

Sustainability and ESG Reporting & Disclosures

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Up until now, voluntary participation in Environmental, Social, and Governance (ESG) initiatives was intriguing and promising, yet the goals have not always been entirely clear. Today is an encouraging time to support new initiatives that can have long-lasting earth and social impacts, particularly for privately-owned, middle market companies.

Reporting on ESG activities has tremendous potential as sustainability assumes more importance and is especially meaningful to such companies. Many organizations must report on climate risk each year, regardless of regulatory demands, and this article presents the fundamentals of ESG disclosures along with frameworks and entities that guide U.S. and global organizations.

Importance of ESG Disclosures and Reporting

The relevance of disclosing ESG activity is gaining momentum and may soon become indispensable. With constant changes, ESG reporting will very likely eventually be

mandatory. Implementing such reporting efforts now, along with establishing relevant metrics, can allow companies to establish a resilient footing amid evolving regulatory guidelines. Avoiding ESG reporting due to its complexities and the extra resources required to execute annual disclosures carries its own potential risks. **Don't assume that your stakeholders are aware of the company's ESG program.** Transparently communicating through well-executed, periodic reports will ensure clarity around your activities and efforts while letting potential future customers and regulators know that you are thinking ahead.

ESG Reporting Oversight Structure

A successful ESG program is anchored on governance. As such, investors and other stakeholders [take keen interest](#) in the management and oversight of these programs. ESG leaders insist on a clear delineation of ownership and responsibility for ESG topics, KPIs, and reporting.

You may start by soliciting commitment from the highest level of your organization, involving the executive team, including the CEO and board members, to establish the strategic direction for ESG efforts. The executive team can set policies and allocate resources to support ESG initiatives. **Designate a person or committee to lead and coordinate ESG activities, monitor performance, and communicate with internal and external stakeholders.** Effective ESG governance requires cross-functional collaboration across all aspects of your organization, from operations to marketing.

Establish clear roles, responsibilities, and expectations for ESG management, specifying specific targets and KPIs, outlining decision-making processes, and defining reporting mechanisms. Provide training and development opportunities to ensure your team has the requisite knowledge and expertise to implement ESG strategies. Communicate regularly with stakeholders to address their expectations and concerns for ESG issues and maintain alignment between your organization's ESG efforts and stakeholder expectations.

Choose an ESG Framework

When it comes to ESG (Environmental, Social, and Governance) frameworks and standards, there are many to choose from. Ideally, the board or committee entrusted with managing ESG would select one or more frameworks at the beginning of the reporting process as a guideline. These frameworks should be viewed as the building blocks of ESG reporting.

To select a framework that works for your firm, consider the relevant legislation and regulatory rules. If you're a publicly traded U.S. company or partner with companies in the EU, the framework may already be settled. Also, evaluate the frameworks that your industry peers and partners are using and pick the one that suits your business structure and industry the most. You may also be doing business in a jurisdiction that has rules in place that take effect sometime in the future. When examining applicable frameworks, prioritize the rankings, standards, and disclosures that matter most to your firm.

Decide What to Disclose

ESG comprises various discrete issues and scopes, each requiring prioritization and evaluation. **Assessing materiality is essential for ESG reporting.** Materiality assessment entails identifying information that's critical to both internal and external stakeholders, including investors. The outcome of such an assessment reveals areas of focus based on stakeholder inputs, enabling the business to make an impact where it matters most. Materiality is examined via two lenses: Outside-in and Inside-out. The former assesses how external factors such as climate change or societal attitudes toward issues can impact business performance, while the latter assesses a company's impact on the environment and community. Double materiality incorporates both.

Collect Consistent and Accurate Data

Clear and comparable data is the main challenge in ESG reporting. Consistent disclosures offer benefits to both businesses and investors, year after year. This process commences with framework selection, followed by the use of standards and

metrics set by reputable bodies, management and being transparent about materiality, and finally completing an honest ESG activity appraisal. It's important to take deliberate actions to ensure the precise data collection.

Communicate with Stakeholders

ESG reporting is a vital opportunity to communicate your company's sustainability journey, its commitments, and its successes. To be effective in sharing your message, it is important to remember the significance of data transparency, consistency, and informing your audience with detailed explanations and context. Avoid greenwashing by ensuring you have data that backs up your claims and avoid exaggeration or overselling to protect against exposing shortcomings. ESG reports go beyond simply sharing data points and should reflect the culmination of extensive attention to ESG matters. **A company's ESG/sustainability report is an effective way to share data as well as detailed explanations with stakeholders.** Consider dedicating a section of your corporate website where you can share key ESG data points, progress updates, case studies, and stories. Using social media can also be a successful method of sharing ESG progress to a wider audience. Remember that customizing ESG communication to your target audience is key to engaging them with your message.

Get Help with ESG Reporting and Disclosures

Navigating the disclosures, standards, frameworks, and regulations surrounding ESG can be daunting for mid-market companies to manage independently. Anchin's ESG Services team help you overcome this complexity with ease. Our familiarity with the latest updates, regulations, and industry technologies allows us to deliver assessments, reports, and support specifically designed for the mid-market. [Contact our team today](#) to learn how we can help your organization achieve your ESG goals.