

ESG Reports: Dos and Don'ts



Corporate issuers are seeing escalating interest in their Environmental, Social and Governance (ESG) initiatives from multiple stakeholder groups including investors, regulators, third-party advisors, employees and business partners. With more investors now demanding ESG disclosure and incorporating ESG into their investment analysis of a company, issuers are increasingly responding by publishing a separate ESG report. This undertaking involves assessing which metrics are meaningful to the company and investors, gathering data across the company, educating people throughout the company about the relevance of ESG reporting and producing and publishing the actual report.

One barrier to the widespread adoption of ESG reporting has been a lack of common reporting standards that would apply to all countries. Without consistent and comparable ESG information, investors lack decision-useful data. To address this issue, the IFRS Foundation formed the International Sustainability Standards Board (ISSB) in late 2021 and has created draft global ESG disclosure standards.

ESG Reports: Dos and Don'ts

To assist companies with producing ESG reports, CIRI has developed this tip sheet. Since companies may be at different stages in their ESG reporting, it offers ideas for both those early on their journey and those more advanced, as well as a number of suggestions for all reporting issuers.

All Reporters

Do

- Monitor developments in ESG reporting standards and regulatory requirements (ISSB, GRI, CSA, SEC). CIRI, for example, provides regular updates about ESG developments impacting Canadian companies.
- Establish an ESG governance structure responsible for oversight of reporting and goal setting.
- Identify material ESG disclosures for your company by conducting a materiality assessment. Determine your material ESG risks and opportunities from your materiality assessment and review the adequacy of your current risk mitigation procedures and programs for these risks.
- Understand your existing and targeted investors' ESG interests and commitments by discussing these with them and reviewing their public disclosures, including available voting guidelines.
- Benchmark ESG metrics by reviewing peer reports or purchasing this data.
- Develop your ESG messaging annually.
- Provide balanced reporting by disclosing both your successes and your areas for improvement to build trust with your audience. Only use words such as 'first', 'best' and 'leader' when you can back up the statement with metrics or other documentation. Greenwashing is a reputational risk that can impact your corporate credibility and brand.
- State what standards you are using (i.e. SASB, GRI, etc.) and for financially material metrics, disclose the composition.
- Define terms associated with ESG disclosures that lack well-understood definitions. Use plain English and avoid jargon.

Establish an ESG governance structure responsible for oversight of reporting.

Don't underestimate the impact of your report.

Don't

- Overstate your ESG performance by choosing ESG metrics solely because they demonstrate positive performance and ignore ones that don't.
- Change metrics without explaining the reason for the change and providing a restatement of prior periods, where possible.
- Assume users of ESG data are the same. Tailor your ESG messaging to the different audiences of the report.
- Post your report only to your website. Consider issuing a news release and communicating about it on social media. Use internal communication channels to build awareness with employees.
- Underestimate the impact of your report.

New ESG Reporters

Do

- Get started. As they say, 'Don't let perfect be the enemy of good'.
- Start small and build your disclosure over time. Focus on doing a few things well.
- Review peer reports to get ideas and to use as a guideline.
- Consider hiring an ESG consultant to assist you on your first report.
- Use quotes, stories and examples to make your disclosure more compelling and use photos, diagrams and other graphic elements to make your report visually interesting. Consider using a professional design firm to make your report look its best.
- After publishing your first report, seek feedback from shareholders and other stakeholders to help inform what content and process changes you would like to make next year and beyond.

Don't

- Underestimate the time it will take to produce your first report. For example, include time for your executive team and Board to review the report a few times before providing their final approval.
- Assume that your employees, executive team and Board are knowledgeable about ESG.
- Underestimate internal pushback on desired new disclosures.

Experienced ESG Reporters

Do

- Advocate for your position. Actively participate in discussions about proposed ESG reporting standards and regulatory requirements (ISSB, GRI, CSA, SEC) by, for example, attending events, providing feedback or participating on committees.
- Consider hiring an ESG consultant to make independent recommendations on how to improve your report.
- Consider hiring a professional writer/editor.
- Consider investing in software to manage the report drafts and data. This software makes the process more robust by providing an audit trail for all changes and one spreadsheet for all data as well as storing backup documentation.
- Prioritize disclosure topics to enhance each year based on what information shareholders and stakeholders most want.
- Include your ESG strategy and describe your processes for oversight by your executive team and your Board.
- Be clear on what geographic regions and businesses are included in each Key Performance Indicator (KPI) and use footnotes to disclose any exclusions.
- Provide at least three years of historical data for all KPIs in your report to show trends. In addition, include stand-alone ESG data tables for historical data and add to this each year.
- Make a multi-year plan for significant disclosure enhancements, to bring internal stakeholders along one step at a time.

Don't

- Provide your multi-year stand-alone ESG data tables only as a PDF. Investors prefer Excel files for quantitative information.
- Wait to implement internal controls on ESG data as your reporting progresses. Commit to external reviews or assurance to verify data, including greenhouse gas emissions.
- Delay your planning to aim to have all your ESG data ready for publication at the same time as you issue your year-end financials. Current proposals from Canadian and U.S. regulators and global standard setters support this direction.

Resources

Canadian

[Canadian Investor Relations Institute \(CIRI\)](#)

CIRI produced an ESG webinar series for its members with topics from learning about international best practices on ESG disclosures to updates on the different ESG frameworks. It regularly updates members on new developments in the ESG space through news bulletins, Issues Backgrounders and other publications.

[Canadian Securities Administrators \(CSA\)](#)

The Canadian Securities Administrators publishes and adopts rules and issues guidance for companies related to disclosures about corporate governance including Board diversity, environmental and social issues, especially climate, non-GAAP and other financial measures. In October 2021, the CSA proposed new disclosure requirements for issuers on climate (NI 51-107) and asked stakeholders to provide feedback by January 2022. No further updates have been issued by the CSA yet.

[Toronto Stock Exchange – Learning Academy ESG Management](#)

TSX provides ESG guidance around disclosures through a series of webinars under its Learning Academy.

International

[International Sustainability Standards Board \(ISSB\)](#)

The International Sustainability Standards Board is working to develop a comprehensive global baseline of sustainability-related disclosure standards that would provide information about companies' sustainability-related risks and opportunities. The Value Reporting Foundation, created through the merger of the [Sustainability Accounting Standards Board \(SASB\)](#) and the Value Reporting Initiative has been consolidated into the ISSB. Key exposure drafts released for comment to date include:

- [Exposure Draft on IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information](#)
- [Exposure Draft on IFRS S2 – Climate-related Disclosures](#)

[Global Reporting Initiative \(GRI\)](#)

GRI provides the world's most widely used standards for sustainability reporting – the GRI Standards. It signed an MOU with the ISSB in March 2022 to try and coordinate work programs and standard-setting activities.

[Task Force on Climate-related Financial Disclosures \(TCFD\)](#)

In 2017, the TCFD released a recommended framework for disclosing climate-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation. TCFD disclosure recommendations are structured around four thematic areas that represent core elements of how companies operate: governance, strategy, risk management and metrics and targets. These are supported by 11 recommended disclosures that build out the framework with information that should help investors and others understand how companies think about and assess climate-related risks and opportunities.

[Nasdaq](#)

In 2019, Nasdaq published the [ESG Reporting Guide 2.0](#) as a resource for issuers.

Did you find this resource helpful?
See what else CIRI has to offer at [CIRI.org](#).