ESG Reporting Advisory
2021

ESG moves to the main stage

Stakeholders now expect focused disclosures on ESG

Reporting on ESG is no longer a nice to have.

Consideration of environmental, social, and governance (ESG) issues and disclosure of their impacts are no longer a "nice to have." Investors and other stakeholders are now demanding consistent, comparable, and transparent ESG disclosures to understand how these factors create and sustain value or impact risk.

Organizations need to reflect on the resiliency of their business models and integrate ESG factors when defining strategies and identifying metrics and targets. This includes accounting for the impact of ESG-related information on their financial reporting, whether through financial statements or separate disclosures.

ESG will be integral to future success
Demonstrating a commitment to ESG has real financial impacts. It is now a critical part of doing business, including impacting access to capital, insurance coverage, and access to government grants.

Organizations are also choosing to get independent assurance over their ESG reports to provide additional comfort to their stakeholders and those charged with governance. Being transparent and producing high-quality ESG reports allows them to present a comprehensive sustainability and value story—on their own terms.

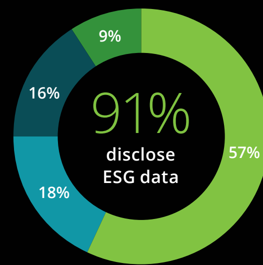
Using the power of integrated thinking
Reporting on ESG is not a passive exercise. Successful execution directly correlates with how ESG considerations inform the core of an organization, from its purpose and values to its short- and long-term plans. This cohesive approach is referred to as integrated thinking.

Integrated ESG thinking is a journey—one that any organization can and should take. It starts by assessing where the enterprise is today and initiating a roadmap to achieve future sustainability goals and objectives.

ESG reporting: now the norm

91%

of companies reviewed worldwide report some level of sustainability information.



1,269

of **1,400** companies reported ESG data

- Sustainability report
- Annual report
- Integrated report
- No report

Source: International Federation of Accountants.

ESG regulation is accelerating
In addition to becoming a best practice for organizations from a social-licence perspective, ESG reporting is being mandated by regulators in some jurisdictions to increase consistency, comparability, and transparency. Companies with dual listings in Canada and the United States, for example, must comply with the Securities and Exchange Commission, which is quickly moving toward a disclosure framework that requires the reporting of ESG-related information.

Domestically, the Canadian Securities Administrators has issued some targeted considerations; further clarification is forthcoming. In addition, in Ontario, the Task Force for the Modernization of Securities Regulation has recommended mandatory ESG reporting. Companies should consider the current regulatory guidance as well as the possibility of future mandatory reporting in Canada as they study how to best communicate ESG factors to their stakeholders. Organizations that proactively manage this may be better positioned and have reduced costs and/or time pressures compared with those that are reactionary.

> "A growing landscape of sustainability standards and disclosure requirements that exposes financial flows to greater scrutiny and oversight is expected to start having more influence on investment decisions at all levels, from banks to asset managers to consumers."[1]
>
> **- Moody's**

Trust, but verify
Accuracy in corporate reporting is vital. Stakeholders need verifiable information about ESG performance, and organizations that fall short on this may be accused of greenwashing or disclosing false or misleading data. Third-party assurance ensures financial and non-financial reporting meets standards of quality and accuracy.

Audit firm reviews fortify the link between ESG disclosures and stakeholder trust through objectivity, credibility, and integrity. A further benefit arises from the interconnectivity between ESG information and financial reporting. For example, knowledge obtained from financial statement audits, including internal controls, can inform ESG assurance procedures and demonstrate why certain sustainability metrics are important from both a financial and a risk perspective.

Integrating ESG is just good business
It's time to integrate ESG into your organization and report meaningfully to your stakeholders before it's no longer a choice. Offering a more holistic view of corporate performance beyond traditional financial reporting—and demonstrating the value of your ESG initiative—just makes good sense.

51%

of companies that report sustainability information provide some level of assurance on it.

63%

of these assurance engagements were conducted by audit or audit-affiliated firms.

Source: International Federation of Accountants.

Let's talk

Interested in learning more about ESG reporting and/or its impacts?

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[1] Moody's: Global ESG Trends Amplified By Green Stimulus Climate Policy.