BENCHMARK ESG™

The Next Generation of Gensuite®

ESG PROGRAM LIFTOFF:

HOW TO START STRONG, BUILD MOMENTUM, AND SUSTAIN YOUR GAINS

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INTRODUCTION

A High-Stakes, High-Value Endeavor

Environmental, Social, and Governance (ESG) is becoming a mission-critical priority for businesses for two major reasons. One is to satisfy stakeholder demands: more and more consumers, suppliers, investors, lenders, and others are making business and financial decisions based on ESG commitments and performance. Companies that fail to respond to demands for transparency and accountability—most commonly, by providing inadequate data—face serious financial, legal, and reputational risks.

The other reason companies are clamoring to get up to speed with ESG is the potential for cost-saving, revenue-driving, and risk-reducing business improvements. A robust, effective ESG program reveals opportunities to streamline operations, boost productivity, improve resource allocation, and strengthen the supply chain. A strong ESG profile is also powerful enough to attract business partners, vendors, customers, and employees and create passionate brand champions.

Given the keen, widespread interest in ESG performance, the benefits of improving it, and the potential fallout from substandard disclosures, it's important to give ESG the consideration and concerted effort it requires. Whether your organization is public or private, global or emerging, you'll have barriers you'll need to overcome. In the following pages, we'll explain how to take your first steps into the ESG arena—and how to build on that foundation to effect meaningful, long-term change.

SECTION 1

Your Mission: Get ESG Reporting Off the Ground

If you've been charged with building an ESG framework in an expedited fashion to meet standard and ad hoc reporting requirements, you might feel a bit overwhelmed or wonder how you'll identify and assemble the pieces of this complex puzzle. Even if your company has an established Environmental Health and Safety (EHS) program to ensure regulatory standards are met, ESG is more investor focused and broader in scope. The good news is, if you're equipped with technology that connects people and standardizes and simplifies data gathering and reporting, you can focus much of your attention and energy where it belongs: on the planning that must occur upfront.

Before you attempt to determine what types of data you'll collect and how, you need to understand the rigorous standards your data (and, by extension, your ESG reporting process) will need to meet.

The Critical Importance of Investment Grade Data

Although "ESG" and "sustainability" are used interchangeably—and are certainly related—they have different meanings. Businesses work to improve their sustainability through responsible business management and practices; ESG is about linking sustainability with finance and business value. ESG disclosure is the means by which you'll communicate and demonstrate your company's sustainable business performance to investors, customers, and other key stakeholders.

To that end, you'll need investment-grade data to support your ESG disclosures. As this data will be used by financial analysts, investors, and other stakeholders including customers and employees, it must be accurate, timely, complete, relevant (i.e., material), and auditable.

This is the level of data integrity the financial community and other stakeholders will demand of you. If you can't provide it to them, and they aren't satisfied with your corporate disclosures, they will resort to using third-party data to evaluate your company. When that happens, you risk losing control of your own narrative and corporate reputation.

Down the road, as your ESG program matures, investment-grade data could become important for additional reasons. Executive compensation programs based on sustainability-based metrics, for example, tie executive bonuses to achieving sustainability targets. These bonuses must be justified using precise, reliable data that meet the same financial reporting standard.

Data accuracy is the #1 criterion CXOs consider before the release of ESG disclosure—but "concerns over data integrity remain a barrier" amid varying quality control levels and ownership.

Yale Center for Environmental Law & Policy (2020)

If you rely on emails and spreadsheets to manage ESG reporting, you won't be able to align your enterprise or standardize processes—both of which are key to ensuring data is investment grade.

Four Steps to ESG Reporting Readiness

An effective and sustainable ESG reporting program begins with deciding what you should measure, how you'll measure performance, how you'll manage risk, and how you'll report your ESG metrics—whether to align with global frameworks or to satisfy ad hoc requests from customers, investors, and other stakeholders.

Transitioning to a digital platform is key to effectively managing this process and ensuring your data is investment grade. A digital ESG solution offers broad visibility, facilitates cross-functional collaboration, provides validation and traceability, and streamlines the connection between data inputs, reporting objectives, and targeted frameworks and standards.

As a digital tracking mechanism, the classic spreadsheet—with manual updates that aren't timely and tend to produce errors—is insufficient to the task. ESG programs are far more efficient, and their data more reliable, when managed with a robust cloud-based solution that allows for streamlined collaboration, workflow enablement, data traceability, and advanced capabilities such as mapping and templating to common ESG reporting frameworks and industry standard KPIs.

1. Determine ESG Priorities & Goals ("Materiality Assessment")

Working with internal and external stakeholders, identify the ESG issues that are most relevant to the company and most impactful to ensure effective allocation of resources

Focus on double materiality (environmental impacts of operations) as part of your assessment

Compare your priorities with what your industry peers are measuring

Don't focus on ratings, but use them to inform the process

4. Prepare to Execute

Decide who owns what KPIs (data collection, quality assurance, processing, and accountability for targets)

Choose ESG global framework(s) that best meet stakeholders' reporting requirements

Create a system for meeting reporting requirements and sharing successes (timing and channels)

2. Choose KPIs & Set Targets

Decide how you'll measure ESG performance across functional areas

Establish baselines as well as short, medium, and long-term targets that are both realistic and verifiable (for complex operations, third-party experts can help)

Develop processes to ensure reliability and precision of data/KPIs

3. Manage Risk & Generate Business Value

Design a process for proactively identifying and responding to ESG-related risks

Use the process to uncover new opportunities to improve resource management (for example, locating superior materials or improving material sourcing to lower costs while limiting impact)

MAKING SENSE OF ESG REPORTING FRAMEWORKS

Efforts to develop universal reporting standards are currently underway and, although consolidation will come, it will likely reflect the influence and regional regulatory jurisdictions and nuance of industry sector best practices.

The World Economic Forum's Stakeholder Capitalism Metrics are now being reported by more than 50 market leaders in finance, technology, consumer products, and more. This trend toward uniform standards across industries and geographic boundaries will likely continue as regulators and industry bodies seek to streamline the ESG disclosure process and to provide much-needed certainty and clarity to reporting companies on ESG reporting obligations.

EXAMPLE #1:
Computing technology

Dell Technologies reports to GRI, SASB, and WEF indexes and follows TCFD recommendations for climate change-related reporting.

EXAMPLE #2:
Retail grocery

Kroger reports ESG data in alignment with GRI and SASB standards as well as the TCFD framework.

EXAMPLE #3:
Fashion apparel

H&M reports to GRI and UNGP indexes and includes TCFD metrics in its annual report.

EXAMPLE #4:
Energy

Siemens Energy reports ESG data aligned with GRI (and CDP beginning December of 2021), and publishes its ratings by Sustainalytics, ISS ESG, and MSCI.

Meeting the Demand Digitally

With so many reporting frameworks, third-party indexes, and requests for ESG data, you might feel overwhelmed at this stage of your ESG journey. Deciding which standards you'll align with (e.g., GRI, CDP, TCFD, SASB) can seem like a daunting task, let alone keeping up with regulatory changes looming on the horizon and scaling your ESG program over time.

According to a survey by the Society for Corporate Governance, ESG reporting demands can consume tens of thousands of work hours with costs exceeding $1 million.

(Source: Politico)

ESG leaders, operational managers, and on-site workers must somehow find a way—seamlessly, as the enterprise grows—to work collaboratively, reduce risk, simplify reporting, and minimize the operating burdens that lead to reporting fatigue. And they must do it all while navigating a complex and continuously shifting ESG landscape.

Regardless of which priorities, KPIs, targets, and reporting framework(s) you choose, key to a successful, sustainable ESG program is a software system that will standardize and streamline data collection and collaboration across your organization's functional disciplines and allow you to report ESG performance metrics with confidence—even as your operations scale and stakeholder demands change and grow, which they invariably will.

SECTION 2

Your Ongoing Challenge & Opportunity: Sustain ESG Improvements

Now that you've developed a robust, reliable ESG reporting system to meet investor and stakeholder demands, the next step in your organization's ESG journey is to fully operationalize ESG. Upon reaching this milestone, you'll have the pieces in place and the power you need to achieve sustainable performance improvements and steadily increase value for your business. Lean, adaptable, cutting edge, and precise—and embedded in the DNA of your enterprise—your ESG program will become a benchmark for others.

We've explained the need for a digital solution that will allow you to disclose your ESG data with confidence. But what will it take to create a virtuous cycle of improvement and distinguish your company as a global standard bearer for ESG performance? You must start by unifying your people, processes, and mission to deliver on your ESG commitments.

The Secret to Success: Building an ESG Culture

Given the complexity of ESG, the pace of change, and the need to adapt as you scale, achieving and maintaining your ideal state might seem like mission impossible. But in fact, you can (with surprising ease) connect functional areas and operational teams in ways that yield greater insights, opportunities, and performance improvements over time.

The shift from ESG reporting to ESG mastery begins with a cultural shift. Across the enterprise, from the C-suite to the front line, every individual must understand and embrace the broader ESG effort and their role in it.

Consider where you are today, and the ideal state you'd like to achieve. Right now, you're collecting and reporting data that demonstrate where your company stands in relation to key areas of concern for your stakeholders. But your ESG program may still be piecemeal in nature or peripheral to your core strategy and operations. If your company isn't unified around ESG principles and practices, both culturally and operationally, you're going to struggle to build momentum and make good on your ESG commitments.

ESG-driven companies that derive maximum value from their programs share a common sense of purpose and rely on enterprise-level coordination, visibility, insights, and control. This is holistic ESG at its finest and most impactful. To meet and exceed your most ambitious corporate objectives, you'll need to meet the same standard.

COMMON BARRIERS TO SUSTAINED ESG PERFORMANCE EXCELLENCE

Many companies struggle to coordinate and manage ESG programs and initiatives because flaws in their data collection and reporting chain are undermining the mission. Common problems include:

- Functional silos (lack of communication and collaboration)

- Manual workflows that are prone to delays and errors

- Disparate data sources

- Processes devoid of best practices

Four Steps to ESG Program Mastery

By unlocking higher levels of performance, a holistic ESG program feeds top-line growth, improves employee engagement and productivity, and reduces financial and regulatory headwinds. With the importance and value of ESG firmly established and ingrained in your corporate culture, you can move forward with practical steps to refine your processes and reap the full rewards of your ESG efforts.

Digital transformation is key to fully operationalizing ESG in a way that makes the program sustainable, transforms corporate culture, and creates a virtuous cycle of improvement. A cloud-based platform that serves as a hub of ESG activity, also known as a digital ESG ecosystem, does more than simplify data collection and reporting: it serves as the nerve center of your entire effort. Company executives, functional leaders, and site teams can use it to understand how the organization is trending in various areas of concern, mitigate risk, and identify opportunities to move your KPIs and goals in a positive direction.

PHASE 1
ESG REPORTING FOUNDATION

Determine ESG Priorities & Goals	Choose KPIs & Set Targets	Manage Risk & Generate Business Value	Prepare to Execute

PHASE 2 FROM REPORTING TO IMPACTING

1. Create a Culture that Embraces ESG

Align your company and stakeholders around a shared meaning of ESG

Promote your ESG strategy as essential for long-term market success and sustainability

Build consensus around your ESG priorities

Establish a common sense of purpose around achieving high-level corporate goals

4. Capitalize on Your Efforts and Performance

Establish universal reporting standards so any team member can meeting reporting requirements or ad hoc requests in an effective, timely manner without introducing legal or reputational risk

Actively promote your ESG story to build brand equity

2. Refine Your Workflows

Identify and address cross-functional gaps in your data collection, processing, and reporting processes

Automate tasks to improve the flow of data, flag performance issues, and reduce operating burdens

Aggregate ESG performance data from across the enterprise

3. Monitor and Adjust

Arm functional and executive leaders with ESG dashboards to enhance oversight

Track metrics and trends and identify opportunities for improvement

Develop and execute programs and initiatives to accelerate gains

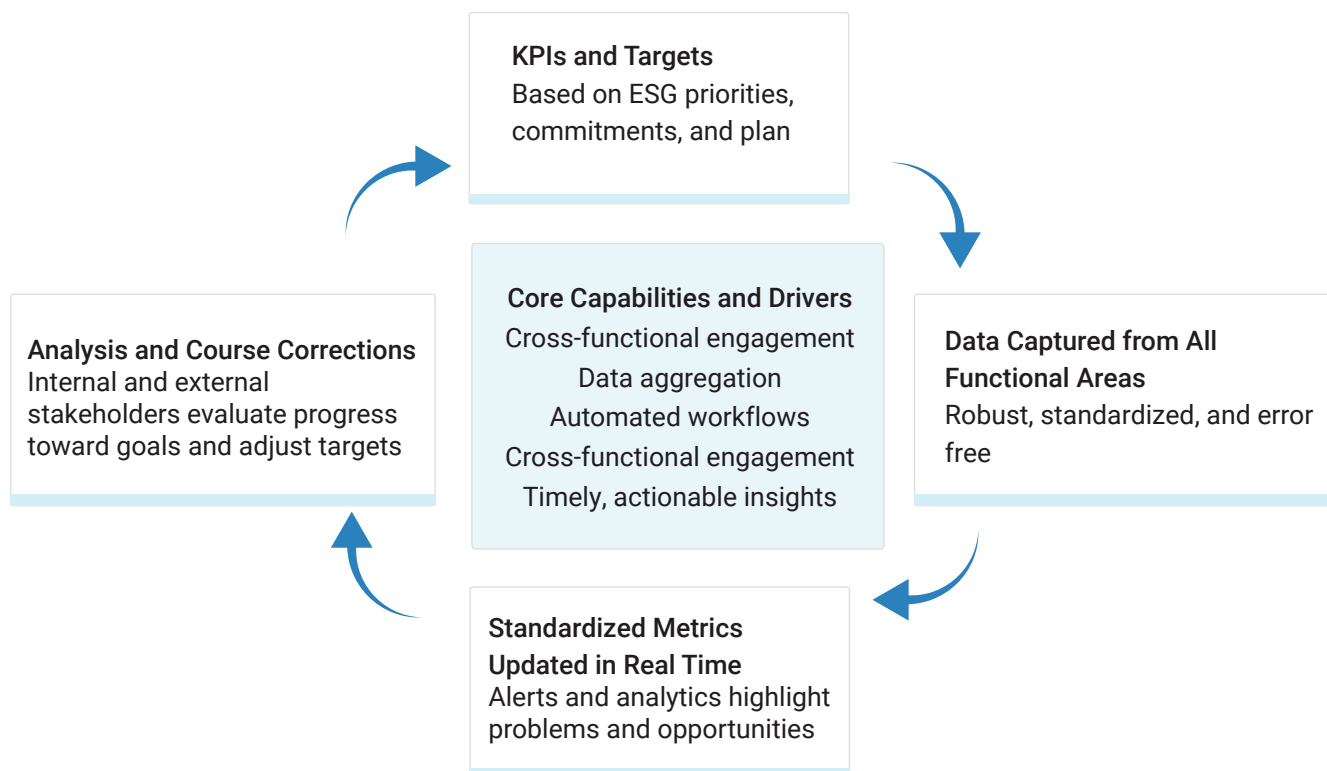# How to Operationalize ESG Across the Enterprise

People, process, and mission—these are the three key ingredients, enabled by technology, that translate to effective ESG program management. You'll need a reliable, cost-effective way to enable data integration, standardization, and unification; effective cross-functional collaboration; continuous goal monitoring; and simplified reporting.

You can address these needs simultaneously with a digital ESG ecosystem, which will allow you to align the entire enterprise around ESG activity, reduce manual workloads, and ensure accuracy and consistency of data and reporting. Your workflows will grow smarter over time, and analytical insights will flow freely. You'll discover valuable new opportunities to deliver on your brand's ESG promises and break away from your industry peers.

"Robust analyses of a framework as dynamic as ESG demands a rigorous technological underpinning."

Phil Rosen, GreenBiz Group

The Digital ESG Ecosystem: A Streamlined, Data-Driven Process that Continuously Drives Improvement

KPIs and Targets
Based on ESG priorities, commitments, and plan

Core Capabilities and Drivers
Cross-functional engagement
Data aggregation
Automated workflows
Cross-functional engagement
Timely, actionable insights

Data Captured from All Functional Areas
Robust, standardized, and error free

Analysis and Course Corrections
Internal and external stakeholders evaluate progress toward goals and adjust targets

Standardized Metrics Updated in Real Time
Alerts and analytics highlight problems and opportunities

With a culturally and digitally embedded ESG program, everyone in the enterprise has a common view of ESG performance and a direct and shared contribution to it. Cross-functional teams are connected and engaged, cognizant of the programs they're driving and of their role in the larger ESG effort.

Automation, managed workflows, and data aggregation ensure standardization of data and processes while optimizing efficiency. Insights that are tailored to each ESG program stakeholder—and reflective of material changes to organizational priorities, operating conditions, and expectations shaped by investors, employees, customers, and others—enable informed decision making that can effect lasting change on a grand scale.

CONCLUSION

Your Future Vision Is Within Reach

Building a sustainable, effective ESG program can prove challenging. Many companies that commit to the cause struggle to operationalize, and for many of the same reasons. The C-suite is eager to implement, but there's a disconnect with and among functional leaders and site workers. More time and consideration are needed to choose material KPIs, set reasonable targets, and build an ESG culture. Collecting or disclosing ESG data is just another task on the checklist, without a driving mission or the means to achieve substantial, enduring progress.

Fortunately, technology can help companies develop holistic, robust ESG programs that are as deeply embedded in the corporate culture as they are in day-to-day operations. A cloud-based digital ESG ecosystem can unify teams, introduce efficiencies, reveal otherwise undetectable risks and opportunities, and fuel progress toward ESG commitments that satisfy stakeholders and make it easier to compete in the marketplace.

By linking people, process, and mission seamlessly and powerfully, companies can raise the bar for ESG practices and performance. In so doing, they can continue advancing their future vision—as it relates to both ESG and market success—as they make the world a better place.

BENCHMARK ESG™

The Next Generation of Gensuite®

Benchmark ESG™ (the next generation of Gensuite®) enables companies to implement robust cross-functional Environmental, Social, and Governance (ESG) Solutions – locally, globally and across diverse operating profiles. Our comprehensive cloud-based software suite features intuitive, best-practice process functionality, flexible configurations and powerful extensions.

For over two decades, we've helped companies manage safe & sustainable operations worldwide, with a focus on fast return on investment (ROI), service excellence and continuous innovation. Join over 1,500,000 users that trust Benchmark ESG™ with their software system needs for operational risk and compliance, EHS, sustainability, product stewardship and responsible sourcing.

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