FigBytes

ESG Reporting 101:

An Intro Guide for Sustainability Leaders

FIGBYTES.COM

FigBytes

The Pressure to Report

These days, businesses are no longer just accountable to their customers or a single owner. Everyone, from shareholders to clients to the larger community, are demanding transparency and accountability. It's not enough to simply make a great product or offer a quality service, companies need to show they're operating ethically and sustainably.

To meet this requirement, many businesses are implementing Environmental, Social, Governance (ESG) reporting programs.

These programs help relay the details of everything from a company's carbon footprint to its metrics around diversity and inclusion, to its corporate governance and decision-making. Putting all that information together can be a daunting task, requiring input from multiple departments, locations, and sources.

In this eBook, we talk about what ESG reporting is, why it's important, and how to report on ESG in a way that doesn't divert unnecessary resources away from a company's regular operations.

What is ESG Reporting?

ESG reporting involves reporting across three key areas: environment, social, and governance .

Environment

While companies may have some information on their direct emissions, also known as Scope 1 emissions, such as burning natural gas to heat the building or using pollution control technology to reduce wastewater discharges, ESG frameworks also require reporting on what is called “Scope 2” and “Scope 3” emissions. These are indirect emissions from sources like purchased electricity, as well as emissions from the larger supply and value chain.

Showing you have all your environmental ducks in a row has moved beyond legal compliance. Stakeholders want to see that businesses are taking the initiative to reduce their environmental impact.

The environmental component of ESG reporting often includes metrics around:

Energy efficiency

Climate change

Waste management

Carbon emissions

Biodiversity

Air quality

Deforestation

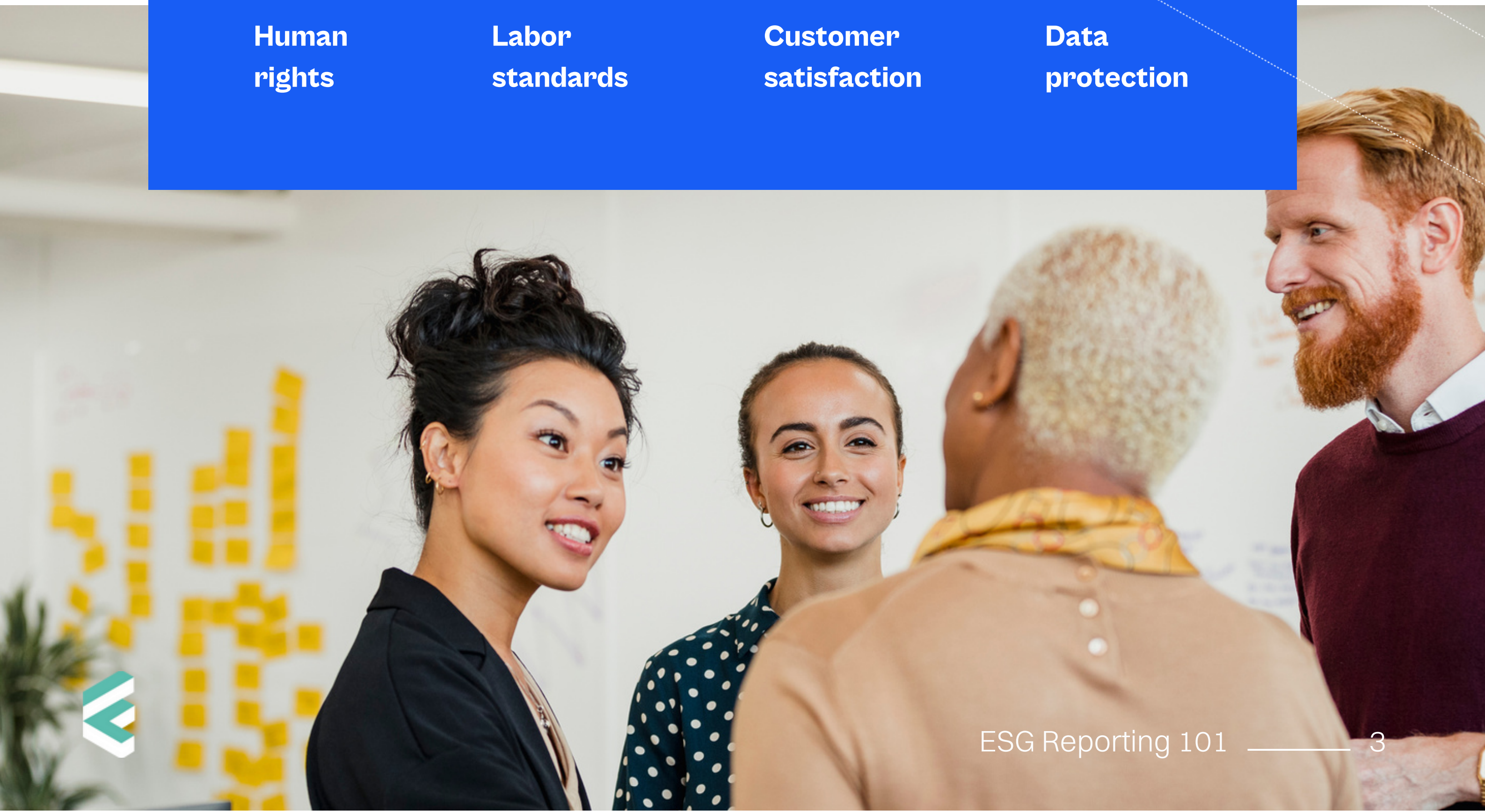
Water quality

Social

Social reporting in ESG allows companies to disclose how they foster people for growth and success, and how those successes ripple out to the larger community.

In completing their social ESG reporting, companies often document:

- **Hiring practices**
- **Diversity**
- **Gender inclusivity**
- **Human rights**
- **Labor standards**
- **Customer satisfaction**
- **Data protection**



Governance

Governance reporting looks at an organization's internal operations and decision-making. It considers operational controls and procedures, how companies educate themselves on regulatory changes, and what they need to do to maintain legal compliance.

In an ESG report, the governance component often includes:

- **Board composition & selection**
- **Executive compensation**
- **Shareholder rights**
- **Accounting & auditing procedures**
- **Ethics, bribery & corruption policies**
- **Lobbying & political contributions**
- **Internal policies & procedures**
- **Labor standards**

Why Do ESG Reporting?

ESG reporting is currently voluntary in most jurisdictions, but many companies have implemented ESG reporting frameworks for a variety of reasons, including:

To meet client or vendor ESG requirements.
Since ESG reporting standards ask companies to disclose information on their operational impact, including their supply chain, upstream or downstream companies may implement their own ESG programs to fulfill these demands.

To manage risk.
While companies always want to highlight their successes, a proactive ESG program can help identify risk areas and opportunities for improvement, which are then highlighted in subsequent years' reports.

To court new investors.
Companies looking to grow through new investment need to show they're a good bet. A complete ESG reporting program, including several years of verifiable data, shows potential investors the company is committed to environmental responsibility, an equitable workplace, and transparent decision-making from the top down.

To meet industry standards and expectations.
This includes energy, automotive & transport, manufacturing, hospitality, services, financial services, government, and technology sectors. Reporting within and across industries can help companies benchmark performance.

To prepare for upcoming and potential regulations.
Governments like Canada, the USA, and the EU have already released plans to implement mandatory climate disclosure requirements, and more are sure to follow as we approach the 2050 deadline for reducing global emissions.

ESG Reporting Standards

Companies looking to implement ESG reporting can follow many different ESG standards or frameworks. This can lead to some confusion, since reporting is often voluntary and following different standards may result in metrics being reported differently.

Historically, the most common ESG reporting standards are:

- The Global Reporting Initiative (GRI)
- The Value Reporting Foundation (VRF)*
- CDP (formerly the Climate Disclosure Project)
- Climate Disclosure Standards Board (CDSB)
- Task Force on Climate-related Financial Disclosures (TCFD)

*Many companies already reporting on ESG may also be familiar with the Sustainability Accounting Standards Board (SASB). This standard was one of the major ESG standards and merged with the International Integrated Reporting Council (IIRC) in June 2021 to form Value Foundation Reporting.

In short, ESG reporting standards have been a bit of an alphabet soup.
But following the recent 2021 UN Climate Change Conference (COP26), the International Financial Reporting Standards (IFRS) announced the creation of the International Sustainability Standards Board (ISSB).

The ISSB consolidates reporting requirements from the VFR and CDSB, and it is likely that further standardization will continue in the future.

How to Report on ESG?

How to implement ESG reporting varies from company to company and standard to standard.

There are many aspects of a business's operations that need to be evaluated and documented. Ultimately, the final format is up to the reporting company, but needs to meet reporting standard requirements.

Collecting ESG data is not a simple undertaking. Companies may need to compile utility information, environmental reports, as well as documentation on staff representation, corporate policies, and decision-making. Further complicating reporting, many companies need to pull data from multiple locations and up and down their supply chain. Information can come from purchasing, finance, HR, IT, and senior leadership.

Here are 4 easy to follow steps to start ESG reporting:

1

Identify reporting requirements from relevant ESG frameworks and mandatory disclosures

2

Understand where supporting ESG data resides within your organization, including people, systems, and offline sources

3

Develop your ESG strategy to align with corporate and sustainability goals

4

Collect ESG data with technology that automates progress reporting and facilitates stakeholder engagement

Additional ESG Resources

Now that you have a basic understanding of ESG reporting, here are some additional resources to check out to continue to grow your knowledge of ESG and sustainability:

How to Build an ESG Strategy for the Climate Crisis

How can organizations navigate from ESG promises to results? Learn how to build an impactful ESG strategy.

Breaking Down the Data Barrier

The benefits to deploying a comprehensive ESG data management program are clear—but the obstacles are many. Discover where to start.

Tell Your ESG Story

Empower your stakeholders to become ESG advocates. How organizations can move from mandatory ESG reporting to true stakeholder engagement.

ESG in 20 Questions

Learn about the four pillars of ESG management, how they can drive success for your organization, and more.

Climate Accounting with FigBytes

Learn how the FigBytes Climate Accounting solution can help your organization build an actionable path toward net-zero, reduce reporting costs, improve data accuracy, shorten reporting cycles, and more.

FigBytes

Need Some Help? Let's Talk ESG!

Whether you're just getting started with your ESG program, or your company has been at it for a few years but is looking for a simpler way to manage data, contact us today to see how FigBytes can help you make ESG reporting easier.

Our comprehensive ESG Insight Platform automates ESG data collection and reporting to popular frameworks and standards, for carbon and beyond.

Speak with a FigBytes expert to find out more about how FigBytes can help you meet all your ESG reporting needs.

info@figbytes.com figbytes.com