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ESG executive survey
Preparing for high-quality disclosures

MARCH 2022

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Research objectives and methodology

Deloitte commissioned an online survey in the fourth quarter of 2021 of 300 finance, accounting, sustainability, and legal executives. “Executives” is defined as senior finance and accounting executives with a minimum seniority of director or Chief Risk Officer, General Counsel, Chief Legal Officer, and Chief Sustainability Officer. Respondents reflect a cross-industry representation of US public companies with revenues greater than \$500 million (75% of respondents represented companies with revenues exceeding \$1 billion).

Foreword

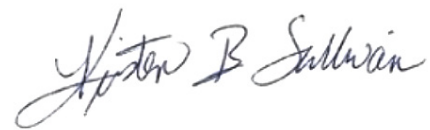
We are at a pivotal moment in history where environmental, social, and governance (ESG) concerns have never been more important. As understanding grows about the risk and value creation opportunities that ESG presents, the demand for ESG disclosure has accelerated. The companies that hold themselves accountable to their stakeholders by increasing transparency will be more viable—and valuable—in the long term. Whether incorporated into traditional financial filings or published as stand-alone reports, the ESG disclosures of every US corporation, both public and private, will continue to evolve to meet new levels of accountability.

The business landscape today has been transformed by environmental and social concerns, and companies are making ESG preparations to meet rising stakeholder expectations. While companies are setting ambitious climate and ESG goals, leaders remain cautious about their ability to deliver on rising disclosure requirements in a consistent, timely way. Companies are now working toward more reliable data, better technology, and additional resources to meet the growing need for high-quality ESG performance information. ESG assurance can be a critical tool in these preparations to help accelerate and enhance a company's governance and reporting processes and controls.

As the pace and impact of societal and environmental disruption intensifies, a robust ESG strategy will be critical to driving reliable performance and resiliency. Deloitte is committed to helping you navigate this shift in stakeholder expectations and reporting requirements, mitigate risk, and ultimately bring greater quality, transparency, and trust to your stakeholders.



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Key findings

1

Companies need to address data preparedness

While the market continues to demand transparency, more than half of senior executives (57% of survey respondents) indicated that data availability (access) and data quality (accuracy/completeness) remain their greatest challenges with respect to environmental, social, and governance (ESG) data for disclosure. At the same time, senior executives are proactively taking action to ensure they are presenting reliable ESG data, with more than 8 in 10 (89% of survey respondents) noting a likelihood that their organization will enhance its ESG control environment.

2

Governance and organizational capacity are critical to ESG efforts

Despite increased focus on ESG matters from stakeholders and the need to internally mobilize to create a robust ESG strategy and governance structure, less than a quarter of survey respondents (21%) currently have an ESG council or working group in place to drive strategic attention to ESG topics; however, more than half (57% of survey respondents) are actively working to establish one. And a strong majority of respondents (82%) believe they will need additional resources to generate ESG disclosures that meet the information needs of critical stakeholders.

3

Companies should take a hard look at how technology may impact measurement, reporting, and disclosures

Accurate ESG reporting requires effective use of technology, yet a strong majority (92% of survey respondents) believe that their organization needs to invest more in technology to address demand for consistent and reliable measurement, reporting, and disclosures.

4

Companies are taking action by obtaining assurance on data reported

Three out of four executives plan to obtain assurance over ESG disclosures in the next reporting cycle, indicating the importance of applying independence and objectivity to enhancing the reliability of this information.

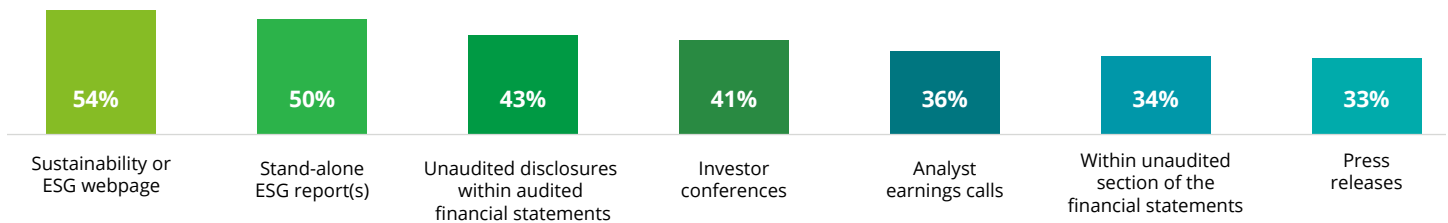
Detailed research findings

CURRENT ESG REPORTING PREPAREDNESS

ESG reporting channels

Companies are disclosing ESG performance, but there is a high degree of flexibility and variation in the channels they use. Over half report through sustainability or ESG webpages and nearly that same number through stand-alone ESG reports. A third or more utilize channels with a specific audience in mind, such as investor conferences, analyst earnings calls, or press releases.

All senior executives (100%) report that they **are disclosing ESG performance.**



The assurance landscape is varied for ESG disclosure

Senior executives are currently obtaining assurance across several categories, with diversity, equity, and inclusion (DEI) and greenhouse gas (GHG) being among the most common. Of those who obtain assurance over disclosures, 41% use their existing financial auditor, indicating the importance of a professional relationship when handling this information.

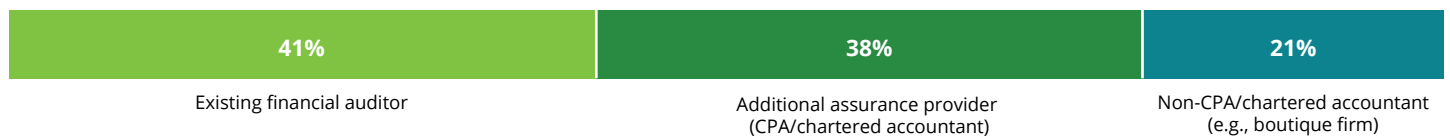
Categories companies currently obtain assurance for¹

Among those who currently disclose ESG performance, n=299



Service provider used to obtain assurance²

Among those who obtain assurance over ESG disclosures, n=298



There are also multiple reporting standards and frameworks used to disclose ESG performance

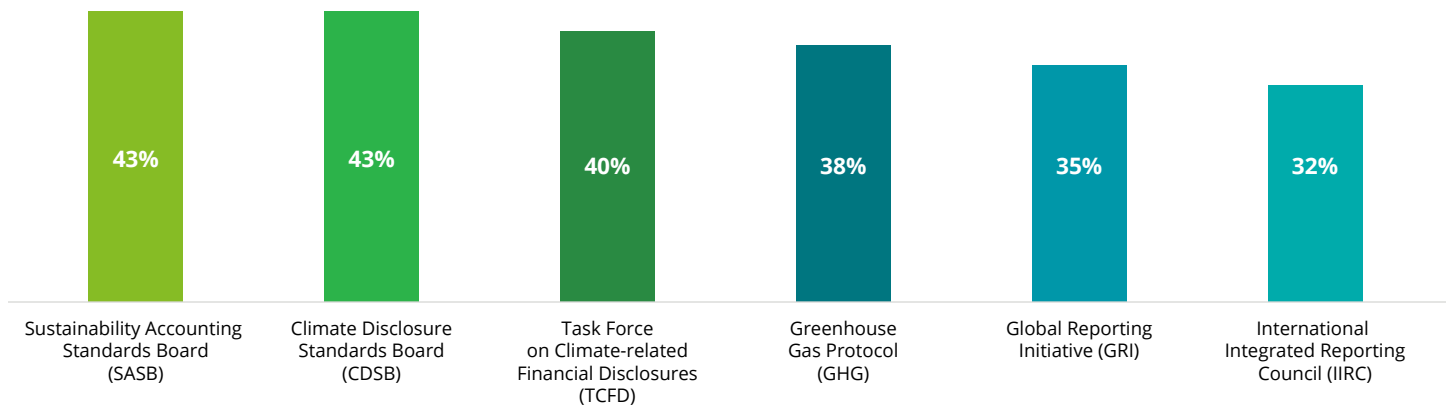
Efforts to establish ESG disclosure standards have contributed to the quality, transparency, relevance, and comparability of ESG disclosures. However, in some cases they have not resulted in the level of consistency in reporting across companies that many stakeholders would like to see. On average, companies use two standards or frameworks. Over one-third of companies are using three or more reporting standards or frameworks for ESG disclosures.

On average, companies use two reporting standards or frameworks.

Multiple reporting standards or frameworks are common— 53% use two, and 37% use three or more!

Reporting standards or frameworks used for ESG disclosures³

Among those who currently disclose ESG performance, n=299



Who is influencing company ESG reporting and disclosures?

Almost all respondents say external stakeholders hold the greatest influence over a company's reporting and disclosure policy, with a range of specific groups or individuals who assert control or sway.

97% External stakeholders (net)

49% Internal stakeholders (net)

Stakeholders with the greatest influence over ESG reporting and disclosure policy⁴

n=300



39%

ESG rating agencies



33%

Customers/
consumers/clients



32%

Board of
directors



28%

Investors



26%

Government



22%

Nongovernmental
organizations



19%

Employees

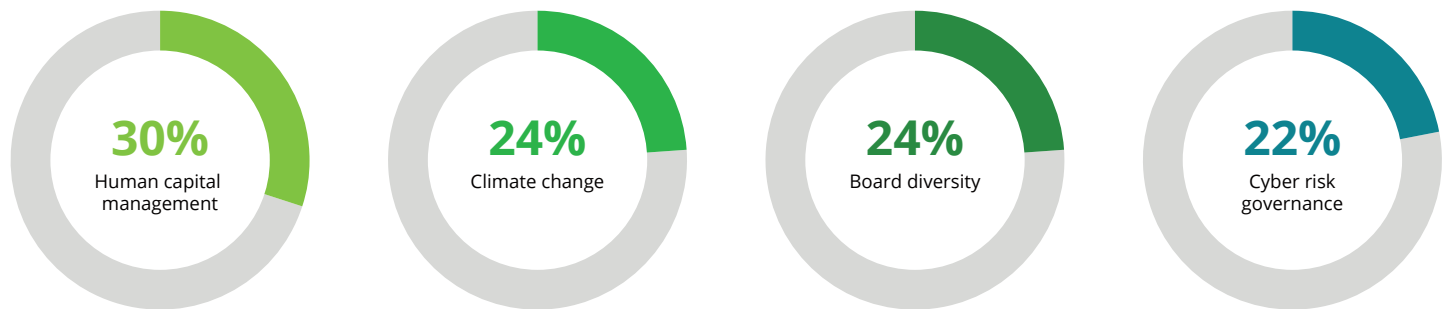
ESG REPORTING CHALLENGES

Enhanced disclosure preparedness

The US regulatory agenda includes rulemaking priorities in four key ESG-related areas. In considering potential enhanced ESG disclosures, respondents are most confident in the following topics.

Respondents are most confident in the following topics for advanced disclosure⁵

Top ranked response, n=300

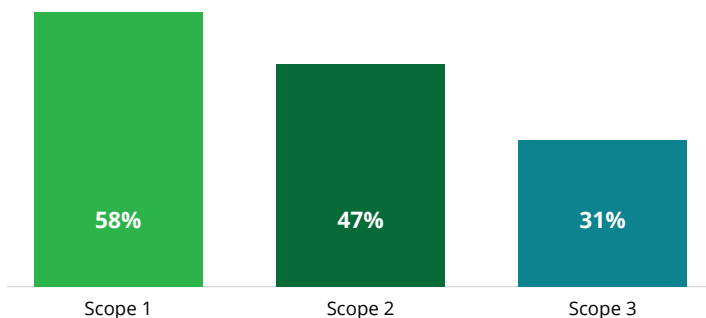


Preparedness for GHG emissions disclosure varies dramatically

While 58% of respondents note they are currently prepared to disclose Scope 1 GHG emissions and 47% are prepared to disclose Scope 2 emissions, only 31% are prepared to disclose Scope 3 emissions.

Greenhouse gas emission details most prepared to disclose⁶

n=300



Definition differences

Senior executives who define materiality from a sustainability perspective are better prepared to report on Scope 3 emissions details than those who define it from a financial statement perspective (36% vs. 25%).



Scope 3 emissions present a challenge to reporting

Scope 3 emissions present a challenge to nearly all companies, with end-of-life treatment of sold products (45%) being the top emissions category that companies struggle to measure, followed by fuel- and energy-related activities not included in Scope 1 or Scope 2 (40%). However, perception of this challenge changes by department and level.

Departmental differences

Finance/accounting senior executives are more likely to not be able to measure GHG emissions for end-of-life treatment of sold products than legal/risk/sustainability executives (53% vs. 36%).

Role differences

Measuring GHG emissions for end-of-life treatment of sold products is a larger problem for non-C-suite executives than it is for those in the C-suite (65% vs. 32%).

Top Scope 3 emissions not currently able to measure for⁷

n=300



45%

End-of-life treatment of sold products



40%

Fuel- and energy-related activities



36%

Processing of sold products



35%

Downstream transportation and distribution



32%

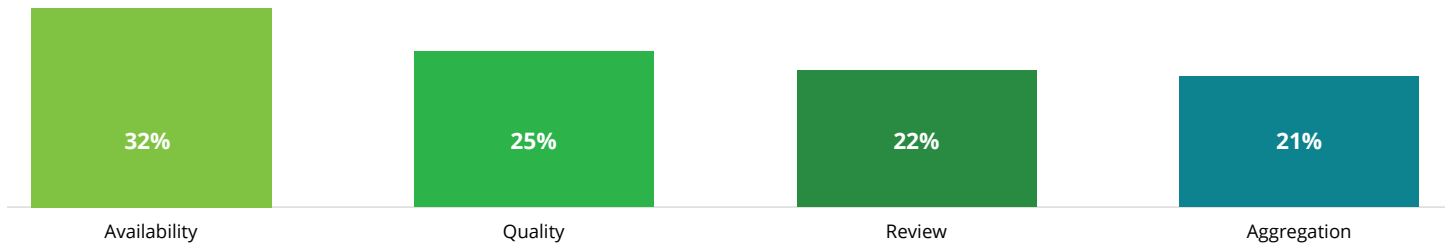
Purchased goods and services

Data and technology issues are barriers to ESG reporting

Senior executives know the importance of ESG management practices across the enterprise—from availability, to aggregation and review of companywide data. In addition, the review—meaning the documentation and sign off-of ESG data—is also a challenge. The technology needed to enable complete and accurate ESG disclosures is a key item on the minds for nine in ten senior executives.

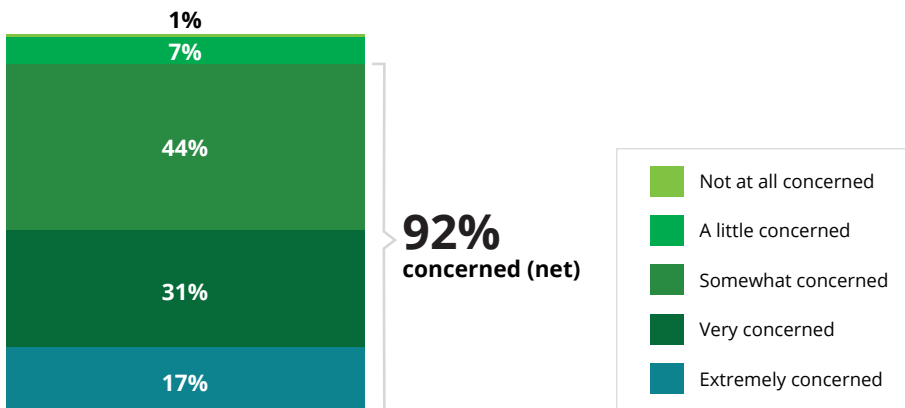
Greatest challenge with ESG data⁸

n=300



Concerns about not having adequate technology to facilitate ESG disclosure requirements⁹

n=300



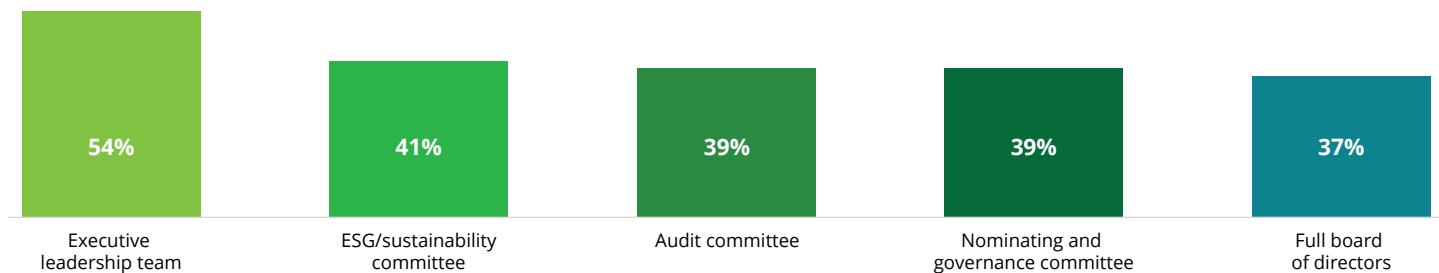
ESG PLANNING AND TAKING ACTION

Governance oversight is a job for executive leadership

ESG disclosures require intentional planning and attention, and it is most often the responsibility of the executive leadership team (54%), followed by ESG/sustainability committees (41%) and audit committee and nominating and governance committee (39%).

Responsible for governance oversight in the organization¹⁰

n=300

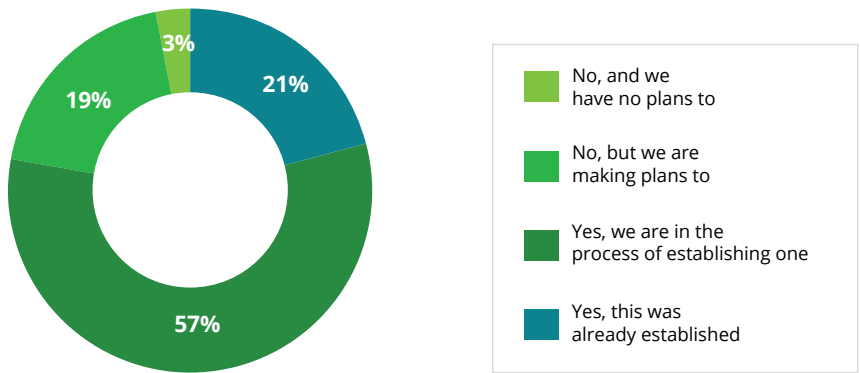


Very few companies have an ESG council or working group

Effective ESG disclosures require intentional planning, prioritization, and established governance. Given the level of importance an established governance structure plays in supporting executive leadership oversight, creating a cross-functional council or working group to drive strategic action and attention to topics important to stakeholders is a best practice. Underscoring that companies are in varying stages of their ESG preparedness journey, only 21% of companies surveyed currently have an ESG council or working group to drive strategic action in ESG performance areas. Half of ESG councils are meeting quarterly (50%), but 36% are meeting monthly and another 8% are meeting more than once per month.

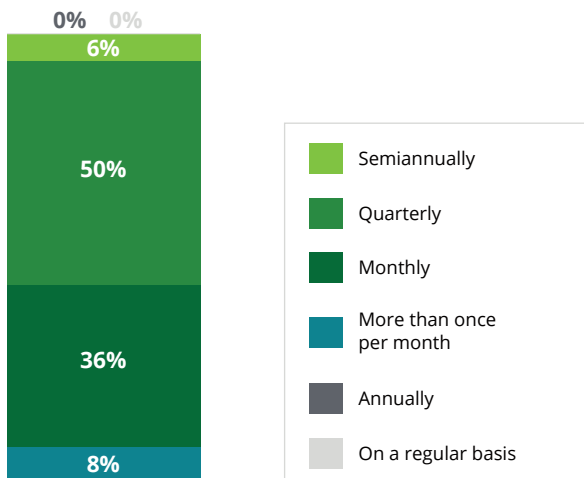
Established a cross-functional ESG council or working group¹¹

n=300



How often ESG councils or working groups meet¹²

Among those with a cross-functional council or working group or who are in the process of establishing one, n=234





For many, current staffing levels cannot keep up with an increased ESG reporting workload

A strong majority of senior executives (82%) are not completely confident that their organization is properly staffed to meet the demands of increased ESG disclosures. These concerns are higher among finance/accounting executives and non-C-suite executives.

Departmental differences

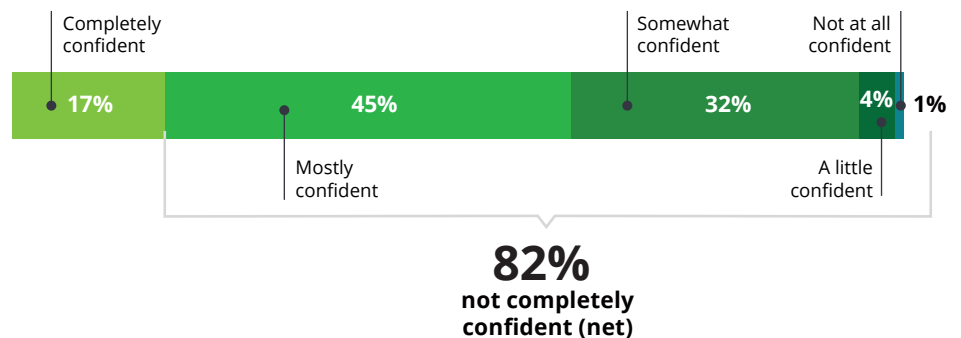
Finance/accounting senior executives are more concerned about staffing than legal/risk/sustainability executives (87% vs. 78%).

Role differences

Those who are non-C-suite executives are more concerned about staffing vs. senior executives in C-suite positions (91% vs. 77%).

Confidence that organization is properly staffed to meet demands of ESG disclosures¹³

n=300

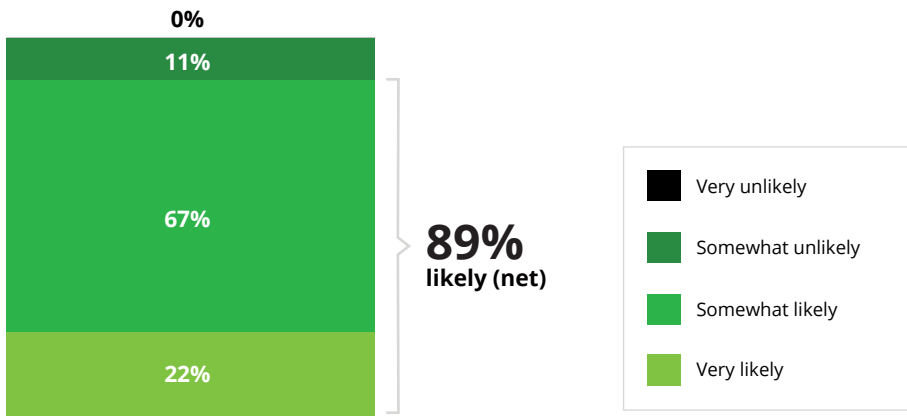


Most senior executives will take action on ESG data moving forward

Given the demands of ESG reporting, senior executives are taking action to ensure they are presenting reliable data, both through enhancing the control environment for ESG data and obtaining assurance for data reported. Three in four executives plan to obtain assurance over ESG disclosures in the next reporting cycle, validating the importance of applying independence and objectivity to enhance the reliability of this information.

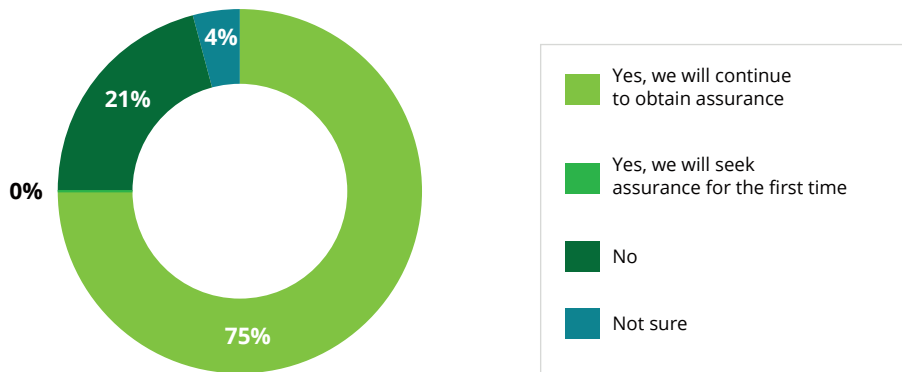
Likelihood of enhancing the control environment in place for ESG data¹⁴

n=300



Plan to obtain assurance for next reporting cycle¹⁵

n=300





Survey questions

1. Among those who currently disclose ESG performance: For which categories of ESG disclosures do you currently obtain assurance?
2. Among those who obtain assurance over ESG disclosures: Which service provider do you currently use to obtain assurance over ESG disclosures?
3. Among those who currently disclose ESG performance: Which reporting standards or frameworks are you currently using for your ESG disclosures?
4. Which stakeholders have the greatest influence over your organization's ESG reporting and disclosure policy?
5. Which of the ESG-related topics on the SEC's agenda do you feel confident about with respect to enhanced disclosures?
6. Which of the following greenhouse gas (GHG) emissions details is your company currently prepared to disclose?
7. For which Scope 3 emissions are you not currently able to measure greenhouse gas emissions for?
8. Of the following, what is your greatest challenge with respect to ESG data for your company?
9. How concerned are you that your organization does not have adequate technology tools needed to facilitate new ESG disclosure requirements?
10. Who in your organization is responsible for governance oversight?
11. Have you established a cross-functional ESG council or working group to drive strategic attention to ESG for the business?
12. Among those with a cross-functional ESG council or working group or who are in the process of establishing one: How often is the cross-functional ESG council or working group within your company scheduled to meet regarding ESG?
13. How confident are you that your organization is properly staffed to meet the demands of increasing ESG disclosures?
14. What is the likelihood that your organization will enhance the control environment in place for ESG data?
15. For the next reporting cycle, do you plan to obtain assurance over ESG disclosures?

Note: Percentages throughout survey may not sum to 100% due to rounding.



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