ESG Goes Mainstream: What the Board Needs to Know Now

1. Public and private companies face a variety of formal and informal stakeholders with increasing interest in Environmental, Social and Governance ("ESG") information. ESG information is beginning to play a significant role in consumer and investor decision-making.

2. Apart from governance issues, the U.S. Securities and Exchange Commission ("SEC") has viewed ESG reporting as nebulous and difficult to translate into financial statements.

3. Although the SEC has adopted disclosure rules for mine safety, conflict minerals, and climate-related risks, the SEC has yet to implement significant environmental and social disclosure requirements. The SEC allows issuers to determine what is material and whether environmental and social matters are material to a particular issuer.

4. Investors and customers are driving the path forward on ESG matters. Investors and customers demand data on ESG matters that is material, concrete and actionable and is more than just aspirational.

5. Many investors are stating that innovation is key for long-term sustainability. In order to assist investors with determining the likelihood of a company's long-term success, many investors believe companies need to have meaningful ESG reporting practices.

6. Investors, customers, supply chain actors and activists are demanding that companies adhere to external ESG operating standards and to report comprehensive ESG data and operating information on a variety of platforms.

7. Companies struggle to determine which standards to follow for ESG reporting. Existing reporting standards are numerous and are often quite different.

8. Any snippet of negative information can be amplified by traditional and social media, resulting in a significant short or long-term impact on brand reputation, sales, and share price. Conversely, ESG proponents note that many companies engage in "green-washing" to mask poor ESG practices.

9. Critics of current sustainability or social responsibility reports object to the selective nature of ESG reporting, the lack of transparency in how the data is derived and the inconsistency among issuers that prohibits a meaningful comparison of performance and risk factors.

10. While European investors are still driving the adoption of sustainability reports and ESG metrics, U.S. investors are joining the effort. Preparing a GRI-compliant report is beneficial because it satisfies the 2014 Directive of the European Parliament used by European-based companies to prepare non-financial statements on environmental, social, employee-related, anti-corruption and bribery matters, respect for human rights, and diversity. Consideration should also be given to preparing SASB-compliant reports because SASB standards, although not endorsed by the SEC, are designed to be used in SEC filings, such as in the MD&A section of a company's 10-K and 10-Q.