ESG REFERENCE GUIDE

Eventus Advisory Group, LLC

Purpose and Background

Businesses are under mounting pressure to provide greater transparency about organizational performance beyond traditional financial metrics, as ESG (Environmental, Social, and Governance) considerations have become front and center. Many investors will only invest in companies that are actively addressing sustainability issues. Other stakeholders, including employees, customers and suppliers, are holding businesses accountable in this arena as well. As businesses continue to embed ESG considerations into their operating models, there is growing proof that companies who are actively addressing sustainability issues are more profitable and resilient than peer companies who are not also addressing these issues.

ESG Considerations

The Three ESG Pillars

The three ESG pillars and corresponding relevant topics to consider within each pillar are as follows:

Environmental Considerations – Emissions and waste, greenhouse gases, energy efficiency, climate change, recycling, net zero, preserving habitats and wildlife protection

Social Considerations – Diversity, data protection, equal opportunities, human rights, health and safety, fairness

Governance Considerations – Risk management, regulatory compliance, internal controls, internal/external audits, transparent reporting

Currently, global sustainability standards are being developed with the purpose of providing consistent methods to monitor, measure, & report on ESG initiatives. While the standards are not yet complete, companies still need to take the initiative to identify their ESG gaps, remediate those gaps and report on their progress to all of their existing stakeholders. Being proactive in this manner will create a smoother transition to support global compliance when the relevant standards are inevitably finalized.

Reporting

Some of the major challenges currently facing companies regarding ESG reporting include 1) inconsistency between the numerous frameworks and standards established for voluntary ESG reporting and 2) emerging regulatory reporting mandates. For example, the SEC's most recent ESG rulemaking, "The Enhancement and Standardization of Climate-Related Disclosure for Investors", was originally proposed in March 2022. However, due to a significant number of comment letters received from stakeholders, the rulemaking still has not been finalized as of July 2023. Thus, there is currently no widely accepted method to measure and report progress, making comparisons from one entity to another entity very difficult.

While there may not be a single ESG reporting framework that all entities are currently utilizing, the most commonly referenced sustainability-related reporting frameworks are the:

1. Global Reporting Initiative (GRI)
2. Sustainability Accounting Standards Board (SASB)
3. Task Force on Climate-related Financial Disclosures (TCFD)
4. International Sustainability Standards Board (ISSB)

GRI is the most commonly used framework when reporting on ESG impacts. However, the actual information reported under the framework may differ among entities. For example, some entities may provide the information in their annual reports, while others may provide the information via their website or through standalone sustainability reports.

As noted above, recent research has shown that there are significant differences in reporting practices among various jurisdictions and entities. Further, only about half of the companies that are currently publishing sustainability information are subject to external assurance on that information. For those that do obtain assurance, it is often provided by consultants or others, and not by certified professional bodies. Thus, although the frequency of reporting ESG information is high, the incidence of assurance is not.

In summary, the most significant reporting challenges are:

1. The lack of unified reporting standards, which makes it difficult to define specific goals and measure actual results
2. Data collection and reporting is at the discretion of each organization
3. Varying legal, stakeholder, and regulatory expectations make it confusing for international businesses to comply
4. Anticipating the eventual outcome of the SEC's recently proposed climate rulemaking

Our services

Eventus can provide several ESG-related services, including:

1. *ESG Gap & Impact Assessment* – Identification of a client's most significant ESG-related risks and control gaps or opportunities for enhancing internal controls

2. *ESG Policies* – Preparation or review of ESG policies detailing an organization's ESG initiatives

3. *Reporting and Compliance* – Review of or guidance around preparation of ESG disclosures leveraging existing frameworks as a proxy, including the continued monitoring and compliance with the guidelines outlined in the recently proposed SEC rulemaking when it is finalized

4. *Data Collection & Analysis* – Guidance and/or referral to SME organizations specializing in ESG data collection and reporting including greenhouse gas (GHG) emissions and net zero initiatives

5. *ESG Ratings and Downstream Rewards* – Guidance and/or referral to SME organizations specializing in formal ESG ratings as well as awards and recognition for companies advancing business sustainability through ESG considerations