

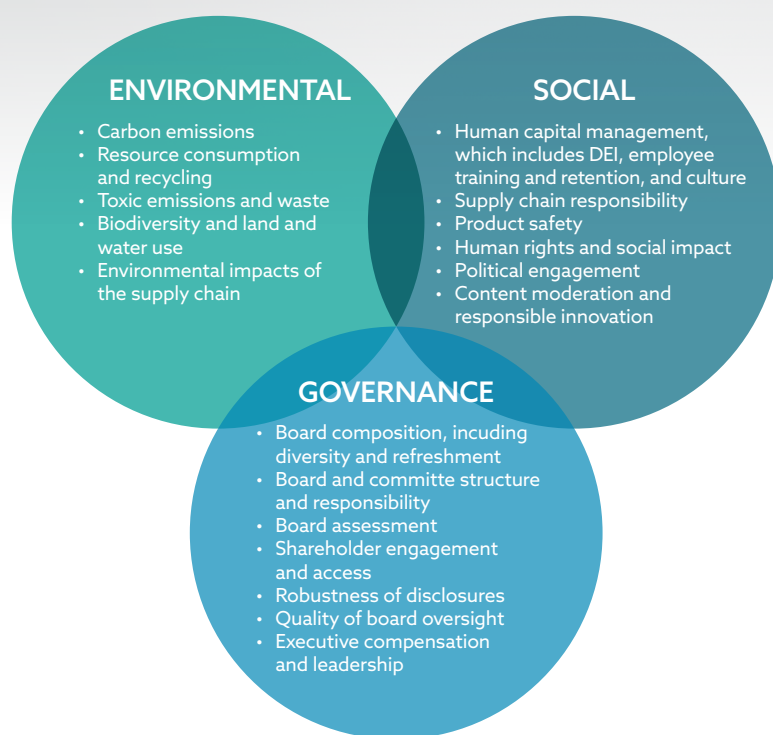
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ESG DATA MANAGEMENT

THE BASICS

WHAT IS ESG? ESG is a broad taxonomy that categorizes non-financial factors which have an impact on a company's long-term performance and value. Between their environmental, social, and governance activities, companies may have more than a dozen ESG topics that they will need to manage, collect data on, and publicly disclose their performance against.

ESG is primarily driven by investor demand, with leading asset owners and managers requesting portfolio companies establish ESG governance and oversight. Companies are also encouraged by investors and other stakeholders to report data on ESG topics that are financially relevant to their business.



WHAT IS ESG DATA? ESG data consists of the facts or information needed to assess corporate performance on relevant ESG topics. This includes basic metrics such as a company's carbon emissions or water use, and can extend across a company's operations to include the environmental and social performance of suppliers. For companies that report or are preparing to report on ESG issues, the ESG data that they disclose will flow from their priority ESG topics identified in a materiality assessment or similar exercise.

ESG efforts are largely voluntary, and there is no single standard for ESG data. While frameworks like SASB and the Global Reporting Initiative (GRI) can help companies, investors and other stakeholders coordinate on ESG, it can be difficult for all parties to agree on what exactly ESG data is. Companies are largely left to their own discretion in determining what ESG topics are relevant, but should make sure that the ESG data that they collect and disclose meets regulatory requirements, is aligned with relevant frameworks, and satisfies investor expectations.

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WHY IS ESG DATA IMPORTANT?

- ⇒ Companies use ESG data to communicate performance on and track the efficacy of sustainability initiatives;
- ⇒ Investors and lenders use ESG data to inform investment and voting decisions;
- ⇒ Ratings agencies and proxy advisors use ESG data to inform third-party ratings and voting recommendations;
- ⇒ Regulators track ESG data and disclosure to review for consistency with other securities filings;
- ⇒ Industry bodies and standard setters use ESG data to inform new regulations and standards; and,
- ⇒ NGOs, local communities, and the public use ESG data to promote transparency on important sustainability topics.

TYPES OF ESG DATA: A SAMPLE

Across the leading ESG frameworks, there are thousands of individual ESG metrics and data points. Thankfully, most companies are only expected to report on a tailored set of ESG metrics based on their sector, industry, and specific business context. Through a materiality assessment or similar exercise, companies identify ESG topics that have the greatest impact on their business and subsequently identify ESG data to disclose or track performance against those topics.

While each company will have their own specific list of material topics, we've put together 10 common ESG topics that are generally applicable regardless of the sector or industry. These

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include climate change, energy use and efficiency, water consumption, environmental impacts in the supply chain, human capital management, diversity equity & inclusion, human rights due diligence, cybersecurity, and board diversity. For each of these topics, we've also identified common metrics that are used in ESG disclosure and likely sources of ESG data on these topics.

ENVIRONMENTAL DATA

1. GREENHOUSE GAS EMISSIONS

Example Metric	Example Source
Greenhouse Gas Emissions Metric Tons of CO2 Equivalent	Utility bills for company facilities; fleet vehicle management systems to track the use of gasoline; shipping records; and business travel databases to track miles flown by company employees.

1. ENERGY USE AND EFFICIENCY

Example Metric	Example Source
Total Energy Consumption Gigajoules (GJ)	Utility Bills; Power Purchase Agreements to track the energy mix and percentage renewable; Energy Management Systems to monitor energy efficiency.

3. WATER CONSUMPTION

Example Metric	Example Source
Water Withdrawn Thousand Cubic Meters (m ³)	Utility Bills; location-specific meters to track water use at particular facilities; procurement databases to track water sourced from private third parties.

4. RESOURCE USE AND EFFICIENCY

Example Metric	Example Source
Product Inputs & Packaging (Metric Tons, by input)	Enterprise Resource Planning System to track the material inputs at the product level; internal warehouse database to track the amount of packaging or shipping materials used in storage and distribution.

5. ENVIRONMENTAL IMPACTS OF THE SUPPLY CHAIN

Example Metric	Example Source
Percentage of suppliers screened against environmental criteria	Vendor Management & Procurement Systems; internal compliance databases; Supplier Environmental Audits conducted directly or via third parties.

SOCIAL DATA

6. HUMAN CAPITAL MANAGEMENT

Example Metric	Example Source
Employee Engagement (measured as the percentage of employees who are actively engaged)	Human Resources management system or software; an Employee Engagement Survey conducted directly or by a third party.

7. DIVERSITY EQUITY AND INCLUSION

Example Metric	Example Source
Percentage of gender and racial/ ethnic group representation for (1) executive management and (2) all other employees	Human Resources; DEI Office; survey tool for management and employee self-identification.

8. HUMAN RIGHTS DUE DILIGENCE

Example Metric	Example Source
Percentage of suppliers screened against human rights criteria	Vendor Management & Procurement Systems; internal compliance databases; Supplier Audits conducted directly or via third parties.

GOVERNANCE DATA

9. CYBERSECURITY

Example Metric	Example Source
The number of data breaches and number of users affected	IT department; Fraud Protection & Finance division; third parties including law enforcement and cybersecurity watchdogs.

10. BOARD DIVERSITY

Example Metric	Example Source
Number of directors according to their (1) gender identity, and (2) demographic background.	Corporate Secretary's Office; survey tool for director self-identification.

COMMON QUESTIONS TO ASK ON ESG DATA

Companies preparing an ESG disclosure face several challenges. From collating data from across and outside of the company to ensuring that ESG data undergoes the required rigorous review, companies may want to consider the following questions across the ESG process:

- ⇒ Who needs your ESG data? Is this limited to your ESG report, or will you need to prepare a data management system for third-party assurance, customers, regulators, business partners, and ESG elements of RPFs?
- ⇒ Have you reviewed your ESG data plan and expected disclosure against relevant external standards and legal requirements?
- ⇒ Who are your internal ESG data controllers? Have you identified the right internal stakeholders who will own required ESG data?
- ⇒ How will you ensure ESG data entry and quality control? Do company employees receive training on ESG, and are they able to identify ESG data?
- ⇒ What formal reporting processes, if any, will you put in place for activities which generate ESG data?
- ⇒ Will you develop specialized ESG analytics or business intelligence dashboards? Will these dashboards be “live,” or only updated after some type of manual review?

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