ESG reporting: Getting started

You know your company’s ESG profile is increasingly important to a variety of stakeholders. Studies show that tapping into ESG opportunities can lead to long-term value. But how do you tell your ESG story to your stakeholders in a way that’s meaningful to them?

How well does your existing ESG reporting satisfy investor and other stakeholder interests, and how does it compare with your competitors? Are you getting full credit for the value you create? If there is room for improvement in your answers to these questions, it’s probably time to up your game on ESG reporting.

A well-executed—and just as importantly, well-communicated—ESG strategy makes a company more resilient and can increase future cash flows, which of course increases company value. But how do you begin to tell your story?

There are existing reporting requirements for financial statements and SEC filings, optional frameworks, and more to come in new US and global requirements.

In this series, we walk you through ESG reporting step by step.

The path to effective ESG disclosure

- Consider strategy and stakeholders
- Perform an ESG-related risk assessment
- Assess the accounting and disclosure impact on the financial statements
- Consider SEC disclosure requirements
- Assess other reporting requirements and optional frameworks
- Determine what and where to report information
- Establish process
- Issue reports

Click each step of our framework for more details.

Over 84% think it's important that ESG reporting explains the relevance of ESG factors to the company's business model.

Source: PwC global ESG investor survey, October 2021

“When it comes to climate risk disclosures, investors are raising their hands and asking regulators for more.”

- SEC Chair Gary Gensler, July 28, 2021
When you’re looking at a clean sheet of paper, the first thing to do is to consider your strategy and what aspects of ESG are most important to your stakeholders—including investors, employees, customers, regulators, and suppliers. In other words, look no further than your audience. Investors and other stakeholders want to know - what are the company’s values and how do they live those values internally and externally? That’s what really informs their decision making. Each stakeholder has different needs, and will be looking to piece together information from your financial statements, annual report, corporate sustainability reports, press releases, other communications, or even advertisements. All of those sources need to tell a consistent and cohesive story that ties back to your strategy.

What’s clearly trending among stakeholder demands is a desire for quantifiable pledges or commitments, whether on E (net zero), S (diversity at the C-suite level), or G (pay equity). Companies that make pledges need to consider the accounting and reporting consequences in the financial statements, the annual report, and corporate sustainability reporting. Inaction may have its own consequences. For example, there may be accounting impacts if brown manufacturing processes do not meet new green regulations or customer preference. And regulators are noticing when companies make the pledges but then do not report on progress. These are not one and done, but are projects to be managed, with deadlines and robust processes and controls so the company and the stakeholders alike can trust that the company is sufficiently acting on its words. This points to a need for the finance function to take a leading role in this reporting, as they do in financial reporting.

In summary, the purpose and resulting strategy of a company needs to reflect the significance of ESG to both short- and long-term growth, to operations, to investors, and to other stakeholders. The right reporting approach for both financial and nonfinancial metrics flows from that strategy. To succeed, companies need proper definition of key financial and ESG metrics, robust processes and controls, and trusted data.

More in the series

After a review of your strategy and what stakeholders most value, we explain each step of the framework in other editions. We stress the importance of including ESG in a broad risk assessment to identify not only risks but also opportunities from ESG. Then, we consider the impact on the financial statements and SEC filings. Beyond that subset of material information are the broader disclosures in corporate sustainability reporting. And for all of that information, robust processes and controls are essential.

On the horizon

The ESG reporting landscape is quickly evolving with new proposals expected from the SEC, EFRAG, and the IFRS Foundation's International Sustainability Standards Board. These new requirements are drawing on established frameworks so it’s a good idea to bolster the foundation of your ESG reporting now in anticipation of changing reporting expectations from investors and other stakeholders.