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RISK UNDER
ONE **ROOF**

Marshalling the Troops for ESG Reporting

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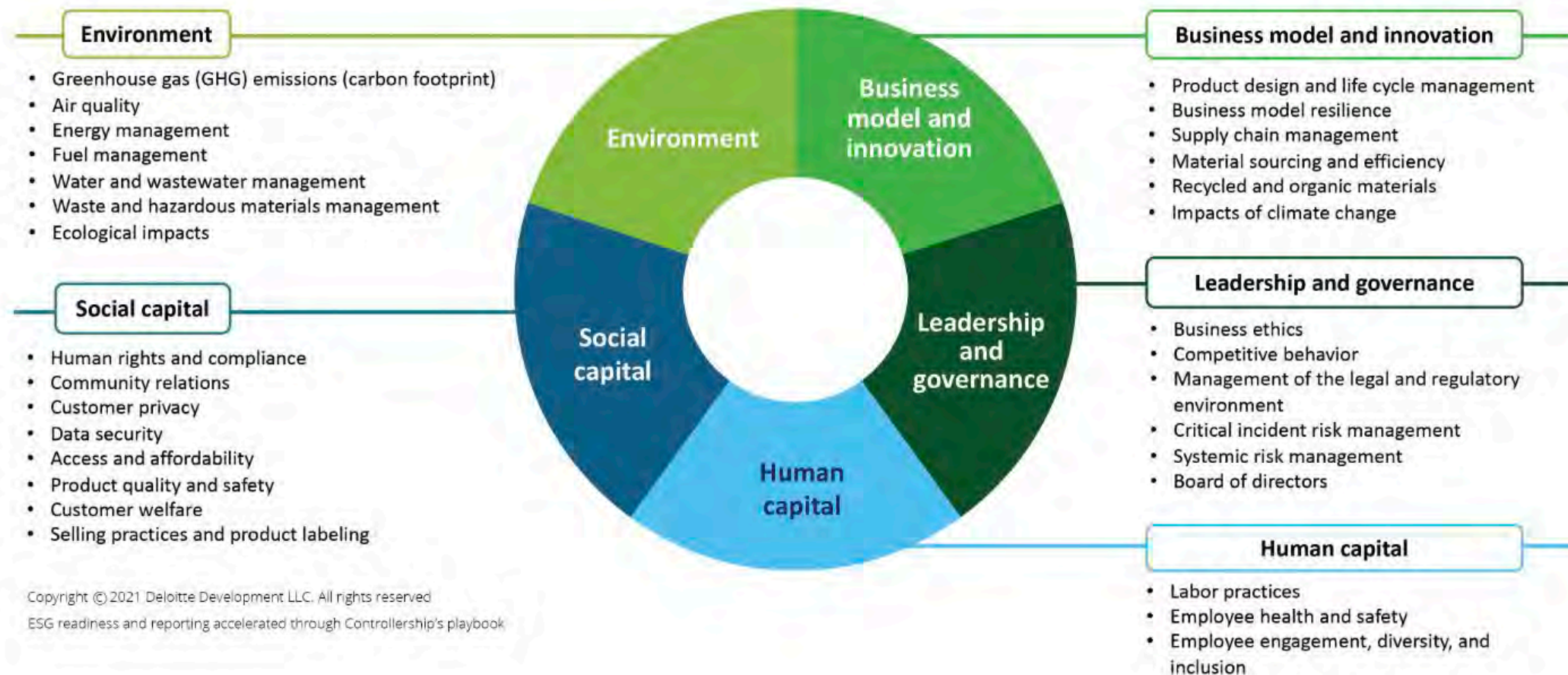
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RISK UNDER
ONE **ROOF**

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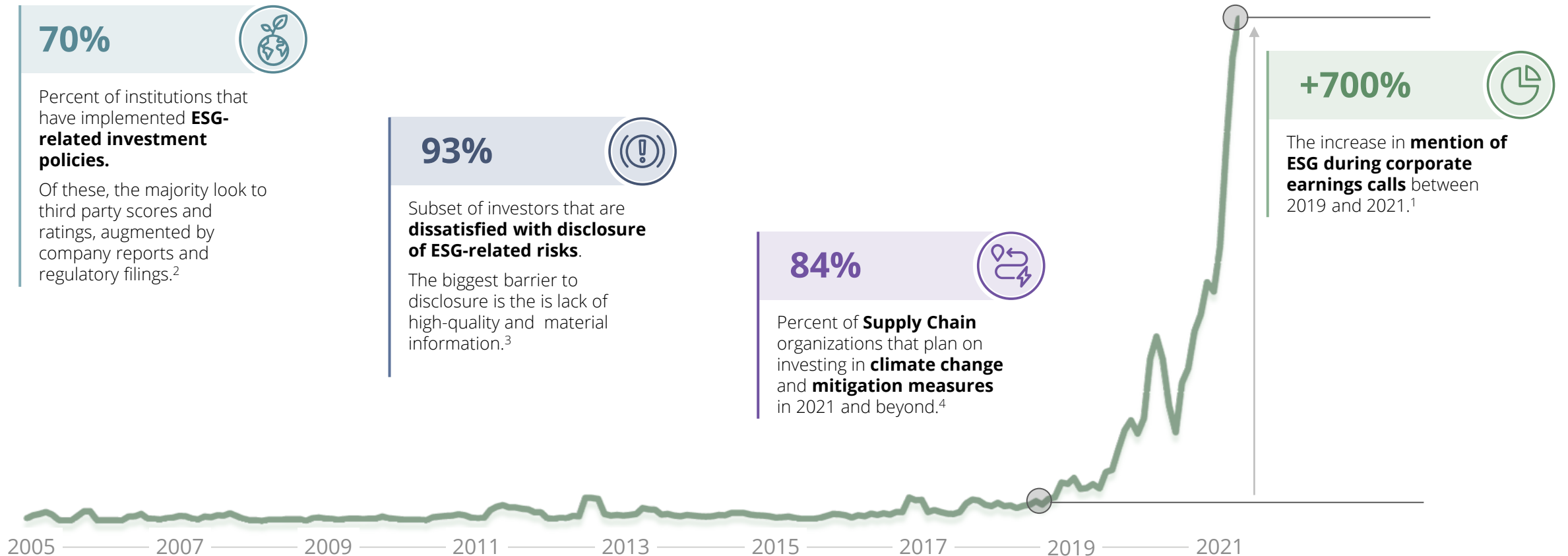
ESG Overview





The ESG Revolution

The shift in market orientation towards a concentrated focus on ESG has resulted in market expectations for voluntary ESG disclosure from most corporations.





Introducing ESG 2.0

PROPOSED MANDATORY CLIMATE DISCLOSURES

1

The registrant's *direct GHG emissions* (Scope 1)

2

Indirect GHG emissions from purchased electricity and other forms of energy (Scope 2)

3

Indirect emissions from upstream and downstream activities in a registrant's value chain (Scope 3)

SEC reporting amendments will shift to mandatory quantitative greenhouse gas disclosures and independent estimate certification phased in over the next 4 years



Enhancement and Standardization of Climate-Related Disclosures, a 534-page proposal issued on March 21, 2022, by the SEC, floats disclosure requirements for direct and indirect GHG emissions and Climate Risk Disclosure



WHAT DOES 2.0 MEAN FOR THE INDUSTRY?



INCREASED SCOPE 3 CATEGORY EMISSIONS REPORTING¹

While data collection, visibility, and measurement ambiguity have restricted Scope 3 category reporting to date, **climate urgency, enhanced by COP26, is forcing companies** to interrogate their value chains to advance scope 3 reporting.



EXPANDED SUSTAINABILITY SCOPE²

Emerging sustainability exposure to country risk, war, energy security, and humanitarian concerns across an organizations' value chain are **broadening the scope of required ESG reporting coverage.**



LOOMING ASSURANCE EXPECTATIONS³

Investment circles are now expecting **independent assurance** to accompany ESG disclosure, resulting in a growing number of companies lending this credibility to their ESG report metrics. **Organizations failing to include verification are increasingly met with disclosure skepticism.**



CLIMATE LITIGATION RISK⁴

Climate related court case filings doubled globally since 2017 to 1,800 active cases worldwide. **Organizations failing to provide accurate ESG disclosure across key risk dimensions and progress towards public commitments will increasingly be subject to costly legal action.**

Mounting stakeholder pressure

Investors, regulators, clients, and competitors are recognizing and increasingly acting on sustainability and climate

"There is **no company whose business model won't be profoundly affected** by the transition to a net zero economy... **companies that are not quickly preparing themselves will see their businesses and valuations suffer.**"

- Larry Fink, Chairman & CEO of BlackRock

"**The countries that take decisive action now** to create the industries of the future **will be the ones that reap the economic benefits** of the clean energy boom that's coming."

-Joe Biden, President of the United States

"Broadly, we are moving in the right direction – but **what is missing is the speed and scale... bigger transformations are needed** – the systems transformations that we now need **require far more than any individual company can deliver.**"

-Paul Polman, former CEO of Unilever

"**It is vital that the business community takes a clear leadership role**, by establishing high ambition in **shaping the practicalities of implementation** and advocating for the policies supporting the **required transformation of the global economy.**"

-Alliance of CEO Climate Leaders

"**Investors increasingly want to understand the climate risks of companies...** Large and small investors representing **literally tens of trillions of dollars** are looking for this information to determine whether to invest."

-Gary Gensler, Chair of the SEC

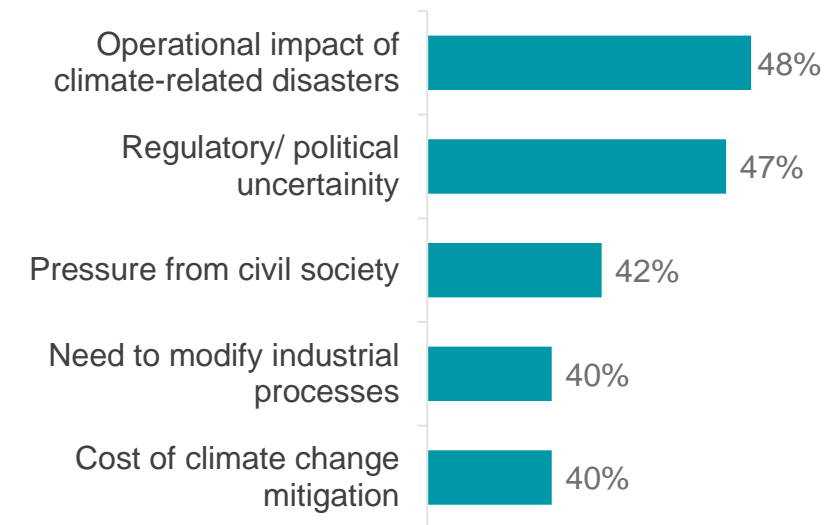
2022 DELOITTE CxO SUSTAINABILITY REPORT

- The report is based on a survey of 2,083 C-level executives. The survey, conducted during September and October 2021, polled respondents from 21 countries: 44% from Europe/South Africa; 31% from the Americas; and 24% from Asia Pacific. All major industry sectors were represented in our sample.



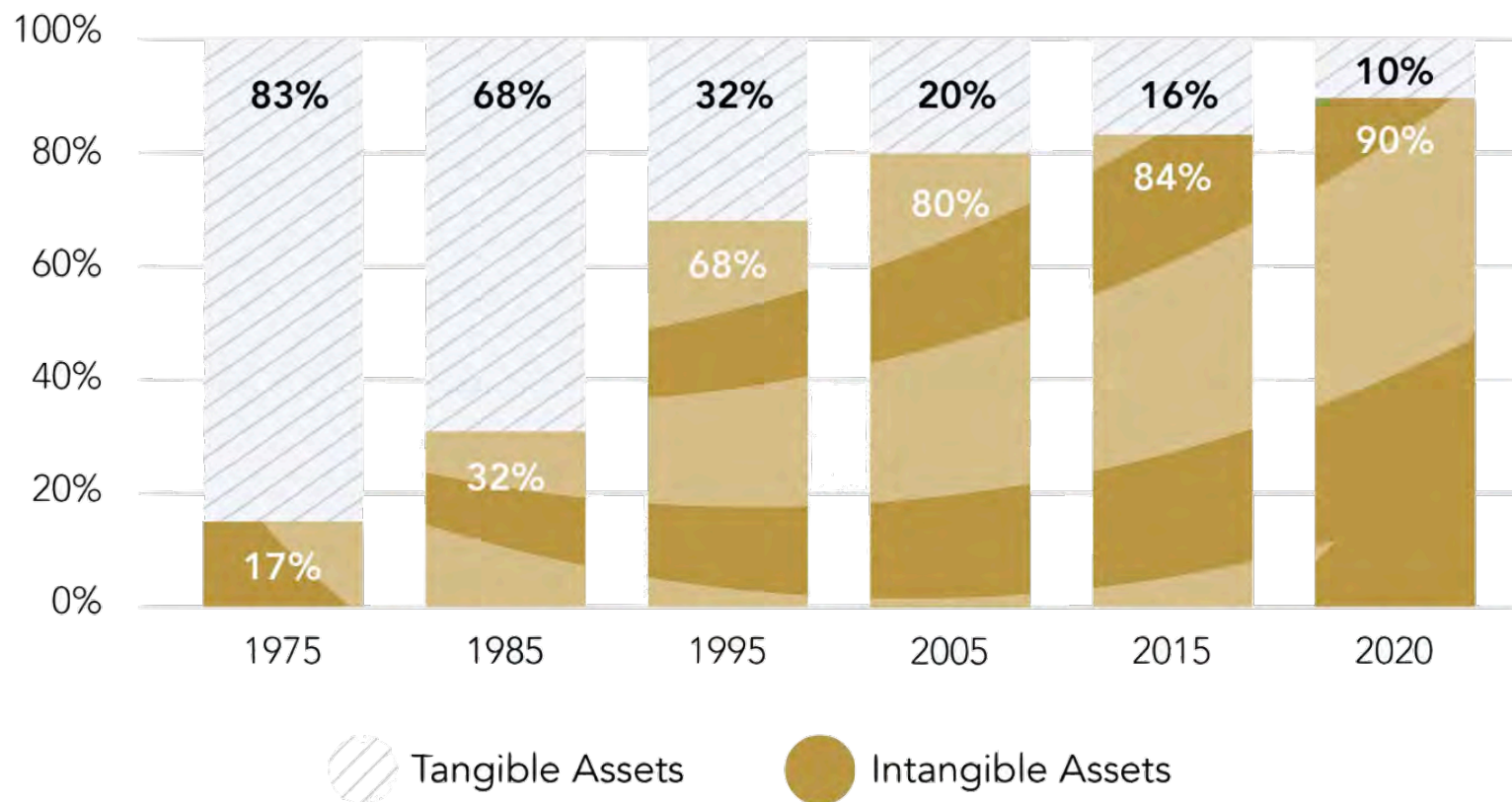
What are the top climate change issues already impacting your business? (select all that apply)

97% of global respondents say their company has already been impacted by climate change.



ESG Drivers

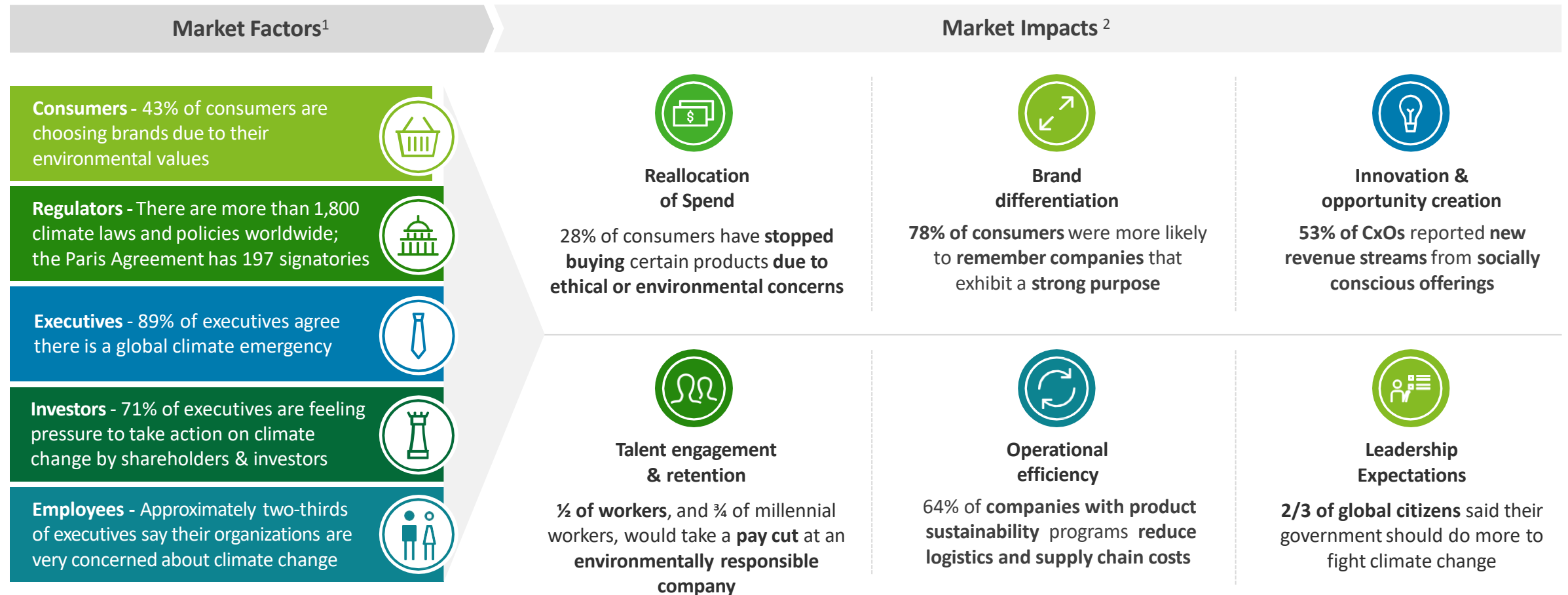
COMPONENTS *of* S&P 500 MARKET VALUE



SOURCE: OCEAN TOMO, A PART OF J.S. HELD, INTANGIBLE ASSET MARKET VALUE STUDY, 2020

ESG Observations

Turning climate risks into opportunities to create long-term, sustainable impact in the marketplace.

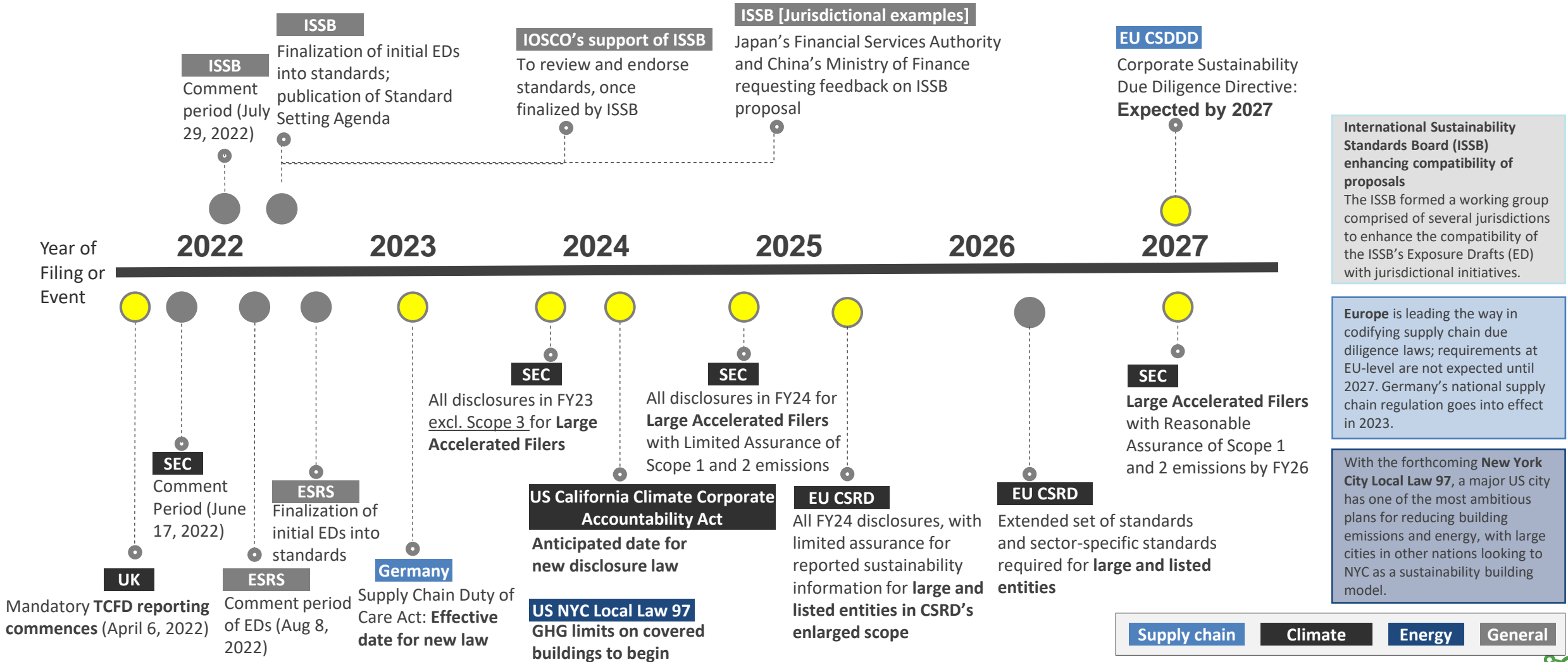


Sources: ¹ [Shifting Sands: The Rise of Consumer Sustainability \(UK\)](#), [How Do You Tell If Climate Laws Really Work? Start By Counting Them \(Forbes\)](#), [Shifting Sands: Are Consumers Still Embracing Sustainability \(UK\)](#), [Deloitte 2022 CxO Sustainability Report](#), [Deloitte Insights Feeling the Heat](#)

² Deloitte [2022 CxO Sustainability Report](#), Deloitte [Sustainable Behaviors Survey](#), Deloitte's [The Purpose Premium](#) report, Deloitte [2022 CxO Sustainability Report](#)

Timeline of significant anticipated regulation

- The next five years will likely present significant regulatory shifts towards enhanced ESG management. The timeline below can be leverage to help monitor and plan for upcoming requirements.



Pressing Industry Issues



CONSUMER

- Addressing the preponderance of **industry emissions stemming from value chains**, primarily from upstream production and downstream consumption
- Incentivizing **better supplier environmental and societal practices** (e.g., decarbonization, dignified labor conditions)
- Responding to demand for **more sustainably and equitably produced products** and supply chain transparency



FINANCIAL SERVICES & INSURANCE

- Driving **access to financial services** (e.g., saving, credit, insurance) for underserved individuals and businesses
- Providing products and platforms to **manage sustainable investing assets**
- Improving climate resilience by building and acquiring **climate risk modeling capabilities**



LIFE SCIENCES & HEALTHCARE

- Building **resilient and sustainable supply chains** that reduce emissions and manage climate-related risk
- Changing regulatory requirements for **diverse participation in clinical research** to remediate underrepresentation
- Focusing on pharma **pricing transparency and market access strategies** to improve access to medicine



ENERGY, RESOURCES, & INDUSTRIALS

- Reducing scope 1 emissions, primarily through **carbon capture and reduction of methane emissions**
- Diversifying product portfolios with **low carbon energy** while supplying traditional energy sources for the near-term
- **Limiting negative impacts on communities** from physical energy infrastructure and dangerous working conditions



GOVERNMENT & PUBLIC SERVICES

- Defining climate **action plans and roadmaps** to support commitments to net zero
- Crafting policies for **fair, dignified, and equitable access to critical services** (e.g., health, education, employment, mobility)
- Mobilizing **ESG financial investments** to accelerate the transition to a low-carbon and more equitable economy



TECH, MEDIA, & TELECOMMUNICATIONS

- Expanding clean energy use with **global renewable power purchases** and digital solutions for decarbonization (e.g., smart grids, smart buildings)
- Advancing **ethical tech** to anticipate potential effects and biases
- Tackling **social risks** related to data privacy, security, and workforce diversity

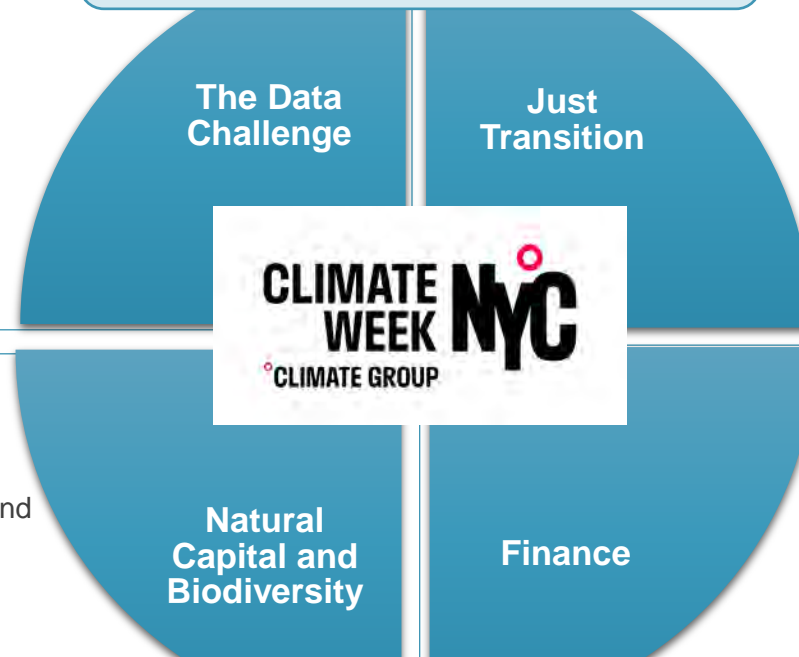
Climate Week 2022: Key Outcomes

- **Data integrity, transparency and verification** is a major challenge for emitters and an opportunity for solution providers
- **Value Chain collaboration** requires new data sharing methods stretching both commerciality & competition law
- **Analytics & dashboards** are needed to enable effective management decisions
- **Reporting standardisation** needed to enable fair comparisons by regulators, investors & customers
- **Quantifying capability** – measuring & reporting capabilities & record in meeting commitments

'The link between biodiversity, climate & development is clear - it is just rational economics.... Investing in nature has never held such an opportunity'

- **Nature & Biodiversity** – increasing focus from finance and business
- **Taskforce on Nature-related Financial Disclosures (TNFD)** - move to nature positive
 - LEAP - locate, evaluate, assess & prepare
 - Metrics paper to be published 4 November
 - 670 companies, 100 countries
- **Carbon Markets** – Offsets increasingly seen as a lower priority – focus on reduction

'How do we how do we measure we are doing it right and have the capability?'



'The top 100 global listed food companies spend \$2 trillion dollar per year on practices that are often detrimental to biodiversity'

- **Social cohesion** – is being widely recognised as critical to be able to deliver the speed, scale and breadth of the required transition
- **Failure will drive political resistance**, will slow transition and damage companies & the economy
- **Need to meet people where they are** and understand hopes and fears
- **Benefits will not be shared equally** – this needs to be transparent and discussed
- The Climate Migration Council launched
- **Planetary Boundaries** getting more interest – launch of Earth4All will build on focus

'The rise of climate action is leading to the rise of authoritarian governments'

- **Glasgow Financial Alliance on Net Zero** – starting to see targets and operationalisation coming through
- **International Sustainability Standards Board (ISSB)** - global disclosure standards (Article 13)
- **Inflation Reduction Act (IRA)** – significant game changer (US\$330Bn) for the US market and an opportunity for firms globally
- **Transition Finance** – massive interest in funding the transition but risk worries on speed & options

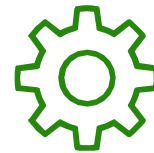
Deloitte Alignment



Strategy

Assess...confront the sustainability challenge

Evaluate impact of climate change trends and uncertainties. Define an organization's strategies and shape public policy to advance towards a more sustainable future.



Operations

Address...configure to execute on opportunities

Build and implement the capabilities, processes, innovations, and ecosystems required to mitigate and adapt to climate change and towards a sustainable future



Finance

Fund...obtain and allocate funds

Leverage evolving capital market transition to increase sustainable investments and optimize cost and capital structure



Reporting

Account...communicate results responsibly, with confidence

Ensure complete and transparent preparation, assurance, and disclosure of ESG data and metrics. Meet disclosure and regulatory requirements

Examples:

- Sustainability Strategy & Roadmap Development
- Climate Assessments

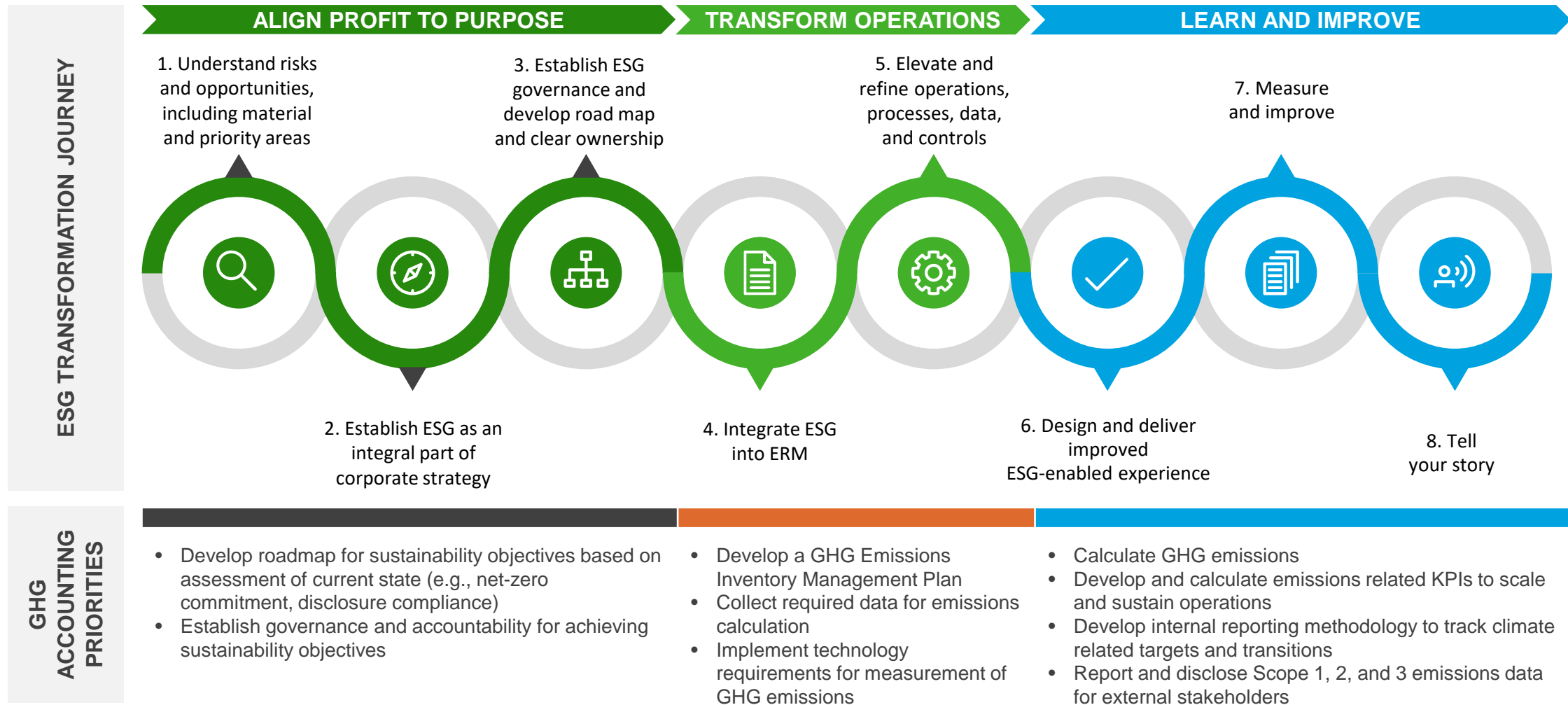
- Decarbonization Innovation
- Sustainable Operations & Supply Chain Transformation

- Carbon Trading Markets
- Government Grants & Incentives

- Governance
- ESG/Integrated Reporting & Regulatory Compliance

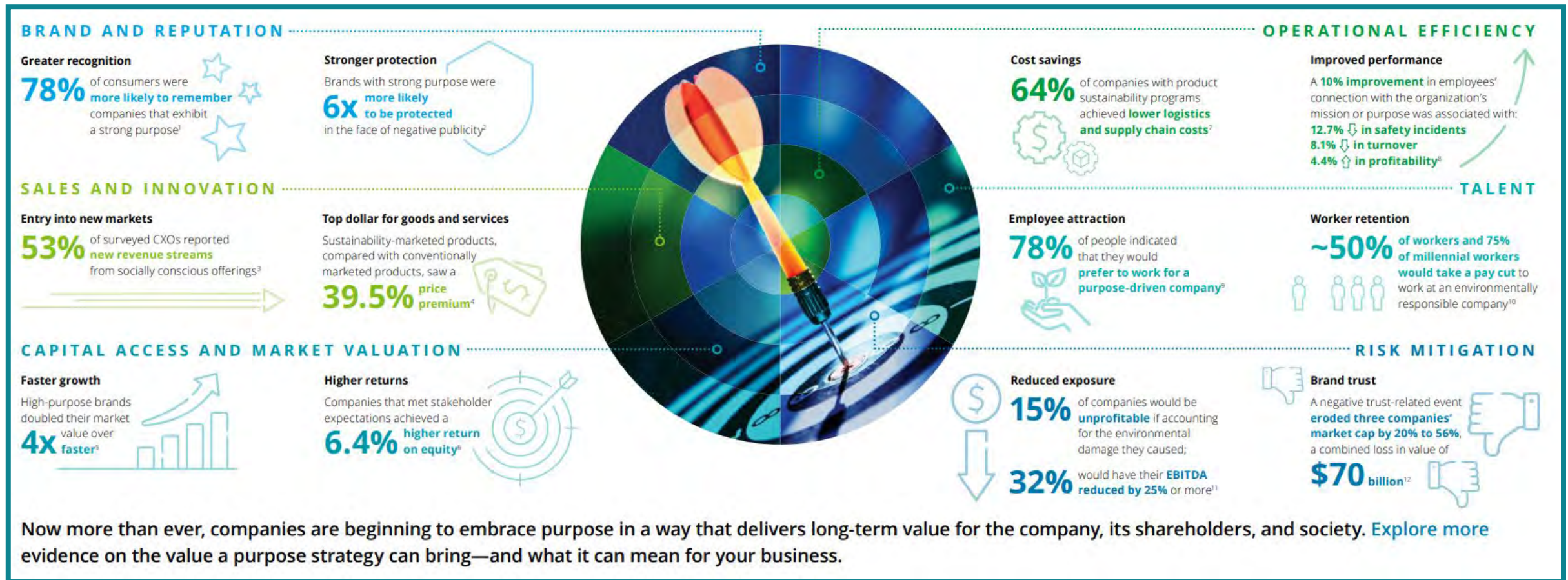
GHG accounting and the ESG transformation journey

- Key steps needed to achieve the benefits of GHG accounting can be realized as part of a broader end-to-end ESG organizational journey.



The Purpose Premium

Changing expectations around the role of business in society are compelling companies to embrace sustainability...



Find additional information about how purpose creates value in [The Purpose Premium](#) report.



Questions?



erm • internal audit • project risk mgmt • bcr • health & safety • rmis • claims admin • esq • firm • compliance • policy mgmt

DISCOVER

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ONE ROOF



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