

Checklist: Prioritizing ESG Reading Materials

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The amount of reports, studies and other information about the importance or value of ESG is overwhelming. Practitioners are finding it difficult to prioritize information to stay abreast of meaningful updates. Further complicating the situation is that much of the material is conflicting, confusing and requires fluency in an entirely new language of terms, acronyms and abbreviations. The flood is a result of an unprecedented confluence of legal, market, public policy and consumer sentiment developments such as:

- New ESG standards, laws and regulations are either in development or have recently been enacted around the globe.
- New markets for ESG-aligned financial and consumer products are growing faster than other segments. Admittedly, the ambiguity in defining “ESG-aligned” allows the tag to be attached to about anything so in some ways, this claim could be misleading.
- Sovereigns are developing new policy positions (or updating existing ones) on climate, water and human rights issues.
- Consumers are more encouraged and empowered than ever by the above, adding fuel to the cycle.

Underpinning the change are technology, social media and FOMO (Fear of Missing Out):

- Technology such as blockchain and claims of artificial intelligence are showing that getting supply chain information/traceability – once considered impossible – is now almost easy.
- Reputational impacts stemming from social media are recognized as real business risks. Social media has also been proven to be a path for new product development opportunities and influencing public policy dialogue.
- Individuals (*en masse*) are aggressively acting upon their desire to capitalize on current trends.

A great deal of the information is aspirational, marketing hype, general media coverage or highly technical. Here are ideas to help make your reading rituals more efficient and focused.

ESG information to prioritize

- 1. Updates on ESG reporting standards and materiality assessment frameworks.** From an operational and administrative perspective at the moment, perhaps nothing is more overwhelming and confusing than the ESG disclosure landscape.
- 2. Regulatory and legal changes in jurisdictions relevant to your company.** Laws are changing worldwide, imposing new requirements for climate risk management, emissions limitations and taxes, human rights/slavery, biodiversity and numerous other topics.
- 3. Liability and litigation analyses in jurisdictions relevant to your company.** ESG lawsuits are on the rise globally, not just in the US. Legal doctrines and procedures differ based on the country and may be unfamiliar to those in US-based companies so it is best to give these updates importance.
- 4. Investor initiatives, proxy actions and trends.** ESG proxy actions saw few successes in years past. However, 2021 was a dramatic tipping point that makes tracking proxy developments more critical. Even proposals that are ultimately withdrawn before a vote can lead to significant commitments on the company's part. Staying abreast of new topics of concern to your shareholders or industry or at a macro-level can be valuable in preparing for actions that may arise for your own company.
- 5. Liability and ESG competence developments related to Boards.** The nature of Director expectations and liability is changing around ESG matters, impacting management actions, shareholder activism and potentially Director & Officer insurance coverage terms.
- 6. ESG data verification/validation risks and solutions.** Internal controls and validation processes are widely lacking for

self-reported ESG data that forms the foundation on which investors, advisors, regulators and the public rely. Recognition of this gap is increasing, as is the need for companies to understand ways to address it. Organizations must be aware of the need for issuing credible data and potential solutions for doing so. However, this is also a topic that is rife with marketing hype so it can be challenging to determine what reading material to prioritize and what to ignore.

7. **ESG communications from customers and suppliers.** Similar to investors, customers will tell you what ESG information they want. Suppliers provide you ESG information about them that ultimately is reflected in what you send out to the world.

Information helpful as context

1. **Sovereign public policy announcements** tend to be aspirational, but sometimes include practical guidance, which is especially valuable to those interested in a long-term outlook for business investments.
2. **Speeches and public statements from regulators** can give excellent legal and jurisdictional context relative to regulation interpretation or development, yet partisanship can taint the statements, leading to conflicts with each other and additional confusion.
3. **Academic papers/studies** can be interesting, if not typically highly specialized and technical. Many times, they are not immediately and directly actionable, but can illustrate credible frameworks on which action may be based. They also list additional references and research for further information or context.
4. **NGO studies and reports.** These tend to presage hot ESG topics as the media picks up on them, amplifying their message.
5. **Media coverage – general and financial.** Media can be helpful in spotting new or emerging ESG concerns, although it may also reflect bias or political agendas and therefore may be best considered a tool for flagging matters for further evaluation.

6. Technology developments. Technological advances in information management, supply chain management, manufacturing processes, pollution control and materials science can be significant and widely applicable. It may be most effective to route these reading materials to appropriate technical departments/personnel for their review and evaluation.