RIVERON

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Webinar: Ready for ESG Reporting Regulations?

Strategies for CFOs and Sustainability Pros

Today's Presenters

These Riveron experts advise businesses in environmental, social, and governance (ESG) matters, including ESG strategy and sustainability and climate risk reporting

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WEBINAR REMINDERS

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Topics We'll Cover Today

Exploring ESG Trends, Company Impacts	Navigating Global Regulations	Considering Climate Risk Strategies	Recap, Q+A, Resources
— Common ESG drivers by company type — The ESG landscape	— Applicable standards — How frameworks align — United States (SEC) — Europe (CSRD, ESRS) — Global (IFRS S1, S2)	— How are companies preparing for reporting? — GHG emissions calculations — Climate risk consideration — TCFD disclosure framework — CDP questionnaire	— Key takeaways — Common questions — Additional insights

Common ESG Drivers by Company Type

Public company

- Investor expectations
- Peer practices and performance
- Looming SEC requirements and external audit assurance
- Presence in global markets
- Capital Market valuations

Pre-IPO private company

- Preparing for public company disclosure level
- Investor expectations
- Presence in global markets
- Capital Market valuations

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Employee recruitment & retention

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Competitive differentiation

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Customer demands

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Market trends

PE-backed private company

- ESG commitments at fund, GP or LP level
- Customer or supplier relationships with public companies
- Presence in global markets

Private company (e.g., family business)

- Customer or supplier relationships with public companies
- Access to capital (debt or equity)
- Presence in global markets

Polling Question 1

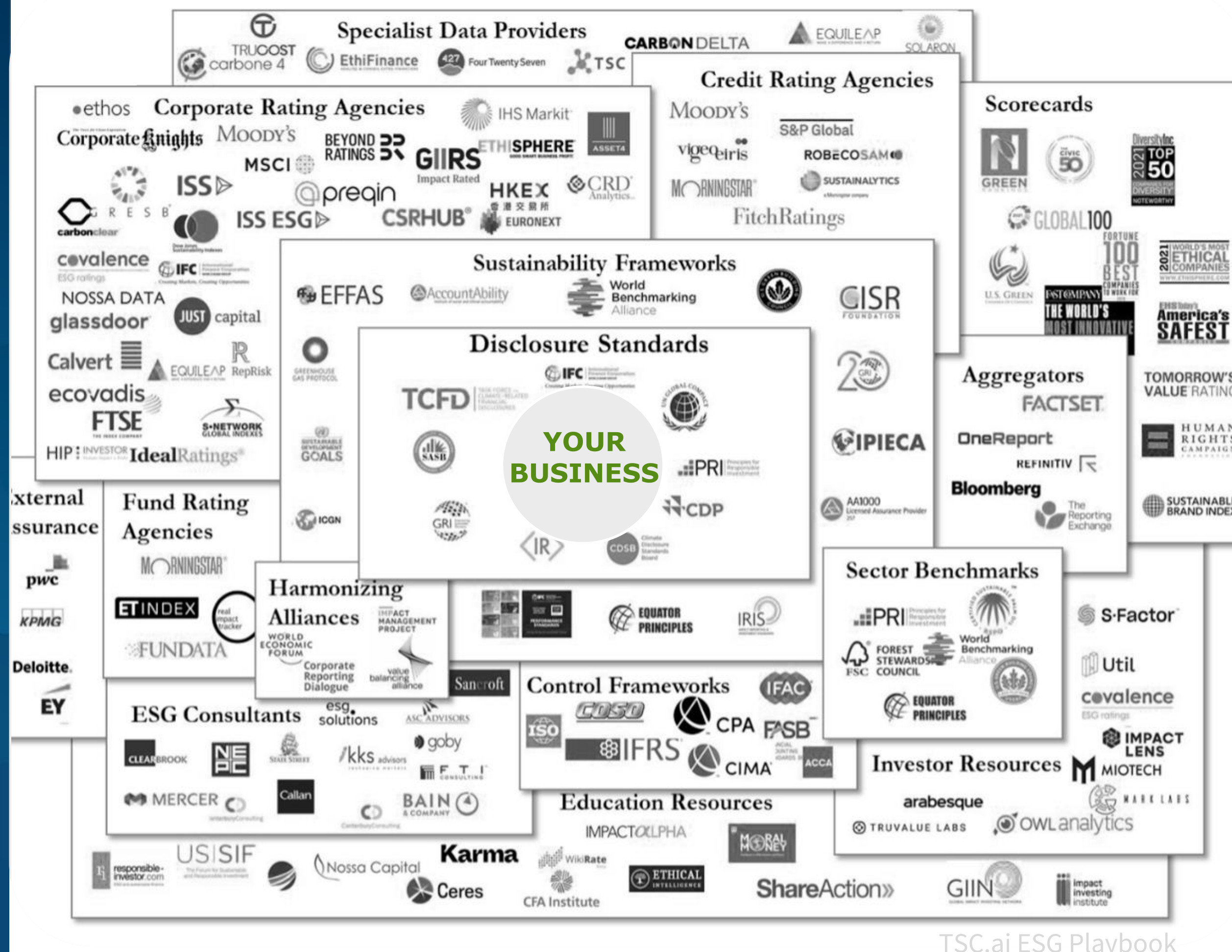
Which company type most closely describes your current organization?

A	Public company
B	Private company
C	Private-equity-backed portfolio company
D	Other

The ESG Landscape Is Complex…

Today's CFOs and sustainability pros need to understand how:

- disclosure **standards**
- control **frameworks**
- **rating agencies**
- and many **other relevant factors** impact their business and ESG reporting approaches.



Navigating the Emerging Global Regulatory Landscape

Exploring ESG Trends, Company Impacts	**Navigating Global Regulations**	Considering Climate Risk Strategies	Recap, Q+A, Resources

Emerging Regulations Across the Globe

GLOBAL

- The IFRS Foundation and International Sustainability Standards Board (ISSB) S1 and S2 sustainability disclosure standards will influence global regulation as the standards are reviewed and adopted in local markets.

UNITED STATES

- SEC Cybersecurity Disclosure Rule
- SEC proposals for Climate Risk; Human Capital disclosures
- Federal Acquisition Regulation (FAR) GHG Emissions and Climate Risk Disclosure Proposal

EUROPE

- Corporate Sustainability Reporting Directive (CSRD)
- European Sustainability Reporting Standards (ESRS)
- Corporate Sustainability Due Diligence Directive

VARIOUS

- Certain supplier and regulatory drivers exist in other markets (e.g., UK, Canada, and Switzerland).*

TCFD | GREENHOUSE GAS PROTOCOL | CDP DISCLOSURE INSIGHT ACTION | SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION | IFRS Foundation | SASB | GRI

Significant overlap with the SEC Climate proposal, ESRS E1, and IFRS S2

Closely aligned to EU CSRD's double materiality requirements

**This map is not a full representation of the global ESG landscape.*

Emerging Regulations: How Frameworks Align

GLOBAL

IFRS S1 (General) and S2 (Climate) Sustainability Disclosure Standards

TCFD
GREENHOUSE GAS PROTOCOL
CDSB Climate Disclosure Standards Board
CDP
SASB STANDARDS Now part of IFRS Foundation
INTEGRATED REPORTING Now part of IFRS Foundation

EUROPE

CSRD Regulation, including ESRS disclosures and EU Taxonomy reporting

TCFD
GREENHOUSE GAS PROTOCOL
GRI
IFRS Sustainability

UNITED STATES

Proposed SEC Climate Disclosures rule

TCFD
GREENHOUSE GAS PROTOCOL

Emissions: Defining Scopes 1, 2, and 3

SCOPE 1

"BURN"

Direct emissions from the reporting company's operations

SCOPE 2

"BUY"

Indirect emissions from purchased energy

SCOPE 3

"VALUE CHAIN"

All other emissions associated with a company's activities

(US) The SEC and ESG Disclosures

The New US Rules Are Based on TCFD Recommendations

CLIMATE-RELATED DISCLOSURES:

Governance	The internal structure to provide oversight on climate-related initiatives, risks, and opportunities
Strategy	Providing an overview of how physical and transition risks affect the business, including scenario analysis
Risk management	How the company identifies, manages and address climate-related risks
Metrics and targets	Scope 1 & 2 GHG emissions; material Scope 3 emissions; targets

PROPOSED ADOPTION TIMELINE (SUBJECT TO CHANGE)

Registrant Type	Scope 1 and 2 GHG Emissions	Scope 3 GHG Emission Disclosures	Attestation on Scope 1 and 2 GHG Emission Disclosures
Large accelerated filer	FY 2023	FY 2024	Limited assurance — FY24 Reasonable assurance — FY26
Accelerated filer	FY 2024	FY 2025	Limited assurance — FY25 Reasonable assurance — FY27
Nonaccelerated filer	FY 2024	FY 2025	Not required
Smaller reporting company	FY 2025	Exempted	Not required

SEC Rules or Proposals - Other ESG Topics

CYBERSECURITY DISCLOSURES

The SEC now requires companies to provide cybersecurity disclosures beginning with annual reports for fiscal years ending on or after Dec. 15, 2023. Learn more in this related article:

[The SEC Cybersecurity Disclosure Rule Is Official: The Path to Compliance Starts Now]

HUMAN CAPITAL DISCLOSURES

The SEC is set to propose new disclosures on human capital — with details likely to be released in October.

(Europe) Is CSRD Relevant for My Business?

WHICH COMPANIES?

Non-EU Parent Companies with listed securities on an EU-regulated market or those meeting the definition of a “large undertaking” and exceeding certain EU revenue thresholds.

Certain EU subsidiaries considered a “large undertaking” may be required to report earlier than non-EU parents.

A **“large undertaking”** exceeds at least **2 of these 3 metrics** on two consecutive annual periods:

- **Net assets of €20 million;**
- **Net turnover (revenue) of €40 million; and,**
- **Average of 250 employees.**

WHAT STANDARDS APPLY?

(details on following pages)

- European Sustainability Reporting Standards **(ESRS) initial set of 12 standards** were finalized in July 2023.
- The EU Taxonomy Regulation (Article 8) and related KPI reporting is also required to be adopted by companies under CSRD.
- Companies will have to conduct a **double materiality assessment**
- **Mandatory assurance** is expected

WHEN WILL REPORTING BE REQUIRED?

2025	**Listed enterprise in EU-regulated market** reporting as early as 2025 (for 2024 information)
2026	**EU Subsidiary of Non-EU Company** could report as early as 2025 or 2026 (depending on circumstances)
2027	
2028	
2029	**Non-EU Parent Company** enterprise-wide reporting in 2029 (for 2028 information)

(Europe) Complying with CSRD and ESRS

— Process for CSRD compliance and understanding any gaps in ESRS disclosure requirements:

1. Assess scope of CSRD
2. Conduct double materiality assessment
3. Perform disclosure gap analysis
4. Design reporting roadmap

Cross-cutting all sectors, there are 12 ESRS standards:		
Cross-cutting	1	General requirements
	2	General disclosures
Environmental	E1	Climate change
	E2	Pollution
	E3	Water and marine resources
	E4	Biodiversity and ecosystems
	E5	Resource use and circular economy
Social	S1	Own workforce
	S2	Workers in the value chain
	S3	Affected communities
	S4	Consumers and end-users
Governance	G1	Business conduct

Polling Question 2

What regulatory jurisdiction(s) are most relevant to your business?

A	United States of America
B	European Union
C	USA and EU
D	Other

(Global) How will IFRS Impact US Companies?

IFRS Sustainability Disclosure Standards

- A **consolidation of sustainability frameworks** (SASB, TCFD, CDSB) that aligns to CDP, GRI, and EU ESRS
- IOSCO endorsed and G7/G20 countries engaged
- **Voluntary for now…** until regulators in local markets adopt
  - IFRS **S1 assesses sustainability risks/opportunities**
  - IFRS **S2 aligns to TCFD climate-risk disclosures**
  - Internationalizing SASB and expanding to **other topics** (e.g., biodiversity, human rights, and human capital)

READ RELATED INSIGHTS AT RIVERON.COM

Prepare for the Global Sustainability Baseline: 2023 IFRS Symposium Insights

New IFRS Standards to Shape Sustainability Reporting: What CFOs Should Know

While not mandatory, IFRS can strengthen your ESG strategies

Industry-specific guidance can inform your sustainability risk assessment and develop an investor point of view

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Investing in the quality of your ESG data collection and reporting process can set you up for success.

Even without regulation as a driver, your largest investors, customers, and suppliers may request data and assess your sustainability disclosures against their expectations and requirements.

Audit-Ready ESG Reporting: One Company's Approach to Assurance

A manufacturer standardized its global carbon emissions reporting in line with its industry protocol. The company has EU-based reporting requirements and a goal of net zero emissions by 2050.

CHALLENGE

The company had disparate emission calculation practices across its North American operations that needed to be standardized for reporting and audit purposes. It needed to receive an external opinion of assurance over certain ESG data and disclosures in Europe and therefore wanted to enhance its reporting procedures in North America.

APPROACH

Performed a **current state review** of ESG data collection and reporting procedures across the North American region.

Through **end-to-end walkthroughs** with local management, finance, and environmental leaders, we helped to **identify internal control gaps, update existing carbon accounting processes and design new controls.**

NEXT STEPS

Well-defined ESG governance and data collection processes, including internal controls designed to mitigate the risk of error, with clear evidence of performance.

Investor-grade carbon reporting designed to be audit-ready.

Local engagement to facilitate adoption of controls across the North American region.

US mandatory assurance is anticipated to be required for GHG emissions (Scope 1 and 2 initially) under the proposed climate disclosure rule.

European mandatory assurance requirements may be more expansive in scope given the breadth of ESRS topics.

In preparation for these requirements, **COSO's recent study** highlights how to apply internal controls over sustainability reporting.

The IAASB is developing a global standard for sustainability assurance; assurance providers are following AICPA and IAASB best practices.

Climate Strategies: Common Pain Points and Reporting Requirements

Exploring ESG Trends, Company Impacts	Navigating Global Regulations	Considering Climate Risk Strategies	Recap, Q+A, Resources

The Path for Complying with Climate Disclosures

To tackle compliance with climate-related regulations, companies should work through the items below (shown in order of complexity).

START	→	→	→	→	→
	Regulatory diagnostic *	Scope 1 and 2 emissions	Scope 3 emissions	Board and management oversight	Climate risk assessment

*This chart shows the steps for climate reporting readiness. A similar approach can be designed to address other environmental and social factors. Similarly, in Europe, a double materiality assessment would identify material ESG topics, and each topic would require a unique roadmap and set of disclosures.

↓

←	←	←	←	←	←
Emissions Verification (Third-Party Audit)	Emission Reduction Targets	Financial impacts of climate events and transition activities	TCFD	CDP	Integration of climate risk into overall enterprise risk mgmt.

- Don't be daunted by getting started! Your company's existing strategies and tactics can feed into this path at any stage of maturity.
- If your company reaches the end of this path, it will be well-positioned for any US regulations that arise.

Emissions: Defining Scopes 1, 2, and 3

SCOPE 1

"BURN"

Direct emissions from the reporting company's operations

SCOPE 2

"BUY"

Indirect emissions from purchased energy

SCOPE 3

"VALUE CHAIN"

All other emissions associated with a company's activities

Scope 1 and Scope 2 Emissions

SCOPE 1

- **Generator Fuel**
  Amount of fuel consumed from on-site generation (i.e., generators)
- **Mobile Transport**
  Type and amount of fuel consumed by company-owned or controlled transportation and type of transportation (i.e., heavy-duty trucks)
- **Refrigeration and AC**
  (if significant) Yearly purchased amount of gases for refrigeration and AC and what kind of gases
- **Fire suppression systems**
  (if significant) Yearly portable or fixed expired/used amount of fire suppression

SCOPE 2

- **Purchased electricity**
  Purchased electricity in kWh for each facility and the location of those facilities
- **Purchased heat and steam**
  Purchased natural gas usage for heating or steam

Define Scope & Process

Calculations

Define organizational boundaries	Determine emission sources	Establish data collection process	Emissions calculations	Manual calculation quality check

Scope 3 Emissions

Scope 3 data largely depends on the relevance of the GHG Protocol's 15 categories:

Purchased goods and services	Capital Goods	Fuel and energy-related activities	Upstream transportation and distribution	Waste generated in operations
Business travel	Employee commuting	Upstream leased assets	Downstream transportation and distribution	Processing of sold products
Use of sold products	End-of-life treatment of sold products	Downstream leased assets	Franchises	Investments

Quantify scope 3 emissions by determining the materiality and importance of each category.

Research relevant lifecycle assessments → Rank categories by priority → Create value chain map → Assign teams to collect data for categories → Research emission factors and calculate emissions

Case Study: How a Media Company Sharpened Its ESG Program and Reputation

Defining ESG priorities and shaping an investor-friendly approach to Scope 3 reporting

CHALLENGE

The Board of Directors expected progress on the company's ESG efforts. At the time, the company had some social metrics—but subpar governance and few environmental disclosures.

In addition, the company faced investor pressure to more clearly define and communicate GHG reduction targets.

APPROACH

The team crafted and informed strategies by:

- Benchmarking ESG performance against relevant peers
- Performing a gap analysis
- Analyzing ESG rating provider methodologies
- Conducting in-depth research that included gathering four years of Scope 1 and 2 emissions data

RESULT

Improved ESG scores and stakeholder reception due to enhanced corporate disclosures and ESG data on proxy

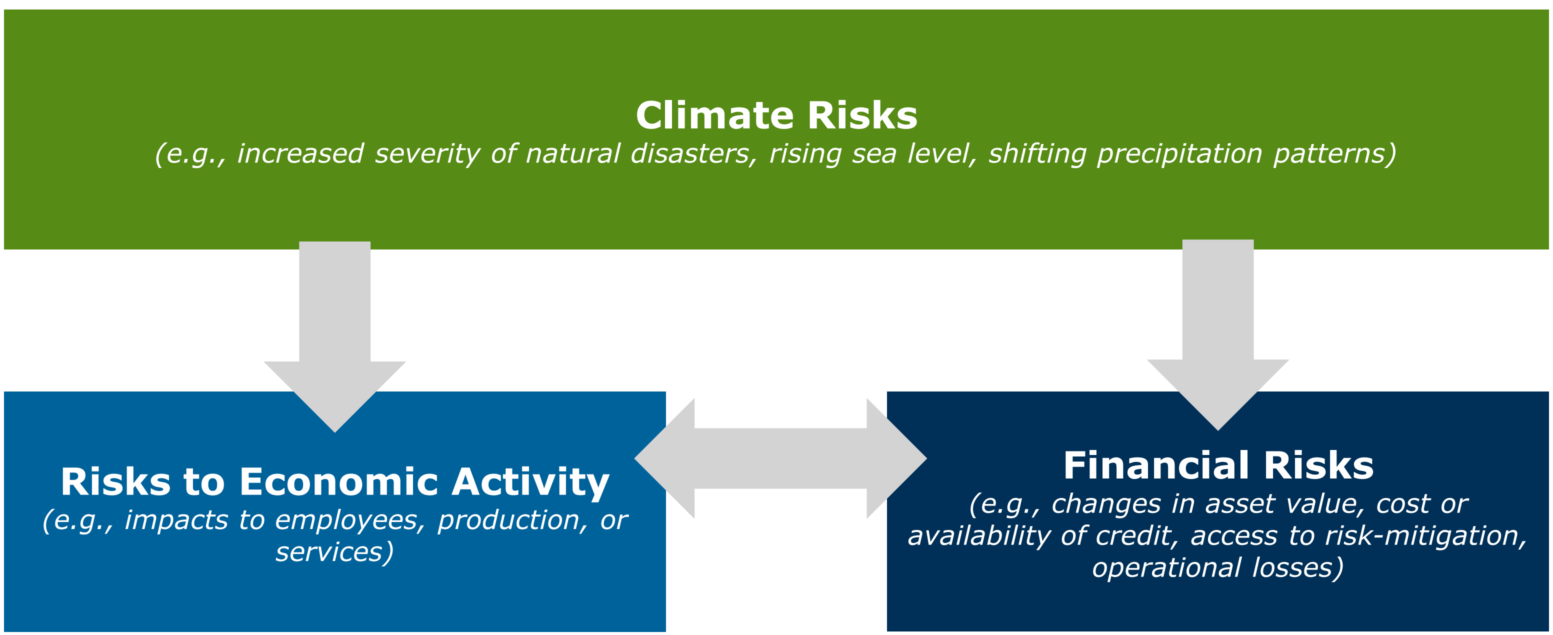
Developed a firm grasp of the company's emissions footprint and communicated a long-term emissions **reduction target** that satisfied investors, customers, and other stakeholders

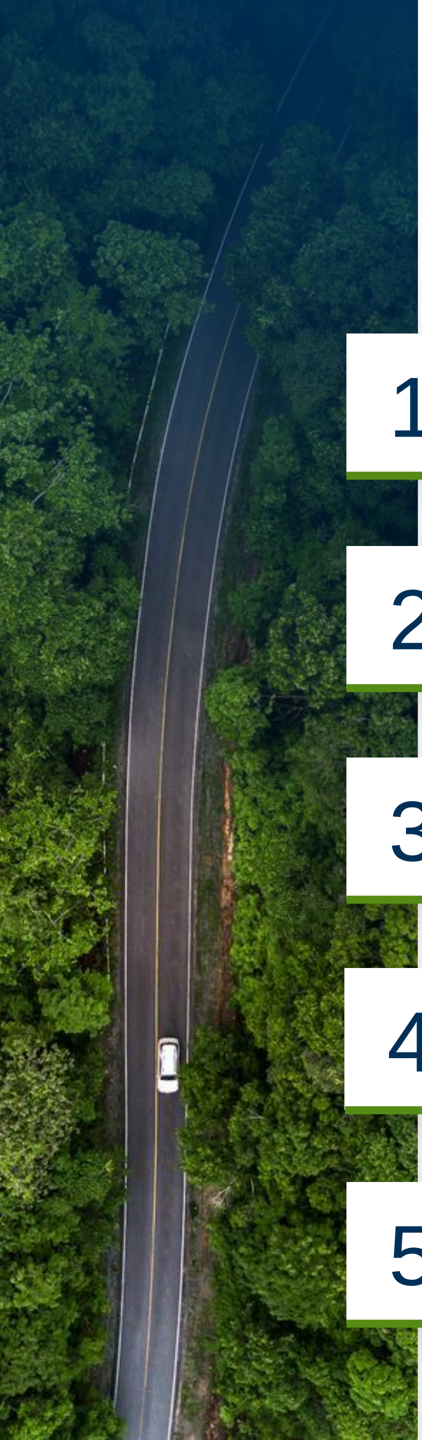
The company's efforts clarified actions the business could take to improve its growth performance, ultimately strengthening its reputation with the Board and key investors

Climate Risk Assessment

What are the implications to your business, strategy, and operations due to the present and future effects of climate change?

- To focus the assessment, select facilities and **business critical infrastructure** most essential to financial performance and maintaining business operations
- **Physical Risks** result from weather events and the environmental impacts of climate change
- **Transition Risks** result from adopting practices to shift to a low-carbon economy; can be industry-specific





Process Overview: 5 Stages of a Climate Risk Assessment

1

Map Physical Footprint

Determine scope and operational boundaries of the assessment

2

Identify Physical and Transition Risks & Opportunities

Identify factors relating to a company’s locations, operations, and industry

3

Climate Scenario Analysis

Integrate physical and transition climate scenarios to project future risks

4

Risk Management

Conduct adaptive capacity assessment; integrate climate risks in to ERM process

5

Risk Disclosure

Prepare findings as 10-K disclosure

Case Study: Conducting a Climate Risk Assessment Aligned to TCFD

How a company with many business segments and geographies unified its ESG data and addressed risks

CHALLENGE

A large, global distribution company with 800+ locations needed to centralize data collection, governance structure, and climate risk management **across many business segments and geographies** prior to embarking on TCFD disclosures.

APPROACH

Through a **highly collaborative process** that encompassed risk management, sustainability, finance, and operations, the team:

- Conducted an asset-level climate risk assessment.

- Brought together data collection frameworks, governance structures, and emergency plans **to draw one overall picture of risk** for the company.

RESULTS

Prepared a full GHG reporting and climate risk assessment for upcoming 10K filing.

Created a roadmap for a **better understanding of data and material climate risks** at the BU level, including recommendations for Accounting and Business Risk functions.

Climate risk is now integrated into the company's overall strategy.

CDP and TCFD: Synergies and Differences

TCFD Pillar	Associated CDP Module
Governance	C1 (Governance)
Strategy	C3 (Business Strategy)
Risk Management	C2 (Risks and Opportunities)
Metrics and Targets	C4 (Targets and Performance; C6 (Emissions Data); C9 (Addt'l Metrics)

TCFD

Board Oversight of ESG
Update Governing Documents/Procedures

Climate Risk Statement
Integrate into 10-K Filing

Risk Management Statement
Integrate in 10-K Filing

Climate Scenario Analysis
Disclose GHG Scenarios in 10-K

CDP

Emissions Inventory
Scope 1 & 2 (at least)

Board and Mgmt Oversight of ESG
Update Governing Documents/Procedures

Risk and Opportunities
Process and/or model to identify risks

Climate Scenario Analysis
Disclose GHG Scenarios

Target Setting
Emission Reduction % and Monitoring

Task Force on Climate-related Financial Disclosures (TCFD)

Carbon Disclosure Project (CDP)

Polling Question 3

Which sustainability frameworks do you currently consider or use to align your disclosures?

(Select more than one, if applicable.)

A	TCFD
B	CDP
C	SASB
D	Other / None of the above

Case Study: Establishing a Repeatable Framework Aligned to TCFD and CDP

A company with facilities across North America tapped into existing strengths related to environmental data gathering and established a repeatable, stakeholder-friendly approach to disclosures.

CHALLENGE

A company (with 10 facilities across North America) had a strong basis for environmental disclosures but needed to establish a repeatable framework.

The company had been receiving disclosure requests from customers and other stakeholders (TCFD and CDP) and needed to prioritize

APPROACH

Conducted a climate risk assessment to identify physical and transition risks and integrate those within the ERM process; aligned strategies

Prioritized TCFD first (less data-heavy) and met investor needs.

Mapped all TCFD requirements and a tailored/streamlined process aligned to CDP

RESULTS

Mapped a full version of climate change questionnaire

Established a process to update everything annually and TCFD bi-annual

Ability to answer customer/stakeholder requests based on deep understanding of the data

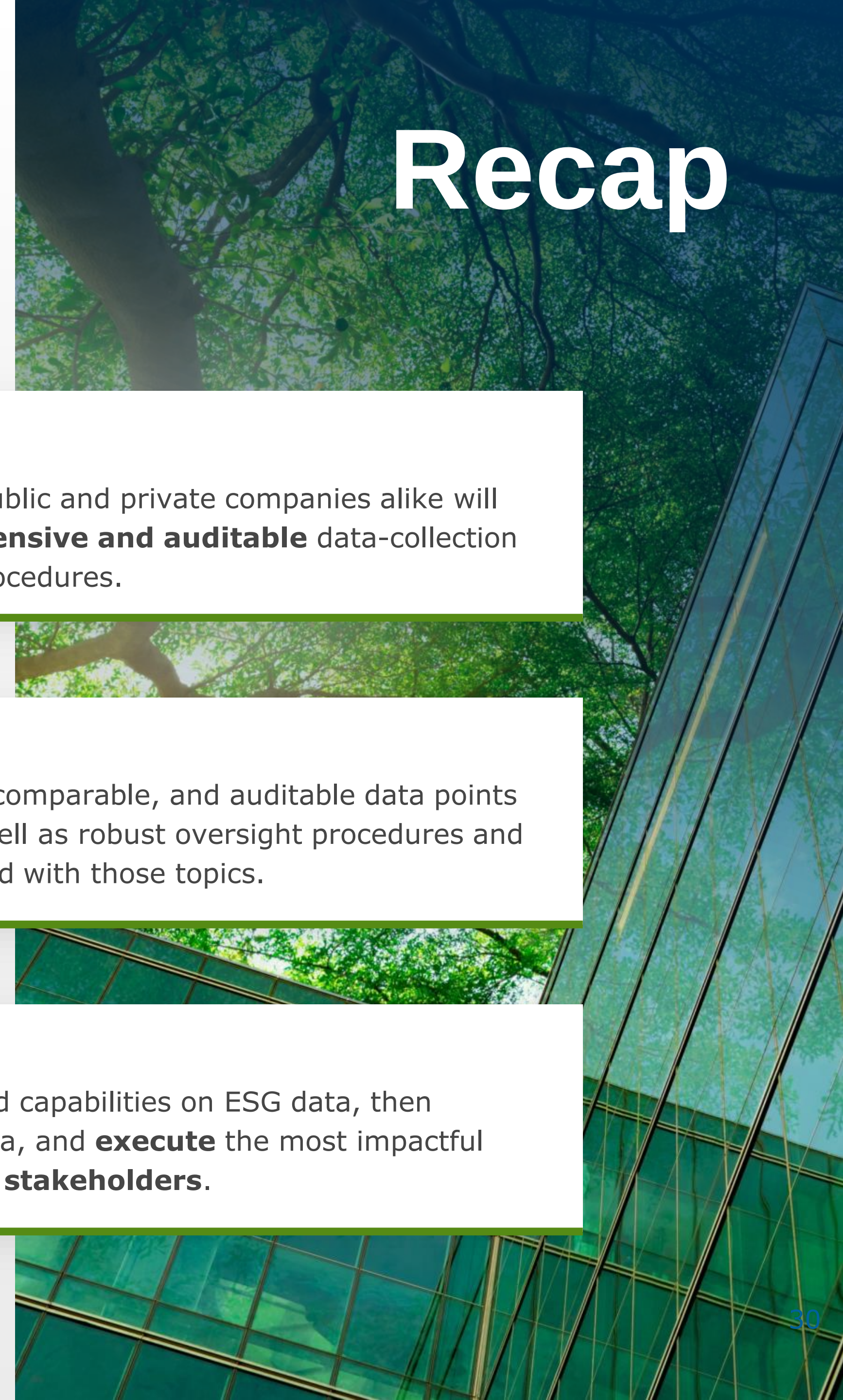
The company has all ESG reporting processes in place necessary to respond to stakeholder requests for information

Recap Q&A, and Resources

Exploring ESG Trends, Company Impacts	Navigating Global Regulations	Considering Climate Risk Strategies	Recap, Q+A, Resources

Three key takeaways from today’s webinar

Recap



1 **RESPOND TO RISING ESG PRESSURES**

Because of emerging regulations across the globe, public and private companies alike will **face increased pressure to implement comprehensive and auditable** data-collection processes, monitoring approaches, and disclosure procedures.

2 **PREPARE FOR KEY TOPICS**

Regulators in the US and Europe seek standardized, comparable, and auditable data points on **climate**, **human capital**, and other factors, as well as robust oversight procedures and strategies to monitor and manage the risks associated with those topics.

3 **DRIVE SUCCESS STRATEGICALLY**

Each company should **evaluate** its current status and capabilities on ESG data, then **create** the procedures needed to provide reliable data, and **execute** the most impactful reports and actions **tailored for the most relevant stakeholders**.

Polling Question 4

Does your organization have a dedicated ESG team, steering committee, or director of sustainability?

(Select more than one, if applicable.)

- A — ESG Team
- B — Steering Committee
- C — Director of Sustainability
- D — Other / None of the above

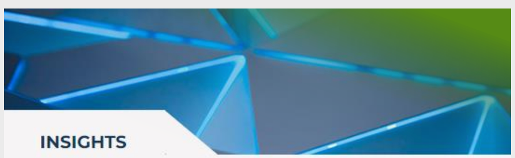
Q&A

Frequently asked questions …

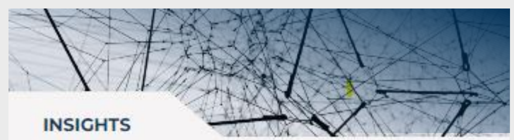
- On ESG: This seems overwhelming for the Office of the CFO - where do we start?
- On Global: How are global standards and regulations relevant to private companies?
- On Climate: How do we account for our emissions if we don't own our facilities?

Other questions from today's chat …

Related Resources



New IFRS Standards to Shape Sustainability Reporting: What CFOs Should Know



Minding the Move to Mandatory ESG Reporting

As ESG Becomes More Mainstream, Consider COSO's Guidance on Internal Controls …Sustainability

CONTACT US to connect with one of our experts

View additional insights HERE

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