



BEGINNING THE ESG JOURNEY: HOW TO BUILD A SOLID FOUNDATION FOR THE FUTURE

PRESENTERS

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Housekeeping

- Download slides at [OCEG to insert link]
- Answer all 3 polls
- Certificates of completion
(only for OCEG All Access Pass holders)
- Evaluation survey at the close of the webinar
- Find the recording on the OCEG site at <https://go.oceg.org/webinar-recordings>

Learning Objectives

- Learn how your ESG reporting can provide the insight priority stakeholders demand
- Learn how to make ESG disclosures consistent, accurate, and complete
- Learn how to leverage work already completed as the foundation of your ESG initiatives



Poll 1

Do you have an OCEG All Access Pass (a paid membership) and would you like to receive CPE credit for this event?

- a. Yes, I have an All Access Pass, and I would like to receive a Certificate of Completion for this event
- b. Yes, I have an All Access Pass, but I do not need a Certificate of Completion
- c. No, I do not have an All Access Pass, but I would like to get one and receive CPE credit for this and future webcasts I attend
- d. No, I do not have an All Access Pass and I don't want to buy one at this time (so I won't get CPE credit for this event)

Introductions



Nim Puri

Principal-IRM Customer Strategy, Global Sales,
Riskconnect, Inc.



Jason Mefford

CEO, cRisk Academy,
President, Mefford Associates



About Our Featured Speakers



Nim Puri is the Principal-IRM Customer Strategy, Global Sales, at Riskconnect, Inc. Nim is responsible for the Riskconnect IRM strategy, sales demonstrations, account management, and advising organizations on GRC opportunities to meet their desired business outcomes.

Previously, Nim was responsible for global market expansion, development/management of presales resources, and development of solution based selling approaches at Thomson Reuters (Refinitiv). He also held positions of business strategy and audit responsibilities at corporations including Oracle, The Quaker Oats Company, Sara Lee Corporation, and PwC. Nim participates as a speaker and panelist for various GRC and audit conferences including those for the IIA, ISACA, and other international GRC events.



About Our Featured Speakers



Jason Mefford is an expert in internal audit, risk management, and compliance. He works with leaders and professionals in audit, risk, and compliance with technical and leadership skills to navigate organizational politics and land mines through executive coaching, training, and facilitating.

Jason also hosts the top-ranked podcast: Jamming with Jason that helps leaders make better, quicker decisions, get people to take action, and know exactly what to say and do in any situation. Previously, he was chief audit executive, chief risk officer, chief ethics and compliance officer, head of information security, and manager for two international accounting firms. Currently, Jason is the President of Mefford Associates and CEO of cRisk Academy, the largest on-demand learning platform for internal audit, risk, and compliance professionals.



Poll 2

In general, how would you describe the current state of your ESG program?

- a. What is ESG?
- b. We haven't started yet
- c. We just started
- d. We are working on it



Why, What and How...

Without a “why” you are like Alice in Wonderland by Lewis Carroll:

“Would you tell me, please, which way I ought to go from here?”

“That depends a good deal on where you want to get to,” said the Cat.

“I don’t much care where----” said Alice.

“Then it doesn’t matter which way you go,” said the Cat.

“----so long as I get somewhere,”
Alice added as an explanation.

“Oh, you’re sure to do that,” said the Cat,
“if you only walk long enough.”





Relax, Don't Do It... Level Setting

- Not a pressing priority for most
- Not much guidance
- Mute Chicken Little
- You can choose
- Keep calm and carry on

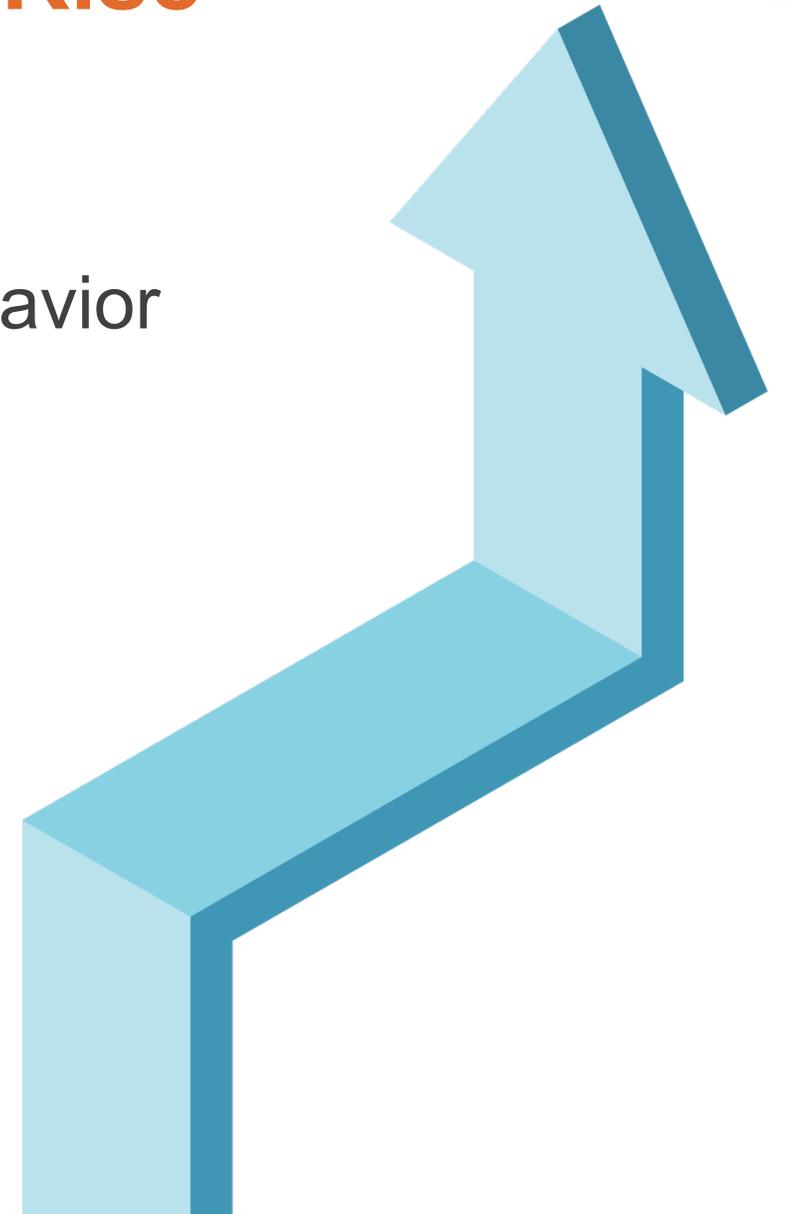
- Y2K, \$5M, SOX





Why ESG Discussion is on the Rise

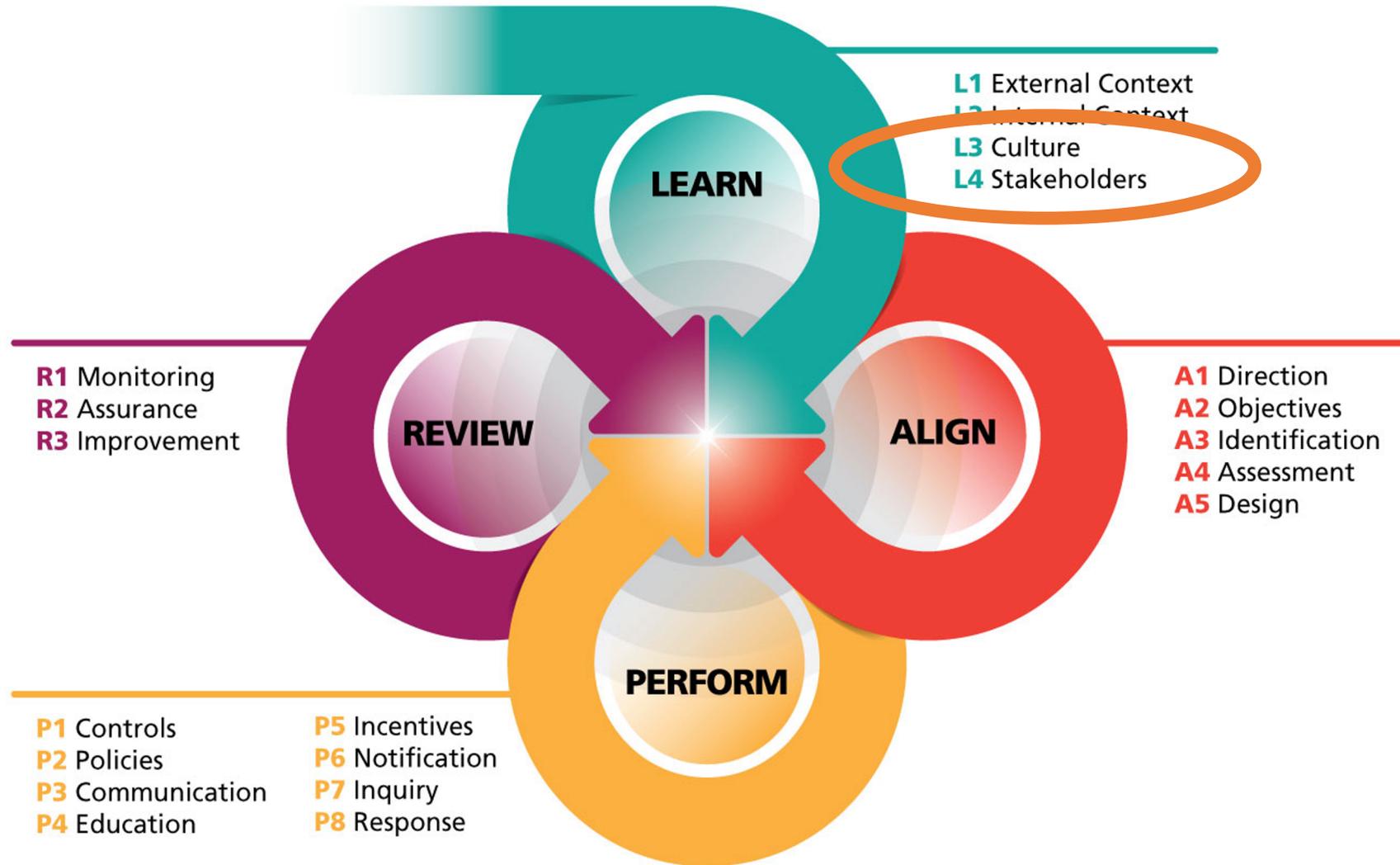
- ESG investors
- Social consciousness and consumer behavior
- Institutional investors
- Regulators – (e.g. Germany, EU, SEC)
- Third party / supply chain expectations
- Broader than CSR
- No consistency in requirements
- Multiple requests





GRC CAPABILITY

MODEL ELEMENT VIEW



Europe



German "Act on Corporate Due Diligence in Supply Chains" – June 2021

- A binding obligation on companies to establish, implement, and update procedures to improve compliance with core human rights and certain environmental provisions in supply chains.

EU Parliament – March 2021

- Presented a draft Directive on Mandatory Human Rights, Environmental and Good Governance Due Diligence ("**MHRDD**") that shall require companies to get to know their supply chains in detail.

Another GDPR??





Securities & Exchange Commission (SEC)

- Publicly traded companies on US stock exchanges
- Pressure continues to build to adopt regulations to help standardize and harmonize the way companies disclose relevant ESG information.
- “To address the difficulties companies face in meeting these overlapping requests, it has been suggested to me that the Commission should act to standardize disclosures. In a similar vein, institutional investors and asset managers have advocated for the Commission to facilitate companies providing ESG information that is more comparable than that which is available from companies now.” - *Commissioner Elad L. Roisman, June 22, 2021*

What is Your Why??

- Believe fundamentally in ESG concepts
- Want to influence stakeholders / marketing
- Comply with stakeholder expectations and mandatory requirements (laws, regulations, etc.)





What...

- That depends on your why
- Usually requested from stakeholders
- It will vary for each organization
- No universally accepted standard (GRI, CSR, industry, etc.)
- It's cat herding time 😊

- For compliance = the minimum required
- For strategy = what's important to you and key stakeholders

Cat Herding Time – Internal and External Stakeholders



- Investor Relations
- Legal
- Marketing
- Finance / ICFR
- Human Resources
- Compliance
- Risk Management
- EH&S
- Vendor Management
- Operations
- Employees
- Shareholders and Investors
- Creditors
- Customers
- Board of Directors
- Employees
- Governments
- Suppliers
- Unions
- Non-Governmental Organizations (NGO)
- Community





Caution Ahead

- Don't just report what's easy to calculate or copy what others are doing
- Whatever you report publicly on ESG is subject to audit and fact checking by stakeholders
- Reputational risk
- Green-washing and fraud
- Fluid process of discovery





Poll 3

Why, if at all, is ESG management important to your organization? (Select one that most applies)

- a. Attracting investment
- b. Signaling to customers that we share their values
- c. Reputational reasons
- d. ESG aligns with our corporate values
- e. ESG is important to our senior leadership
- f. Uncertain



ESG Reporting Challenges

Does your ESG reporting resonate with your stakeholders?



Why Report on ESG?

Companies report ESG information for many reasons. For example, ESG reporting can enable companies to:

- Communicate key ESG risks and opportunities and how they are managed
- Relay progress on the company's commitments to the environment and society
- Credibly demonstrate how the company's ESG strategy drives value for all stakeholders
- Increase confidence in how leadership is prioritizing and advancing ESG commitments.





ESG Reporting Challenges

Companies face evolving global reporting expectations

Companies are at different stages of tying the elements of ESG into their reporting and incorporating them into their broader strategy. Moreover, not everyone is using the same standards and frameworks.

Some of the standard's organizations are using include:

- SASB (Sustainability Accounting Standards Board)
- GRI (Global Reporting Initiative)
- CDP (Carbon Disclosure Program)
- SFDR (EU Sustainable Finance Disclosure Regulation)
- NFRD (EU Non-Financial Reporting Directive)



Poll 4

Which is the primary standard or framework that you are currently using or planning to use?

- a) SASB (Sustainability Accounting Standards Board)
- b) GRI (Global Reporting Initiative)
- c) CDP (Carbon Disclosure Program)
- d) SFDR (EU Sustainable Finance Disclosure Regulation)
- e) NFRD (EU Non-Financial Reporting Directive)
- f) Other
- g) Uncertain



ESG Reporting Challenges

There's little clarity about how to use existing standards to tell a differentiated story

- In addition to determining which standards and frameworks to follow, companies often struggle with how far beyond they should go, either to meet higher stakeholder expectations or as a way to strategically differentiate themselves.
- Understanding how disclosures are being considered today by banks, insurers and investors is a good starting point.

Companies may not have infrastructure to meet investor grade-reporting

- Once a company decides what ESG information to report, it then needs to contend with the challenges of how to effectively collect, analyze, and report the information accurately. The breadth of ESG data drives significant reporting complexity.



Telling The ESG Story

Applying ESG standards, frameworks, and metrics over reporting will often involve many different parts of a company's operations.



ESG Reporting Strategy

Decide on your ESG reporting strategy and key metrics you'll disclose.
The first step is strategic to set the tone from the C-Suite down through the company.

- Know the ESG issues your stakeholders want to understand about your company
- Make sure you understand the baseline ESG expectations of each stakeholder group
- Determine which ESG issues you consider material
- Select the appropriate standards and relevant ESG metrics for internal and external reporting
- Consider that ESG is often more than a reporting matter for companies

ESG Reporting Strategy



Define process and governance steps to have confidence in your reporting.

Standardized policies, procedures, controls, and governance are crucial if you are going to effectively manage ESG reporting.

- Establish a clear and controlled ESG reporting process
- Determine how your board will oversee ESG
- Prepare for change



ESG Reporting Strategy

Design your reporting architecture and technology.

Treat ESG reporting like the integrated effort that it is.

- Use existing processes and tools to streamline both internal and external reporting
- Supplement with additional reporting automation and visualization as needed

Tell an authentic and coherent story.

You should also be discussing where you want to go and how you plan to get there.

- Consider your audience
- Tailor your reporting based on your ambition
- Provide the context



ESG Reporting Considerations

Is the ESG reporting consistent year over year?

Consistent reporting that uses the same methodology year over year, with any changes clearly explained, could help to limit a company's ability to selectively choose, manipulate, or provide misleading information. Reported information that includes comparable prior year information also could limit a company's ability to selectively choose, manipulate, or provide misleading information.

Is the ESG reporting comparable with peer companies?

Information and metrics that are comparable to the metrics and information disclosed by peer companies could assist users of the information in making comparisons between peer companies.



ESG Reporting Considerations

How to mitigate companies from selectively choosing the most beneficial metrics?

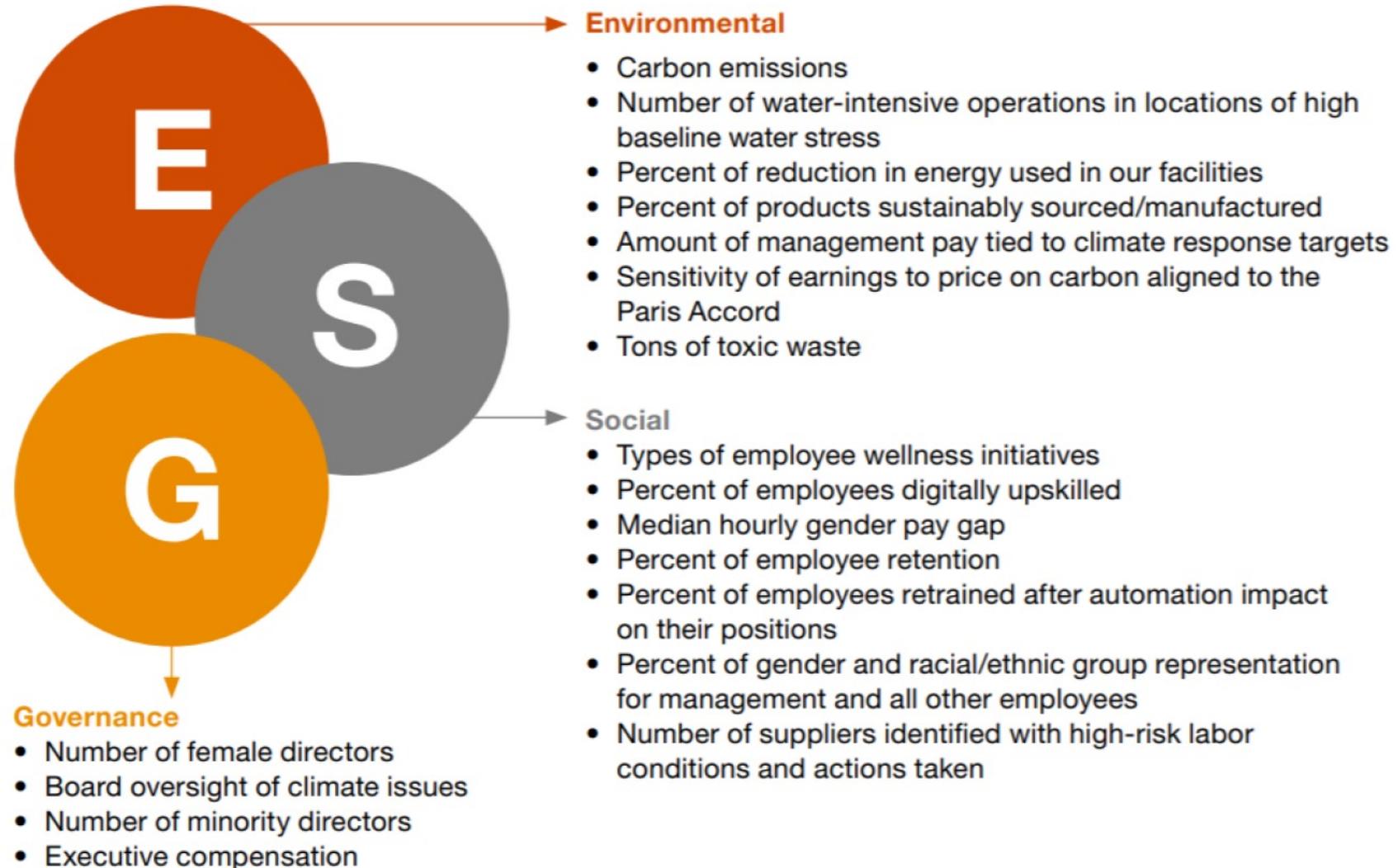
The practitioner should evaluate whether the reported information is misleading within the context of the engagement, as required by AICPA standards (e.g., could be viewed as ‘cherry-picking’ favorable metrics).

Is the frequency and timing of ESG reporting sufficient and appropriate?

Information reported on an annual (or more frequent) basis, similar to other forms of corporate reporting (i.e., the financial statements), promotes consistency and comparability.

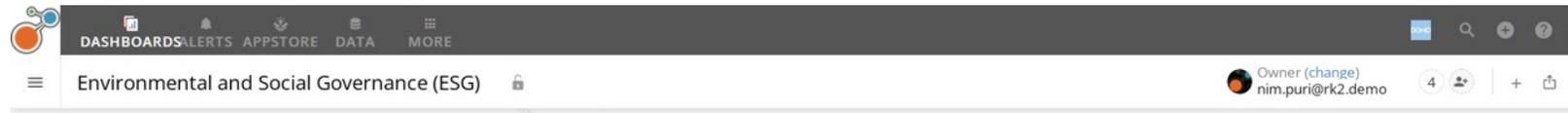


Example ESG Metrics

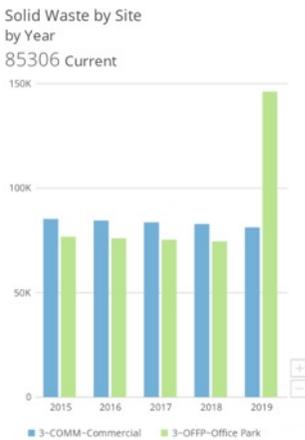
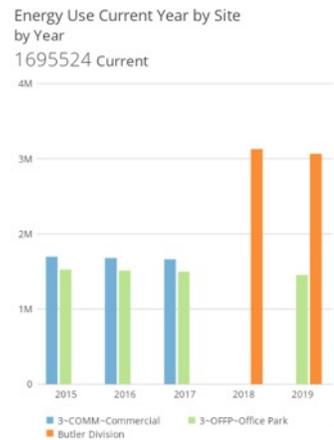
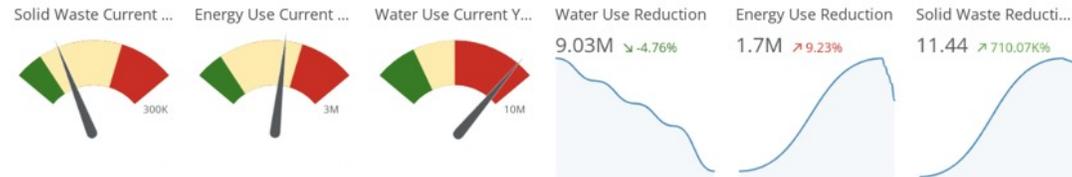


ESG Reporting with IRM Technology

Environmental



Environmental



ESG Reporting with IRM Technology

Social

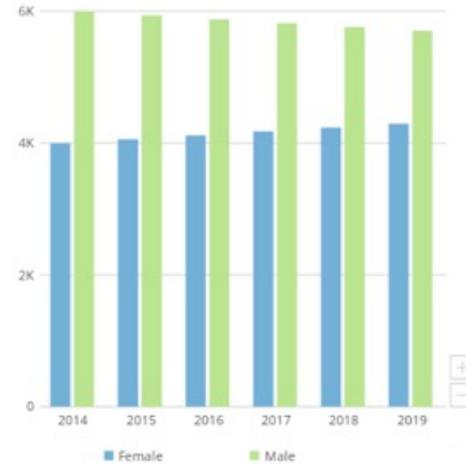


DASHBOARDS ALERTS APPSTORE DATA MORE

Environmental and Social Governance (ESG)
Owner (change)
nim.puri@rk2.demo

Social

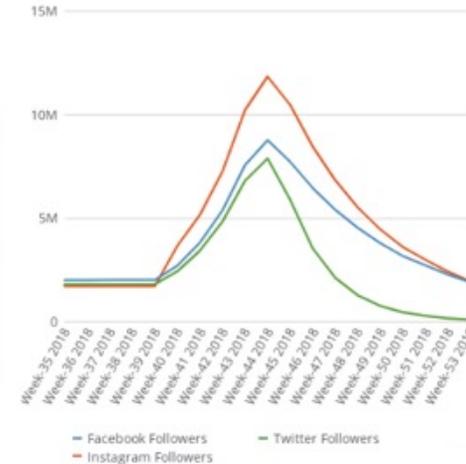
Employee Gender Diversity by Year



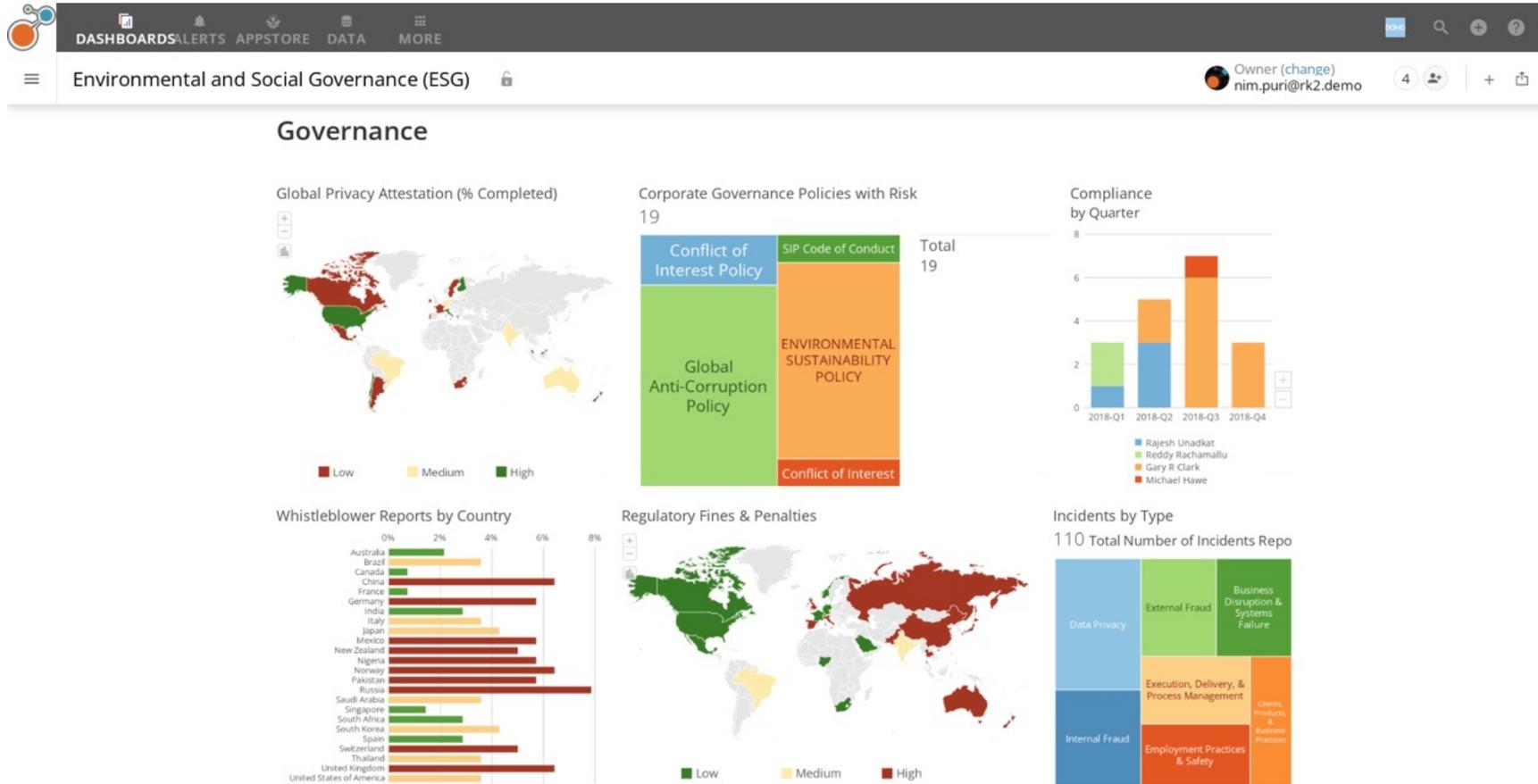
CEO Pay RATIO 9K



Social Media Tracking by Week

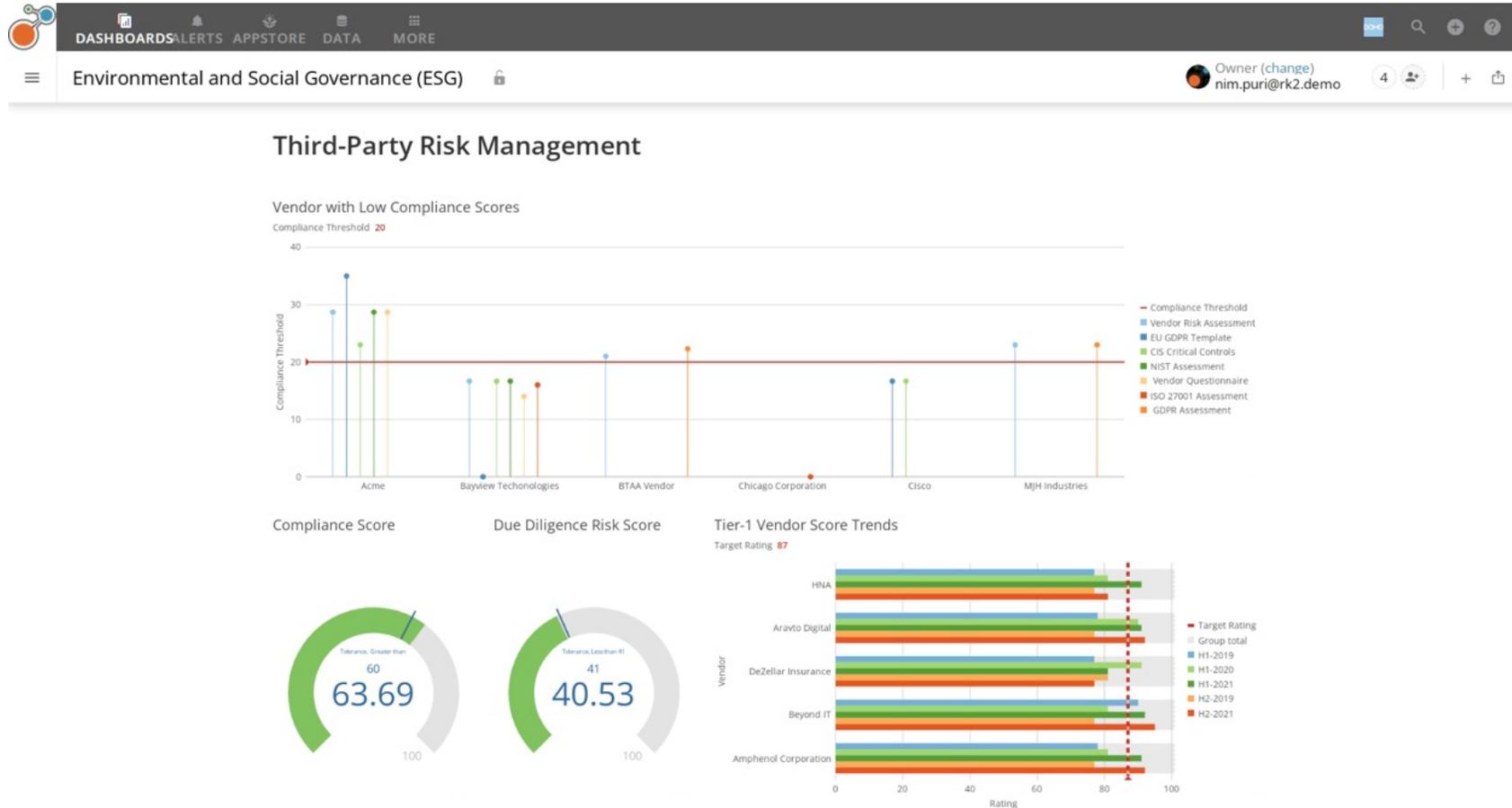


ESG Reporting with IRM Technology Governance



ESG Reporting with IRM Technology

Third-Party Risk Management



Questions?



Contact Us

Email:

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About Riskonnect

Riskonnect is the leading integrated risk management software solution provider that empowers organizations to anticipate, manage, and respond in real-time to strategic and operational risks across the extended enterprise.

Through its unique risk correlation technology, over 900 customers across six continents are benefitting from actionable insights that have not been previously attainable to deliver better business outcomes.

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