Financial Stability Board (FSB) to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks: those related to climate change. The disclosure recommendations are structured around four thematic areas that represent core elements of how companies operate: governance, strategy, risk management, and metrics and targets. Since developing TCFD recommendations in 2017, more than 3,000 organizations, representing a market cap of over $28 trillion have supported the TCFD's framework, and eight jurisdictions, including the UK and EU, have announced reporting requirements based on the TCFD. The Task Force recommends that preparers of climate-related financial disclosures provide such disclosures in their annual financial filings. In most G20 jurisdictions, companies with public debt or equity have a legal obligation to disclose material information in their financial filings.

GRESB

Global ESG Benchmark for Real Assets - This framework was formerly known as the Global Real Estate Sustainability Benchmark when it was launched in 2009. GRESB is a mission driven and real estate industry-led organization that provides actionable and transparent environmental, social and governance data to financial markets. GRESB collects, validates, scores and benchmarks ESG data to provide business intelligence, engagement tools, and regulatory solutions for investors, asset managers and wider industry. GRESB provides a consistent framework to measure the ESG performance of individual assets and portfolios based on self-reported data. Benchmarks are developed for Real Estate, Real Estate Development, Infrastructure Fund, and Infrastructure Asset.

Conclusion

Corporate sustainability, social responsibility, carbon footprint disclosure, and now ESG reporting are here to stay.

Definitions and guidance in these areas have evolved over many years and will continue to be refined. While corporate governance has historically driven a variety of reporting, it is now intertwined with environmental and social responsibility programs as firms seek to develop a comprehensive ESG business strategy. Organizations will need to balance the resources and level of effort expended on ESG with mandated reporting, benefits, and other factors that shape their strategy.

AXA Foresight, a publication that explores future challenges and adaptation processes, recently evaluated the trends shaping the future of business sustainability practices. This study points to a complex future where corporations will have reduced leeway to drive the evolution of sustainability. However, it concludes that organizations wanting to retain control and effectively shape their futures will need to define three aspects on an ongoing basis:

1. **The balance of responsibility they can comfortably assume**
2. **The level of collaboration with internal and external stakeholders**
3. **The definition of success that includes both financial results and progress on delivering their purpose**

Financial investors and other stakeholders are increasingly demanding comprehensive information on a company's ESG strategy, imperatives, and performance. They need to better understand and quantify non-financial ESG risk factors, business practices and opportunities that could impact financial performance. Companies need to recognize and act on this demand.

In addition to being mandated to disclose ESG factors, organizations can derive many benefits from more effective ESG reporting. These benefits often support core corporate priorities such as marketing, sales/revenue, expense reduction, supply chain value, employee attraction and retention, and shareholder/stakeholder communication. Further, the exercise of creating an ESG program can help identify opportunities for strengthening corporate risk management programs. A strong ESG program can also foster more accountability, build stakeholder confidence, and support continual improvement.

Prior to creating an ESG report, it is vital for companies to create an ESG strategy and undertake a rigorous materiality assessment. This process seeks input from corporate leadership, employees, business partners, and the community to identify the ESG aspects that are most material and impactful to financial performance. An appropriate scope for this assessment must be selected and focused on the information readily available to support ESG efforts.

There is a multitude of guidance, consultants, and technology firms available to assist companies with ESG program development regardless of organizational sophistication, public or non-public status, or market/industry segment. These resources can help outline the key steps in developing ESG initiatives, collecting data, and creating reports for companies that may be engaging from different starting points. External support can also help provide perspective that helps minimize greenwashing liabilities.

Companies need to select an ESG reporting framework based on stakeholder needs. ESG report content can be dictated and developed based on the available information, specific company operations and strategies, and the reporting framework requirements. ESG should be viewed as a continual improvement process. Organizations should start with modest ESG goals today and then, through further refinement, reap greater benefits for their organization, investors, and future generations.

Organizations will need to balance the resources and level of effort expended on ESG with mandated reporting, benefits, and other factors that shape their strategy.

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