

How finance professionals are helping to advance ESG reporting

ESG data and controls survey findings

May 2022

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Introduction

The environmental, social, and governance (ESG) landscape is rapidly evolving, driven by increasing demands from investors, regulators and other stakeholders. The need for high-quality disclosures and better-managed ESG activities through better use of data and key performance indicators (KPIs) is expected to be critical for companies' future.

This research comes at a crucial time for finance professionals, many of whom are tasked with assessing and executing ESG-related initiatives. Public companies are working through the potential implications of the recent Securities and Exchange Commission (SEC) proposal on climate-related disclosures by publicly traded companies that, if adopted as proposed, would require additional disclosures both outside the audited financial statements and inside the audited financial statements.

Our [To the Point publication](#) outlines those qualitative and quantitative disclosure requirements. Notably, the proposed disclosure requirements include processes for identifying, assessing and managing climate-related risks; board oversight of those risks; and a description of any analytical tools (e.g., climate scenario analysis) used. There is also a phased-in assurance requirement over Scope 1 and Scope 2 emissions. All disclosures would be subject to disclosure controls and procedures (DCPs), and disclosures inside the audited financial statements would be subject to internal control over financial reporting (ICFR). This will likely require additional diligence around assessing the current state of data collection, processes and controls and identifying any gaps in obtaining the required information for reporting purposes.

Our survey data coupled with insights obtained from interviews with finance executives point to an alignment among three key areas necessary to achieve world-class ESG reporting:

- ▶ Governance
- ▶ Processes and controls
- ▶ Data and technology

The application of these three fundamental components of financial reporting represents a vital aspect of progressing ESG reporting from what could be described as the first and less mature generation to the next while increasing the level of process rigor, use of automation, consistent policies and procedures, and finance-team involvement. Building the foundation of ESG reporting will likely necessitate the identification of appropriate technological tools to complement existing ones.

Interestingly, the survey results and interviews indicate a variety of approaches to governance and controls over ESG reporting and diversity in maturity of processes and governance structures.

Key findings

- ▶ Finance professionals report strong levels of involvement: While just 7% of chief accounting officers (CAOs) and 3% of chief financial officers (CFOs) "own" the ESG reporting process, more than 60% of respondents indicated that the CAO, CFO, head of SEC reporting, head of Internal Audit, and audit committees are either highly or moderately involved with ESG reporting efforts.
- ▶ Controls and processes are a work in progress: Just 8% of respondents indicated that they have a relatively complete set of procedures in place to drive consistent application of ESG data across the organization.
- ▶ ESG data is disbursed and resides in various databases and applications: 60% of respondents indicated that ESG information is a patchwork of software applications, and 55% of respondents are housing their ESG data in spreadsheets.



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About the report

The Financial Education & Research Foundation of Financial Executives International collaborated with Ernst & Young LLP (EY US) to develop the survey and interview questions, designed to uncover:

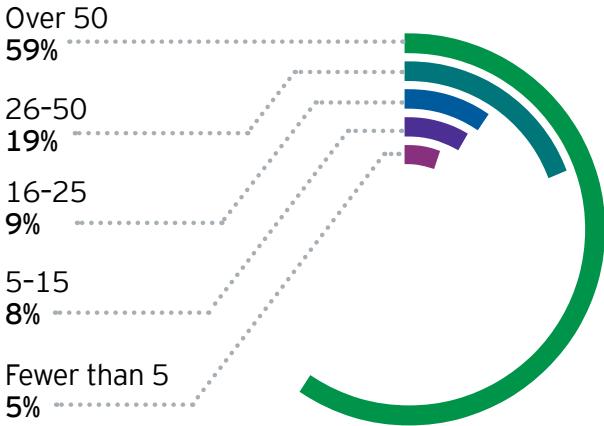
- ▶ The extent that members of the finance function have dedicated time and resources to address ESG reporting
- ▶ The robustness of formalized policies and procedures
- ▶ The roles and responsibilities of key individuals in the organization
- ▶ The most common ESG metrics that are reported and the timing and manner in which the data is collected

This report and the findings are based on a survey distributed to finance professionals from US-headquartered, publicly traded companies. In total, 72 chief accounting officers and controllers from some of the largest US companies responded to the survey. The findings were supplemented by interviews conducted with members of eight public companies, representing the surveyed population.

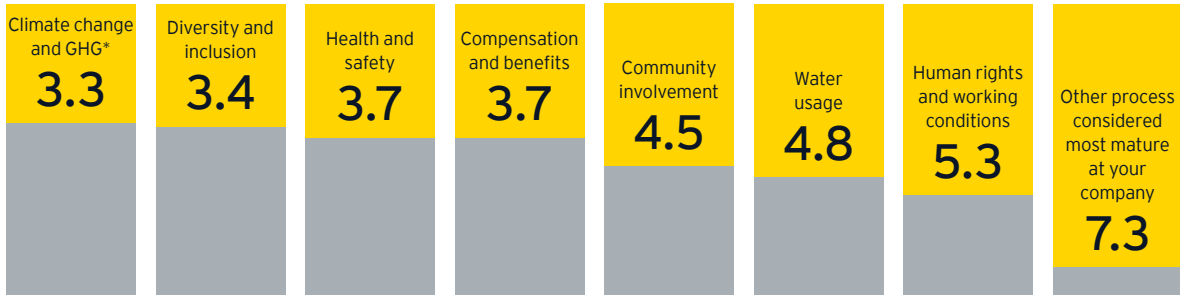
ESG reporting at a glance

How many metrics are you currently reporting externally (i.e., in a sustainability, ESG or corporate responsibility report, 10-K, or other equivalent report)?

Almost 60% of respondents indicated that their organization is currently reporting more than 50 ESG metrics in ESG, corporate social responsibility (CSR), 10-K or other publicly available reports – with the majority of the metrics reported in CSR or ESG reports. As outlined in our prior report, [Bringing the ESG Ecosystem to Life: Finance Professionals and the Sustainability Journey](#), companies most commonly used standards or frameworks published by the Sustainability Accounting Standards Board (SASB, now a part of the Value Reporting Foundation, which announced it would be merged into the newly formed International Sustainability Standards Board) (73% of respondents), the Global Reporting Initiative (GRI) (62% of respondents), and the Task Force on Climate-related Financial Disclosures (TCFD) (58%).



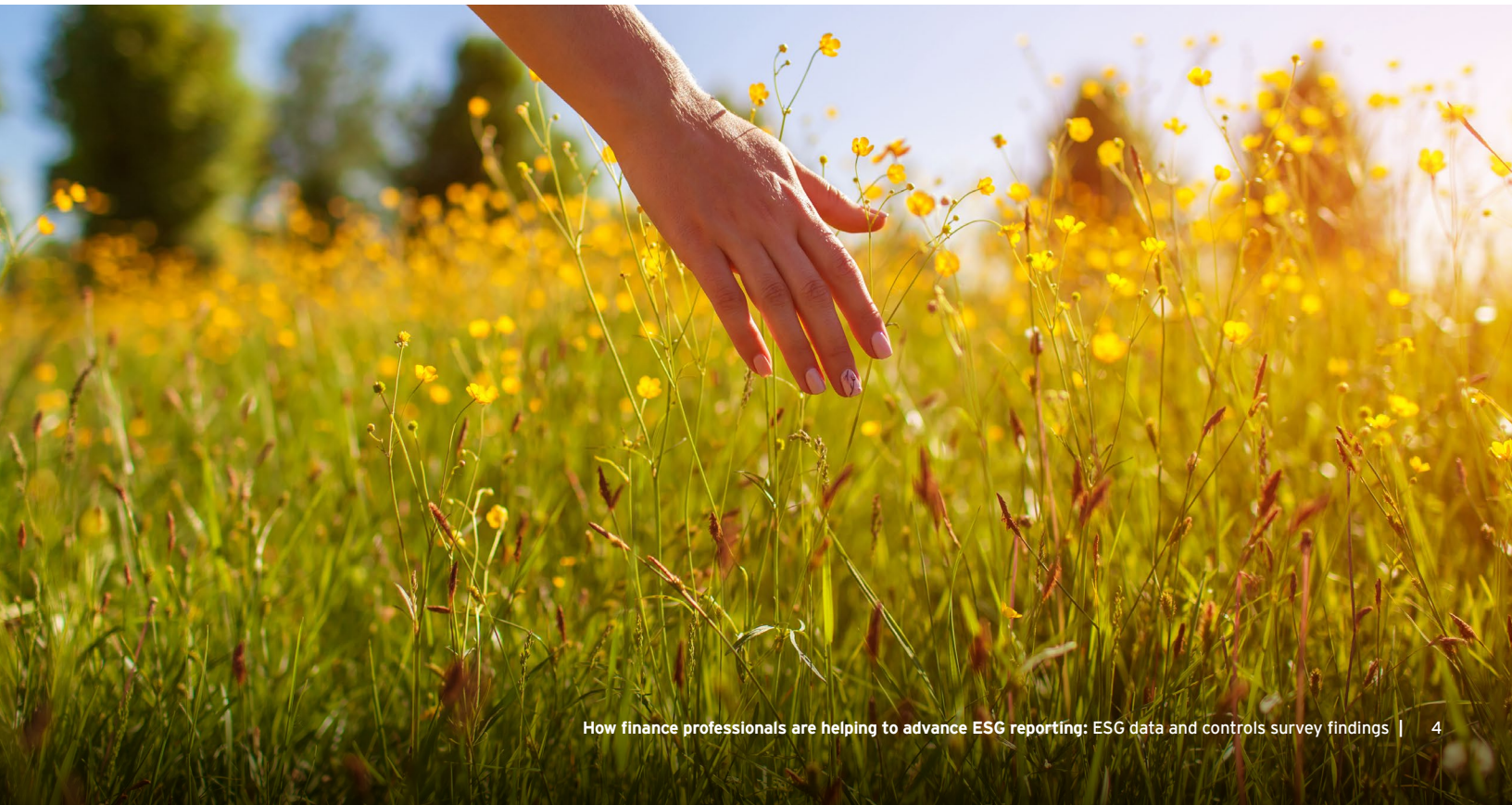
Please rank the below topic areas related to ESG from most mature (1) to least mature (8) in terms of your company's current reporting process:



Metrics related to climate change and greenhouse gas (GHG) emissions as well as diversity and inclusion were supported by the most mature processes. One interviewee surmised that these topics, regardless of industry, have been receiving prioritized attention based on the level of interest from stakeholders. That said, several interviewees remarked that the effort to properly address ESG reporting as a complete process is impracticable, and that they are prioritizing those areas that will have increased regulatory attention before moving on to other areas.

How involved are the following individuals in your organization with either collecting, processing, reviewing and/or reporting ESG data?

| | High involvement % | Moderate involvement % | Limited involvement % | No involvement % |
|-----------------------|--------------------|------------------------|-----------------------|------------------|
| CEO | 7 | 52 | 32 | 10 |
| CFO | 12 | 48 | 27 | 13 |
| CAO | 14 | 47 | 31 | 8 |
| CSO | 85 | 4 | 9 | 2 |
| CCO | 15 | 45 | 25 | 15 |
| Chief HR | 22 | 36 | 37 | 5 |
| CIO | 2 | 67 | 8 | 23 |
| Chief Legal | 27 | 25 | 45 | 3 |
| COO | 3 | 42 | 21 | 34 |
| Chief Procurement | 10 | 48 | 21 | 21 |
| CRO | 8 | 53 | 26 | 13 |
| CTO | 4 | 52 | 15 | 29 |
| Head of SEC Reporting | 22 | 42 | 30 | 6 |
| Head of IA | 16 | 53 | 21 | 10 |
| Audit Committee | 8 | 54 | 24 | 14 |
| Other Board | 15 | 40 | 40 | 5 |



Governance

Chief sustainability officers (CSOs) were identified as having the highest level of involvement with ESG reporting, with 89% of respondents indicating that their CSO is either highly or moderately involved. The degree to which other titles are involved at moderate and high levels is indicative of the multidisciplinary approach many organizations are taking. Notably, several functional members of finance are reportedly actively involved (high or moderate), including 60% of CFOs, 61% of CAOs, 64% of heads of SEC reporting and 69% of heads of Internal Audit.

Audit committee involvement is at a similar level to that of members of the finance function, at 62% ranked as high or moderate. One respondent whose audit committee is actively engaging with ESG reporting noted that the committee is expecting SOX-level controls supporting all publicly reported ESG information. Moreover, board oversight of ESG reporting is specific to each company – with some having dedicated ESG board committees and others having their audit committee address ESG matters; alternatively, oversight may be shared among board committees for particular topics (e.g., risk, audit, nominating/governance) or ESG as a board-at-large accountability. Many companies have also expanded their disclosure committee purview to include public ESG disclosures. (See [Disclosure committee report: practices and trends.](#))

Interestingly, very few chief information and chief technology officers appear to be participating in ESG reporting efforts at a high level, but a significant number of both roles are participating at a moderate level; this may be indicative of corporate efforts to scale up and support ESG reporting efforts via technology.

Both the head of legal and the head of HR are reportedly involved at a relatively high level. That said, the manner in which both roles are involved differs significantly. For example, the head of legal is most highly involved among those taking a multidisciplinary approach to their ESG reporting, whereas the head of HR oversees various human capital metrics and disclosures, most notably those pertaining to diversity, equity and inclusion. The head of legal exercises oversight in two ways: as primary oversight of ESG reporting or as a reviewer of publicly disclosed ESG information.

Also of note, the chief risk officer (CRO) and the chief procurement officer (CPO) have 61% and 58% levels of high or moderate levels of involvement, respectively. As understanding evolves around ESG risks as business risks, increased CRO engagement is expected. Similarly, the role of the CPO has increased as stakeholders have begun to ask more questions about where and how a company’s goods are sourced and supply chain-related environmental impacts. Moreover, increased attention will likely be devoted to procurement as companies increase their reporting around Scope 3 emissions.

Which individual currently has principal responsibility over the ESG reporting process in your organization?

| | |
|--|-----|
| Chief accounting officer | 7% |
| Chief financial officer | 3% |
| Chief legal officer/General Counsel | 12% |
| Chief sustainability officer | 45% |
| N/A: there is no individual dedicated to the ESG reporting process | 5% |
| Other | 28% |

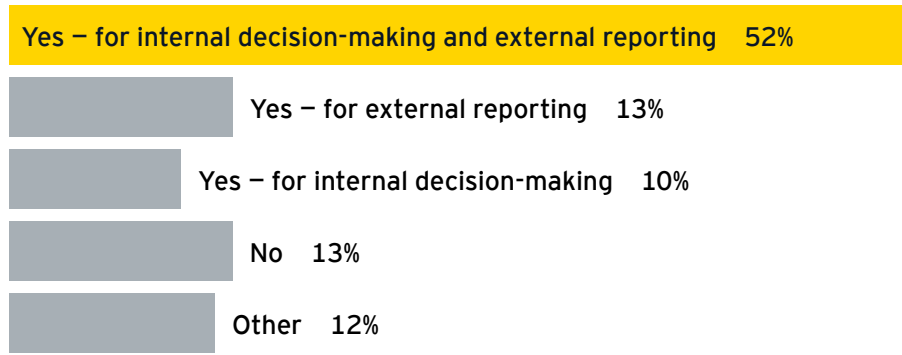
Given the nascency of ESG reporting, and that many companies are in the process of thoughtfully considering how ESG ties into their governance structure, it is no surprise that the principal responsibility of ESG reporting resides largely with the CSO (45%). What is interesting is the degree to which many indicated that primary stewardship over ESG reporting is a shared role (a majority of those selecting “other”). However, the way in which the role is shared varies, and respondents indicated that ESG reporting ownership is shared by the principal data owners (e.g., HR or CSO) or via function head (chief legal officers, head of investor relations and even head of communications).

A number of interviewees indicated that their company is currently evaluating who should own ESG reporting. One finance professional noted: “ESG reporting is currently a component of legal. Do I see that changing someday and maybe that ESG rolls up into a CFO position? We are having those discussions, and have gotten the question if, for example, finance would be preparing the climate data. Our position on this is no.” In considering how mandated SEC reporting will change, she continued, “But we are now considering how potentially including ESG metrics in our SEC filings will impact our existing reporting structure. If we keep things as they are, we are definitely considering building in some sort of a certification as part of the process. No matter who owns the process, you are going to have to rely on others in different groups.”

Still, others are considering whether embracing the cross-disciplinary nature of ESG might be more prudent. Those favoring this approach believe that having different business leads own corresponding metrics or even reports will lead to a more holistic approach to reporting and goal setting.

ESG reporting, both internally and externally, is maturing, but many organizations are still in the early phases of defining roles and responsibilities to support reporting efforts. One controller said, “We’re still early in the process, and there are things we are waiting to see. Right now, we are respecting that we have a lot of different groups [involved], and we are still in the process of defining who does what.” As companies seek to enhance the quality of ESG data and metrics they report on, a major challenge will be assigning responsibilities to the different data owners. Many companies have significant work to do as they continue to work to construct governance structures to foster efficient ESG reporting internally and externally.

Does your organization have clearly defined roles and responsibilities to ensure ESG data is sufficient to enable internal/managerial and external reporting?



Finance professionals and the ESG reporting process



Finance professionals are critical to the ESG reporting process. Applying the same rigor used in financial reporting to ESG reporting, finance functions are enhancing governance and controls over the underlying data and calculations, allowing executives to rely on both financial and ESG information to inform strategy, achieve their goals, and ensure the veracity of external disclosures.

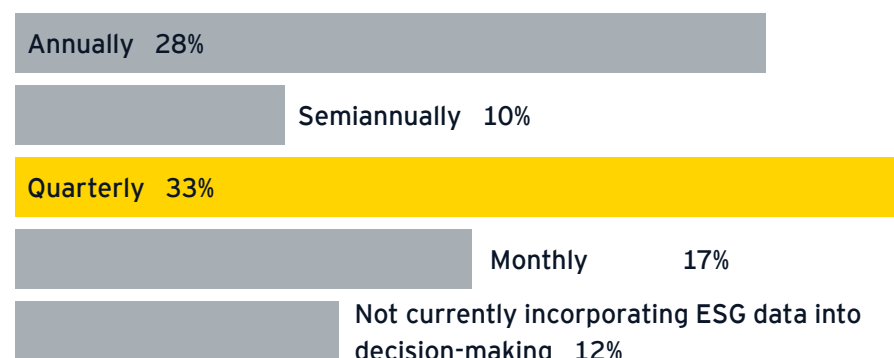
– Jackie Klos | Partner, Financial Accounting Advisory Services at Ernst & Young LLP



As reflected in the preceding chart, over half of respondents indicated that they have the governance structure to facilitate both internal and external ESG reporting. That said, the cadence at which ESG information is aggregated for management varies significantly among companies – with the two most common intervals being annually (just over one-quarter of respondents) and quarterly (one-third of respondents).

A controller described the controllership’s involvement by saying, “We own our involvement in [ESG reporting] now and moving forward. But as we think of what the future of this really looks like, and as we establish more defined roles and responsibilities, [our involvement] will continue to evolve.” She explains that while her team isn’t going to own the sustainability report, the team does lead the preparation of ESG-related disclosures included in the 10-K. In moving from the current state to where she anticipates future involvement, she is discovering that “one of the biggest challenges is finding where the scope of finance begins and ends.” She notes: “We have a great relationship with our corporate sustainability office. We are just looking to find the [right] balance and level of involvement.”

How frequently is ESG data being presented to management for decision-making?



One interviewee, who leads ESG reporting efforts at her organization, noted: “During reporting season, we’re regularly talking to and presenting ESG information for management. This means that when we are thinking about our financial filings [10-K and 10-Q], our proxy statement and our impact report, we are in regular consultation with members of our SEC financial reporting team, CAO, head of investor relations, corporate secretary and disclosure committee. From a cadence perspective, we are in monthly discussions on ESG; outside of official reporting season, we usually provide an update [to management] every few months.”

One of the pain points in the ESG reporting process is the highly manual nature of the data collection. An illustration of this challenge was expressed by one interviewee, who said that some data is still collected via calling all of the plant managers to obtain specific readings. The highly manual nature of ESG data aggregation and reporting requires significant time and cost. Many companies face this challenge and are actively working to shorten the time gap between when the 10-K and ESG reports are issued. More developed processes and governance structures supplemented by technology could improve the cadence at which ESG information is prepared for management review and reduce or eliminate that gap.



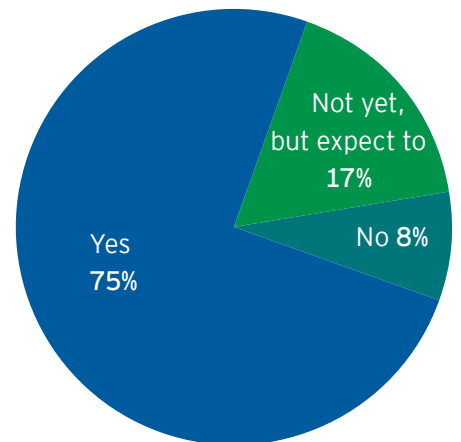
Governance and the flow of information



During the past 12 months, have you received any inquiries from your audit committee or other board committee about policies and procedures for ESG reporting?

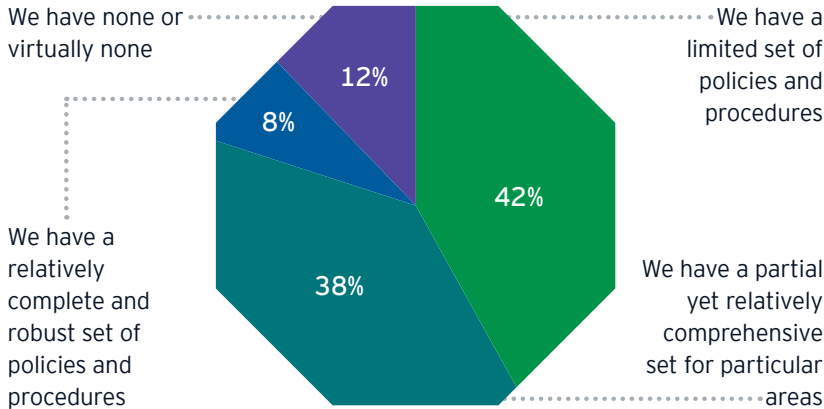
Seventy-five percent of respondents indicated that their audit committee or other board committee has asked about policies and procedures for ESG reporting, pointing toward the fact that many companies appear to be determining whether current policies and procedures are sufficient for information reported in financial filings or even voluntarily via other avenues.

One interviewee emphasized that the audit committee is looking for documentation that was specific enough that an independent third party could recalculate metrics based on the documented policies and procedures. As noted earlier, the majority of respondents (59%) disclose over 50 different ESG metrics. Currently, there is significant diversity in approaches to the assurance provided on voluntarily disclosed ESG data.



Processes and controls

To what extent does your company have formalized policies and/or procedures in place to drive consistent application of ESG data across the organization?



It is not surprising that only 8% of respondents felt they had a relatively complete and robust set of policies and procedures to drive consistent application of ESG data, given the fact that increased ESG reporting as part of financial reporting is somewhat newly prioritized for many organizations. The majority of respondents indicated that they are relying on incomplete or not yet fully developed policies and procedures.

“Clearly, the chief accountants and the controllers of the world weren’t built to be climate experts or understand everything about human capital metrics,” noted one finance professional. He continued, “Where we can help is by coming up with controls and building processes to gather that data – we know how to do that kind of stuff because we already do it for [financial] numbers.”

Another finance professional explained that the controllership function at her organization became actively involved in ESG reporting over the last year: “Prior to getting involved, we were like a lot of companies. The data, the data collection and the data analysis are performed by the sustainability group, or the energy group, or HR, or any number of other functions that own the data.” She continued that her team began by performing a deep dive of the flow of data from how it is collected and stored to when it is presented as a KPI. With these insights, they have been able to make recommendations and work with data owners to enhance their processes.

With much to consider from a regulatory perspective and a rapidly evolving technological landscape, one interviewee said that her team’s main priority is to control what is related to ESG reporting. She explained: “You still have to have the process in place. So, we’ve decided to use the tools that we have in-house and get things audit-ready. Having the process organized is helping us take this information to the conversations we are having internally and externally and say, ‘Here’s what we’re doing. We’re doing it well, but we are doing it manually. How can you help us?’”

Documenting in practice

“ We are currently reviewing our water use intensity metrics. When we started reporting on it five years ago, there was a study that determined general rates [of use] in the process we follow today. We’re now working with that team and saying we really need to document how we came to these conclusions. And then we need to have a discussion to determine how frequently we should revisit this. Are there specific criteria that we should [use to trigger a] revisit and see if things have changed and maybe consider some new factors in our analysis?”

– A finance director

How finance professionals are approaching ESG controls right now

“We have started to ask about documentation, and a lot of people respond, ‘Well, we probably have a few emails,’” remarked one finance professional. Based on the interviews, the documentation underpinning publicly disclosed ESG information is often ad hoc and inconsistent, in contrast to financial data. To bring the documentation into greater alignment with reported financial data, finance professionals are working with data owners, data collectors and functions that own sustainability reporting to help create formal documentation that addresses how to collect, store, collate, analyze and, ultimately, report on the various ESG metrics. One interviewee asked, “If the person [who performs a key task] walks out the door, who else knows what they’ve been doing?”

Another interviewee remarked that, regardless of any regulations, and before many stakeholders started paying much more attention to publicly disclosed ESG information, her organization wanted the comfort of knowing it had robust documentation in place. She also remarked that documenting the existing processes has helped to identify any gaps in their control framework.

Since many metrics disclosed are difficult to measure and rely on outside inputs or significant judgments and estimation, finance professionals are looking at documentation to explain how certain measurements were derived. One finance professional pointed to documentation of Scope 3 emissions as an area to which the company is devoting much time, attention and resources, as currently there is a dearth of guidance on this

topic and a number of domiciles are currently weighing potential regulation that would require disclosure of Scope 3 emissions.

How to gather the data from across the value chain is another challenging question that relatively few companies are able to answer. One professional commented that her company sees this area as one in which it will have to work with its suppliers to get the best numbers it can, knowing that the process will be gradual. Moreover, some are beginning to plan for this eventuality and are discussing how to approach Scope 3 reporting when some suppliers provide the data and others do not; this professional noted that the company would probably have to study those that do provide data and then make estimates for those that do not based on the other suppliers. Still, even if a metric does not rely on significant estimation or judgments, many are considering documentation as a step toward audit readiness for voluntary ESG disclosures, as well as for disclosures that may be required by regulators in the near future.

The survey confirmed the diversity in approaches for obtaining assurance or verification of voluntarily disclosed ESG data. Slightly over 40% of respondents are using a third-party non-audit firm to assure and validate ESG data, and the metrics being assured are frequently those in the environmental or social categories. This would change should the SEC final rules be issued as proposed to require assurance over certain climate information in public filings and the financial statements.



Does your organization obtain any assurance/verification over some (or all) reported ESG data (select all that apply)?

| | |
|---|-----|
| We use another third party (nonfinancial audit firm) to assure and validate our ESG data. | 42% |
| We use our external auditor to provide assurance on some of our reported ESG data. | 22% |
| We do not currently have assurance over our ESG data but plan to within the next two years. | 22% |
| We use Internal Audit to verify our ESG data. | 23% |
| We do not currently have assurance over our ESG data and have no plans to. | 5% |
| Other | 15% |
| We use our external auditor to provide assurance on the entirety of our reported ESG data. | 2% |

A number of interviewees commented on the imperative being placed on controls supporting ESG reporting. In some cases, management teams are wanting SOX-like controls supporting all ESG information. At the same time, others are looking to incorporate SOX-like controls solely for the metrics that are reported in the 10-K or other regulated filings.

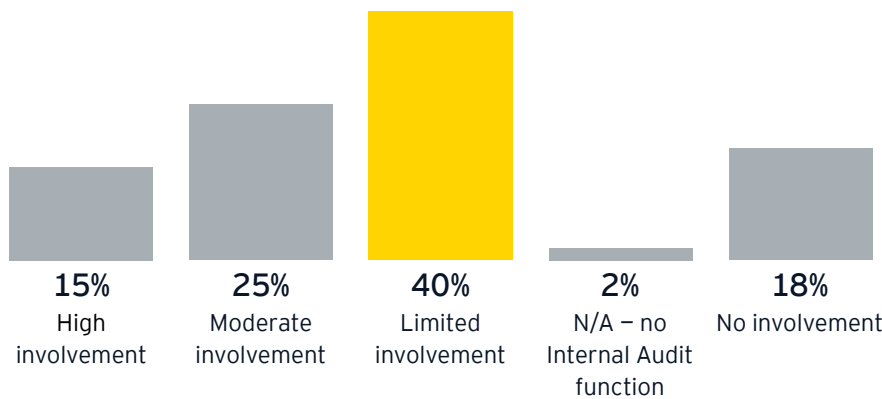
Beyond conversations about process, many interviewees indicated that they are currently evaluating what their future processes should look like. Interestingly, the way in which the finance function is involved can vary significantly among companies, as seen in the graphic below. For example, 72% of organizations are currently working to formalize a process owned by the finance function for collecting, processing and reviewing ESG data, but there is a split among the 72%: 35% of organizations indicated that they were considering implementing formalized processes led by another function, while 37% were considering implementing formalized processes led by finance. The split underscores an important distinction between how companies are approaching the role of finance in ESG reporting.

Is your organization considering implementing formalized processes owned by the finance function related to collecting, processing, reviewing and/or reporting ESG data?

| | |
|-----|---|
| 8% | Already have implemented formalized processes |
| 35% | Yes, but led by another function |
| 37% | Yes |
| 10% | No |
| 10% | Other |

Most have formalized processes with finance leadership or involvement. Those favoring having finance lead and own the process of collecting, processing, reviewing and reporting ESG data cite the importance of having an integrated, holistic approach to their reporting efforts. After all, reporting is a core competence of the finance function. Still, there are companies looking to have the finance function consult on and help own the control process, and only 10% of companies are not considering implementing formalized processes owned by finance, which seems to be the exception rather than the norm.

What level of involvement does Internal Audit have in designing, implementing or reviewing controls around ESG data?



“We actually filled a position this year fully dedicated to internal controls over ESG reporting,” said one finance professional. “When we first approached management about this role, we were honest that this role was part of a multiyear journey, because there’s a ton of data that underpins this [ESG] report, and we can’t get through all of it in a year.” This finance professional explained that they are starting their journey by prioritizing the most important metrics. They explained the end state of their ESG journey by stating, “You need to think of this as SOX 2.0. At some point, we want to provide an ICFR-type report.”

Another controller noted that while some companies have controls of some kind, she hasn’t heard of any company performing testing of the controls in place. To this end, she foresees the scope of Internal Audit expanding similarly in ESG as it has in other areas in the organization.

In realizing that controls testing is an important part of giving publicly disclosed ESG data a level of rigor similar to reported financial data, one finance professional admitted that this is a step, but that her team really needs to get the documentation and controls identified. Once documentation and controls are identified, her team will move on to implementing controls testing.

Making do: a finance professional discusses how her organization is controlling data in the near term

Our plan is to use spreadsheet files but have them templated, so we have a standard way to collect data from the owners. We have clearly identified who is the data owner and who is the approver. We’re using an in-house approval workflow tool that we use in other areas on the financial side to upload the data and have at least something from a validation standpoint. We have at least two people reviewing every data point. We’re also adding in things like trend analysis, so that the reviewers can quickly see if there’s an issue.

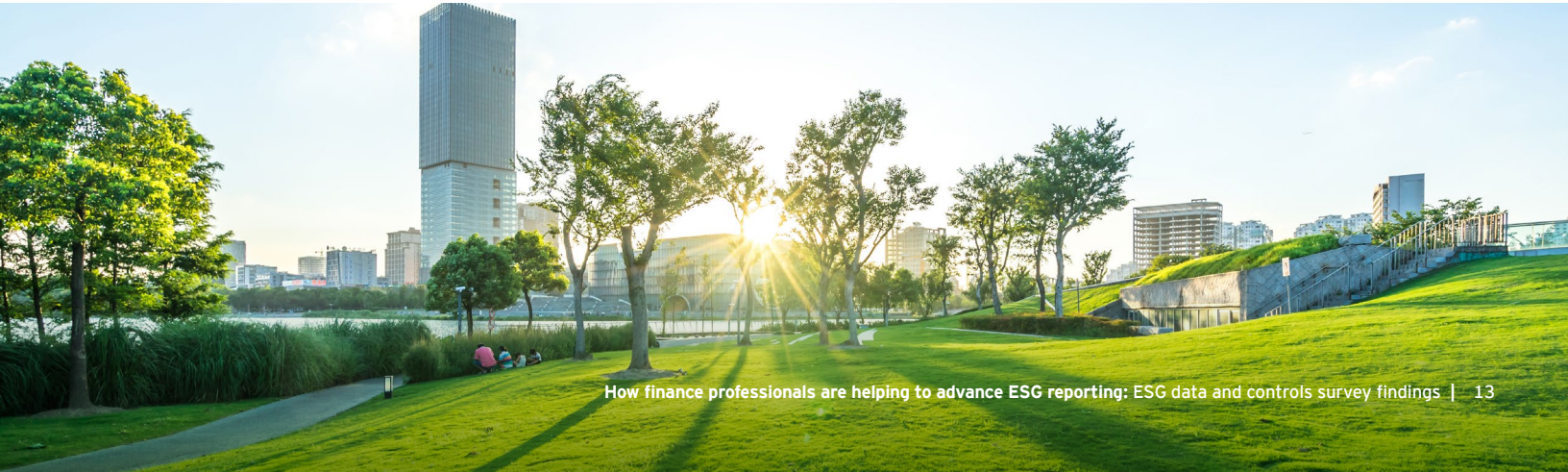
Data and technology

The heightened attention and resources finance groups have dedicated to the technology facets of processing and controlling ESG data have significantly increased, especially over the last 12 months. One interviewee compared how things have changed over the last year, saying, “The difference in what we’re doing this year compared to last year is in collecting data. In previous years, we used a third party, and they managed a lot of the collection. It was mostly thorough, but it was spreadsheet equivalent ... It wasn’t clear what level of controls were in place. There certainly wasn’t a timeline like we generally use on the financial side.” She continued: “This year, we have established a controllership team that works side by side with the team that owns the sustainability report, and we work with them, and we’re running the process side.”

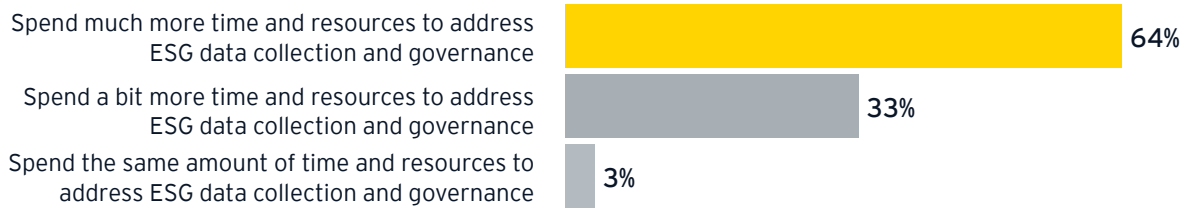
To what extent has your group dedicated time and resources to address ESG data collection, aggregation and disclosure within the finance function during the past 12 months?

| | |
|--|-----|
| We have dedicated substantial time and effort to address the topic – much more than in prior years. | 51% |
| We have dedicated substantial time and effort – consistent with previous years (i.e., no meaningful change). | 14% |
| Although these areas are addressed by our company, we are still exploring and have not dedicated substantial time to or do not have large involvement with ESG data. | 32% |
| Other | 3% |

Respondents among companies slower to address the collection of ESG data indicated that the lack of clarity in ESG reporting is driving the hesitancy to increase investment. As one interviewee remarked, “This is not a snap type of decision or implementation. It’s going to take some time because of the variety of information that pulls into ESG reporting.” Moreover, many are having a difficult time finding a single technology solution to meet their ESG reporting needs. What’s more, several respondents are unsure whether they can find a single solution. They believe that reliance on multiple platforms is more likely, with one addressing the environmental component of ESG, and another the social and human capital aspect.



Regardless of your current status, do you expect your finance team during the next 12-18 months to:

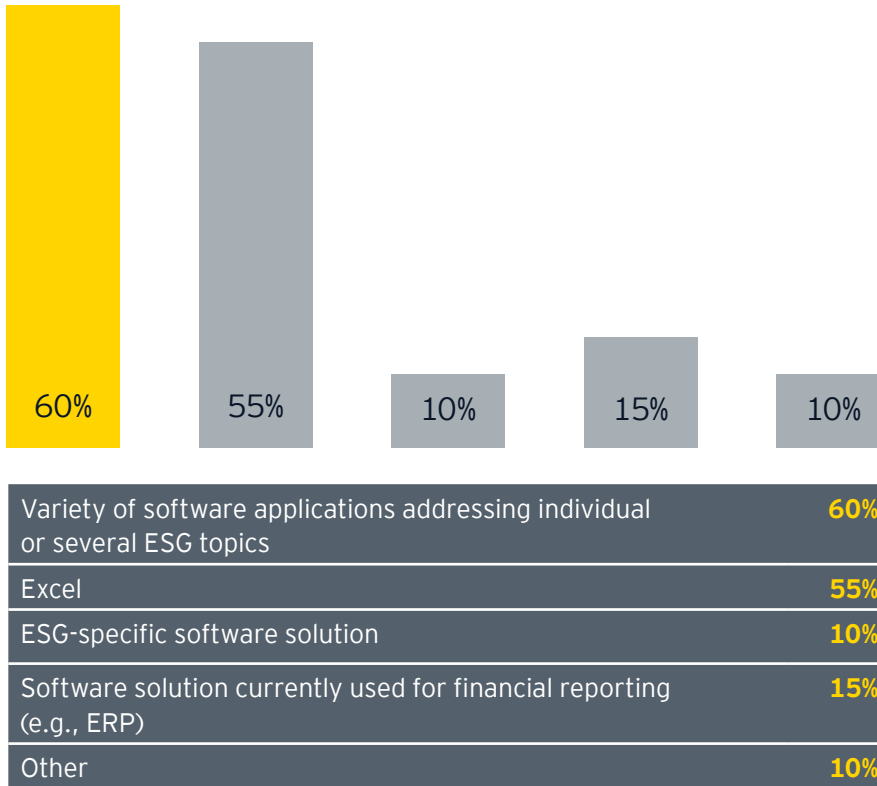


Finance functions are anticipating spending much more time and resources to address ESG data collection and governance over the next 12-18 months. As discussed throughout this report, the bespoke and disparate nature of ESG data is a significant challenge, which means that collecting, collating and analyzing ESG data is often highly manual. One finance professional described the current state of ESG data and how they plan to address ESG data, commenting, “Right now, it is extremely manual, so we really need to start looking pretty hard at trying to put a better reporting infrastructure in place for ESG reporting. And that’s a journey that we’re just starting to undertake. As we continue to refine our reporting, we’re trying to find better ways to automate it.” Still, many metrics related to the social pillar of ESG reporting do enjoy more automation than those under the environmental pillar. When discussing the desire for increased automation, many finance professionals contrast the support that human capital-related metrics receive versus those related to GHG emissions or water usage metrics, which are often collected through painstaking data collection efforts. In recognizing the relative nascency of ESG reporting compared to financial reporting, many interviewees noted that increased automation will come as processes are more polished and the tools are more fully developed.

How automated is your ESG reporting process? A 1 indicates fully manual and a 10 indicates fully automated.



Where is your ESG information currently residing? (select all that apply)

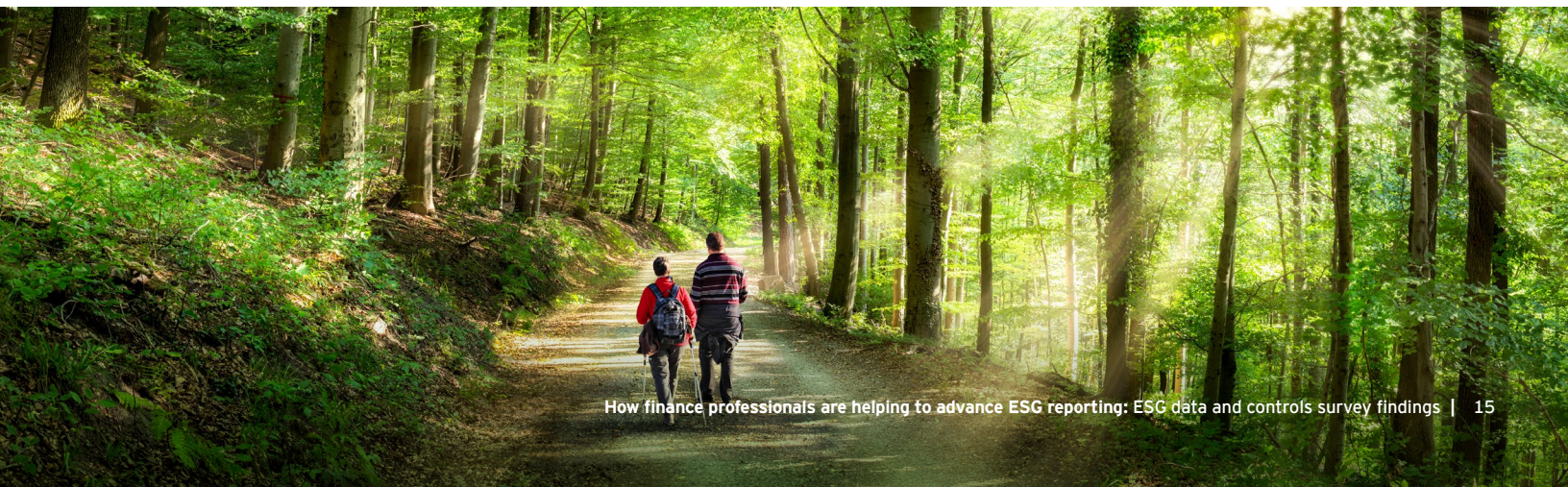


In terms of where ESG data is residing, companies most often utilize a patchwork of ESG software applications and spreadsheets. One interviewee commented on the current state, saying, “The spreadsheet version isn’t sufficient anymore. We’re a big company, and we are getting data from a lot of different sources.” The breadth of data types collected and the breadth of sources that contribute to this data are major points at which governance, processes and technology combine. Ensuring the careful collection of data from these nexuses provides important opportunities for finance professionals to exercise influence over the ongoing evolution of organizational ESG reporting efforts.

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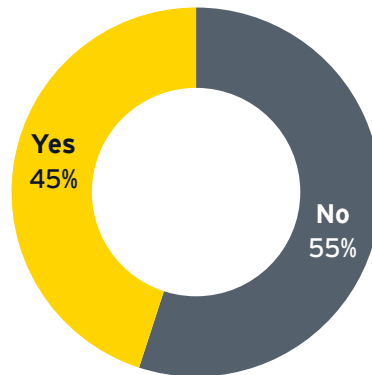
ESG reporting is successful when different functions come together to establish and execute a robust process, guided by appropriate controls, and enabled with technology. While significant focus is centered on carbon data, organizations are preparing for the future by implementing scalable technology architectures to support ESG requirements that will likely evolve over the next several years.

– Ryan Bogner | Principal,
Climate Change and
Sustainability Services
at Ernst & Young LLP



The intersection of technology, governance and controls

Does your organization have tools and enablers (i.e., software) in place to help facilitate a review process around ESG information?



Are the tools referenced in the prior question integrated with financial reporting?

| | |
|--|-----|
| No, but would like it to be | 33% |
| No, intend to keep separate from financial reporting | 41% |
| Yes | 15% |
| Other | 11% |

One notable intersection between the triad of technology, governance and controls lies in the approach organizations are taking to having the tools and enablers to facilitate the review of ESG information. Fewer than half of respondents have the tools to facilitate a review, and just under half of those companies (48%) either have the tools integrated into financial reporting or would like them to be. These results are consistent with how companies are approaching ESG and address the questions of whether and how best to utilize the finance function's core competency of rigorous reporting, or whether to view the finance function as a partner in constructing the necessary foundation of effective controls and processes.



Making progress towards enhanced ESG reporting

Beyond technology, governance and controls, many other ESG reporting topics are top of mind for finance professionals when it comes to ESG reporting. One finance professional recounted the ongoing difficulty of applying the financial reporting concepts of estimation and materiality to ESG reporting.

In addition, many finance professionals are making plans to incorporate data points from external sources into their reporting efforts. This is most applicable to reporting Scope 3 emissions and obtaining vendor and supply chain data. These metrics, as well as others, will increasingly rely on data from disparate sources. In this regard, finance professionals are keen to discover how to bring about greater comparability across reported ESG data.

Invariably, the emergence of a single, authoritative standard setter for ESG reporting is perceived by many as a critical development in progressing ESG reporting to the point where it shares the comparability and consistency attributes of financial reporting. Finance professionals will watch closely for new pronouncements from the International Sustainability Standards Board and regulations from the SEC.



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