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Environmental, social, and governance (ESG) trends shaping tomorrow's reporting and controls needs Workiva Amplify conference 2021

ESG risks and opportunities are business risks and opportunities. As the pace and impact of disruption continues to intensify, the role of management has never been more important to driving ESG performance and organizational resilience



... it's important to establish a systematic and integrated approach to sense rapidly changing environment and societal disruptors.



Purpose

Clearly articulate corporate purpose as a means to build trust with stakeholders and ultimately drive long-term value.



Governance

Establish organizational capacity and oversight starting with the role of the board of directors in overseeing ESG as an economic imperative.



Risk management

Execute a systematic approach to identify, prioritize and respond to evolving environmental and societal risks, opportunities, and potential disruptors to the business model and the company's strategic objectives.



Strategy alignment, Key performance indicators (KPIs), and target setting

Determine the material ESG impacts and dependencies of the business and establish KPI measures and targets to evaluate ESG performance.



Reporting and assurance

Integrate ESG considerations into existing corporate disclosure, including; establishing ESG disclosure objectives in accordance with recognized standards and an establish effective control environment.



ESG risks and opportunities are business risks and opportunities. As the pace and impact of societal and environmental disruption continues to intensify, organizations need to build capacity to drive ESG performance and resilience.

Chief

Sustainability

Officer

Strategy

Integrate ESG factors to drive innovative and brand-enhancing strategies, including strategic choices across the value chain

Communication

Optimize strategic communications to stakeholders to navigate changing expectations and credibly demonstrate prioritization and management of ESG risk and opportunities

Human resources

Invest in leading practices around employee health and safety, diversity, equity, and inclusion, and development to attract, retain and incentivize talent to innovate, drive productivity and deliver on the business strategy

Sustainability function

Design and activate strategies to deliver on the corporate strategy, purpose and ESG objectives to drive performance

Operations

Prioritize and measure opportunities for cost savings, risk mitigation, and reputation enhancement and implement solutions to reduce resource inputs and wasteful outputs

Risk

Identify, manage and respond to latent and emerging ESG risks; integrate ESG risk capabilities into existing risk and control frameworks

Finance

Incorporate ESG-related risks into investor engagement, pricing, forecasting and budgeting, capital-allocation and annual reporting

Legal

Understand and manage risk and liability considerations elated to ESG performance (e.g., inadequate, or inaccurate disclosure of material financial risks)

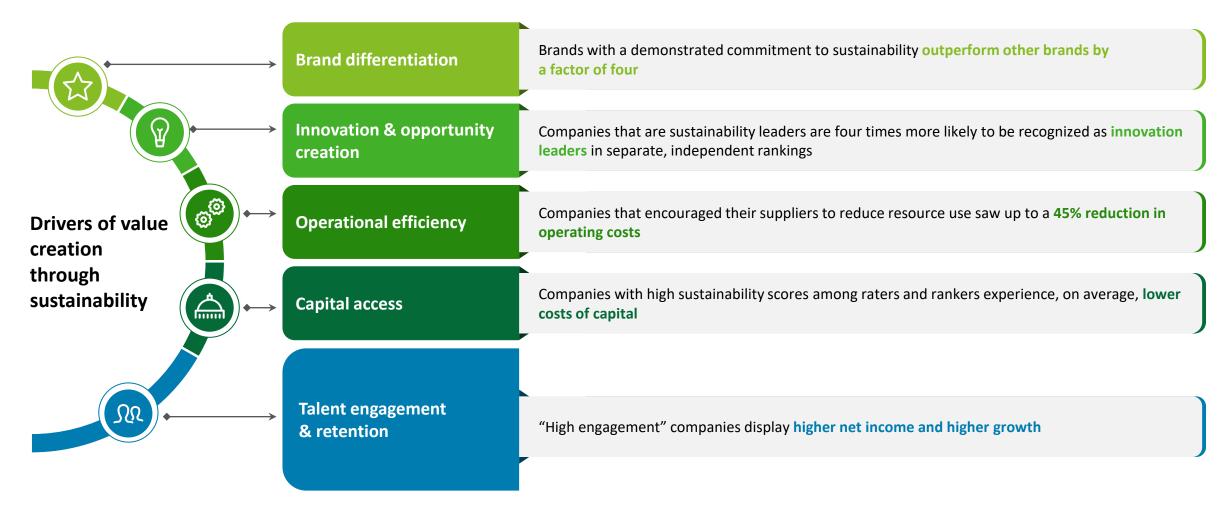
Compliance

Broaden the integration of ESG performance into the existing management control frameworks to support compliance around ESG risk

Internal audit

Integrate ESG risk and compliance considerations into the internal audit plan to instill discipline and enhance controls related to material ESG risks

ESG is a value driver



Source: Measuring the business value of corporate social impact. Deloitte Insights, July 2020. https://www2.deloitte.com/us/en/insights/topics/social-impact/business-value-of-improving-your-csr-scorecard.html?id

Rapid pace of change: Shift from voluntary to regulated ESG disclosure



Standard-setters

Rapid move toward acceptance of reporting initiatives of authoritative climate-related and other ESG standard-setters

- International Sustainability Standards Board (ISSB) established
- Leading sustainability frameworks include <u>Global Reporting Initiative (GRI)</u>, <u>Task Force on Climate-related Financial</u> <u>Disclosures (TCFD)</u>, and <u>Sustainability Accounting Standards Board (SASB)</u>

Regulators

Rulemaking taking shape around required climate-related and other ESG disclosures

- SEC rulemaking agenda: climate, board diversity, human capital management, cyber
- Proposed EU Corporate Sustainability Reporting Directive (CSRD) on mandatory ESG disclosures

Investors

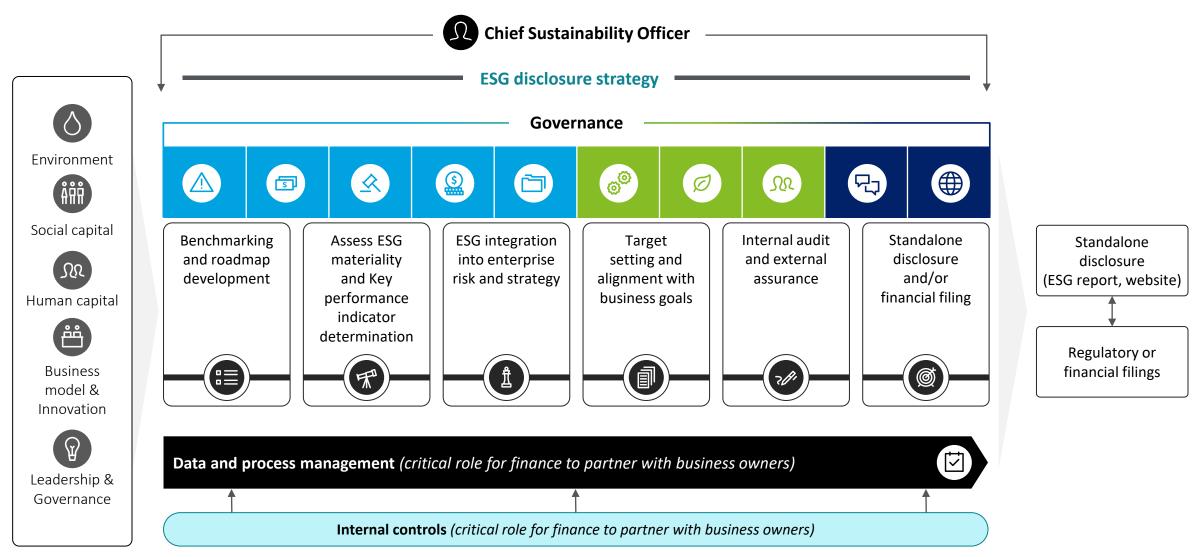
Accelerating action and requests for transparency on the financial impacts of climate-related and other ESG matters

• Climate Action 100+, an investor initiative to ensure the largest greenhouse gas (GHG) producers take action

Corporations

Ambitious commitments and enhanced climate-related and other ESG disclosures

Strengthening governance and internal controls in ESG measurement and disclosure



Strengthening governance and internal controls in ESG measurement and disclosure

ESG/climate integration into the business Risk

Responding to ESG and climate expectations



Limited/voluntary ESG and climate reporting & disclosures



High quality ESG and climate reporting & disclosures



Board/Audit Committee



Limited board oversight

Board and executives receive updates

Established governance structure & accountability

management and controls



ESG and climate considerations not integrated into the business (regulatory & compliance driven)

ESG and climate data and performance management systems in place, internal controls

Established ESG and climate risk management, data and performance management, internal controls

Limited reporting with no reference to recognized standards **ESG** and climate

Reporting prepared in accordance with or aligned to recognized standards

Reporting prepared in accordance with recognized standards is comparable and reliable

reporting & ESG and climate information included disclosures in standalone disclosures outside the financial statements

Higher quality ESG and climate information enables management consideration of potential financial statement impacts

Comprehensive and timely ESG and climate risk and opportunity information informs assumptions and disclosures included in the financial statements

Least mature

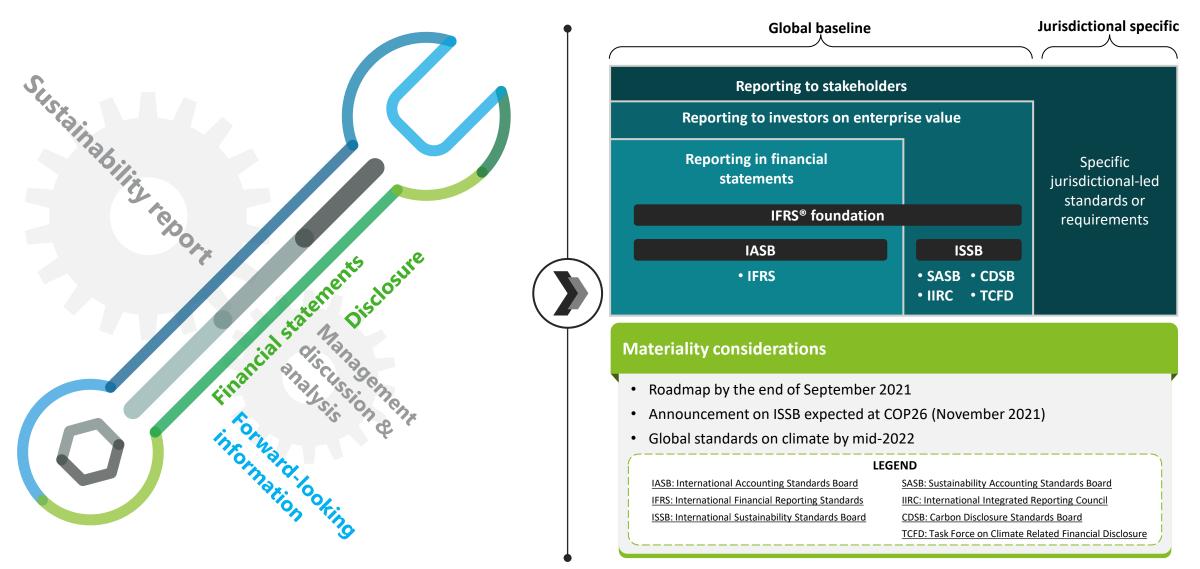
Most mature



ESG integration maturity



Rapid acceleration towards a comprehensive corporate reporting system



What's next?



Disclosure in accordance with ESG standards is becoming table stakes

Transparency and trust can influence access to capital

Performance on ESG metrics can affect financial performance

Move toward ESG
disclosure in regulated
filings spotlights the role
of assurance on
ESG information

Deloitte provides a spectrum of sustainability advisory and technology services

We can assist and advise companies along their sustainability journey through activities such as benchmarking, reporting, or strategy, KPIs, and goals development

Align profit to purpose **Transform operations** Disclose progress and improve 1. Understand needs and risks 8. Tell your story Engage with stakeholders to evaluate environmental and social business Develop a regular cadence of timely disclosure inaccordance with a impacts, and the cost of inaction recognized standard • Benchmark your performance relative to industry peers on material topics • Communicate to stakeholders in ways that are accurate, transparent, and 品 easy to digest Assess global megatrends and identify emerging risks 2. Establish sustainability as a part of corporate strategy 7. Conduct internal audit and external assurance Establish a clear set of sustainability/ESG choices with associated Integrate sustainability into the internal audit plan objectives and time-bound targets Ø Evaluate the type and level of external assurance required to meet • Integrate into corporate planning to align strategy with corporate stakeholderexpectations priorities and a clear business case 3. Establish sustainability/ESG corporate governance 6. Measure and improve Measure effectiveness of solutions, including internal and external Establish governance mechanisms to support a strategic framework, impacts, at regular intervals including roles and responsibilities, oversight structures and reporting mechanisms Identify the most cost-effective ways to improve performance and hit Integrate priority ESG topics into ERM practices, and establish or exceed stated targets processes and controls • Model the financial and economic implications of corporate actions 5. Refine operations and processes 4. Develop roadmap and clear ownership ({\text{c}}) Create cross-functional roadmaps and designate owners to drive action Implement solutions to reduce resource inputs and wasteful outputs against strategy and targets, for the business and/or its suppliers Identify and realize cost savings, risk mitigation, and reputation Establish key performance indicators (KPIs) and measurement protocols enhancement opportunities based on future disclosure channels (see #8), in accordance with recognized Refine—or establish—the processes and controls required to deliver standards (SASB, GRI, TCFD, etc.) continuous improvement

Overview of the Deloitte and Workiva alliance



Offerings (process improvement, implementation, governance/control, training, optimization)					
Statutory Reporting	Regulatory Reporting/ Enterprise Risk / ESG	Financial / SEC Reporting	Managerial Reporting	Industry - specific reporting	Workiva WData integration to ERP / point solutions*
Global statutory Insurance statutory (Colored books), connection to WINGS	 Environmental (ESG) SOX Audit Management Internal audit IT Compliance Other regulatory reporting 	 SEC Statement of cash flow Income statement balance sheet Tax/Transfer pricing 	 Board reporting CFO deck Flash/KPI reporting Business unit reporting 	 Life sciences/ pharmaceuticals for FDA submissions Financial Services/ Insurance (BCBS, C- CAR, LDTI, etc.) Other industry specific reporting 	 SAP Group Reporting (ECC, CFIN, or S/4) Oracle Workday Anaplan BlackLine Alteryx

Join our other Deloitte sessions at this year's Workiva Amplify conference

Global Statutory Reporting / Tax

More than meets the eye:
Transforming the global
statutory reporting
process while
incorporating multi-entity
considerations around tax
and transfer pricing

WData to ERP

Building Workiva into a
cross-functional
reporting platform
through ERP integration
to WData

ESG

ESG trends shaping tomorrow's reporting and controls needs



Financial Services

Innovating with Workiva in banking and capital markets

Workiva optimization

Transforming together :
Optimizing with Deloitte and Workiva

BlackLine / Deloitte

How accounting and finance can drive transformation in a time of disruption

Q&A



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