THE ESG MATURITY MODEL

AN INNOVATIVE APPROACH TO ALIGNING ESG AND BUSINESS STRATEGY

orrick

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Developed in partnership between NetScout and Orrick

1 OPENING LETTERS

A LETTER FROM NETSCOUT'S GENERAL COUNSEL AND CHIEF ESG OFFICER

Every day, companies wrestle with the best way to build their environmental, social, and governance ("ESG") programs. For large cap multi-nationals to small cap niche industry players, the demands from stakeholders – employees, customers, investors, regulators, legislators, communities, and other stakeholders – increase in number and complexity. Boards of Directors, Chief Executive Officers, Chief ESG Officers, and all of those in those companies responsible for ESG and the plethora of topics it sweeps in need a way to think through and manage their program development.

Some time ago, I approached Orrick's ESG and public company experts with an idea: to innovate and create a practical and strategic ESG maturity model to assist not only NetScout but eventually to share with other companies getting their arms around ESG. NetScout's ESG efforts brought a testbed of development with a vision of what the future could look like – and a roughed out map for that journey. Orrick brought deep cross-functional expertise, steeped in sustainability, standards, and public company requirements, as well as experience across industries and advising boards, executives, and managers. Through an iterative process and productive discussions back and forth, NetScout and Orrick developed the model set out in the following pages.

As we did so, we kept some key points in mind. First, ESG must align with both the company's strategy and the company's culture. At NetScout, for example, building on a company's strengths such as product sustainability, cybersecurity, and bridging the digital divide makes ESG powerful, because it is integrated with NetScout's mission as Guardians of the Connected World and takes advantage of some of the work the company is already doing. We expect this would be the same for any company. An integrated, strategic ESG program can enhance long-term value creation by advancing key corporate objectives, enhancing employee recruitment and retention and engagement, supporting revenue growth, attracting investor interest, and lowering costs. In contrast, grafting on ESG-like programs and talking about them generically might initially gain a company "points" in its ratings, but it will not likely be as sustainable nor as effective for value creation. So, strategic alignment and value creation are two key points of emphasis.

In addition, companies internally need to resolve the tensions among what is achievable and what is aspirational, what can be done in the short term and what requires more time, what is needed for the business and to respond to stakeholder demands and what the company can do with resource constraints in both time and costs. ESG is wide-ranging, and a company's approach to ESG provides both risk and opportunity – one company's risk can be another company's opportunity. At NetScout for example, we believe that making our products more efficient can support our customers' own sustainability efforts. Similarly, our work in cybersecurity, including protecting our own networks and data, lights the way for our product innovation and resulting support of our customers' cybersecurity efforts. This could apply to other areas such as climate resilience and risk management, to name two.

And companies must be careful in how they talk about their ESG programs – accurate disclosure and a robust internal disclosure process similar to financial disclosure processes is critical. Equally important, ESG requires communication among internal stakeholders and a strong governance structure, starting with the Board of Directors and Chief Executive Officer and Chief ESG Officer.

The ESG maturity model here shows a way to resolve many of these issues and make progress in the ESG journey. NetScout and Orrick partnered to innovate and are happy to share this model. And of course there is a lot more to building out a company and industry specific program, which Orrick's team can talk to you about.

I hope this model proves helpful to my colleagues.

– Jeff Levinson, Senior Vice President and General Counsel,
and Chief ESG Officer, NetScout Systems, Inc.

A LETTER FROM ORRICK'S ESG TEAM

In today's business climate, it is critical to identify ESG priorities and initiatives that are tied to the company's core strategy, that support value generation, and that are right-sized for a company's business model, industry and stage. An ESG program designed and built around these principles is well positioned to play a meaningful role in securing new customers, unlocking cost efficiencies, attracting and retaining talent, reducing risk, enhancing reputation, and importantly, withstanding recent anti-ESG criticism, which, with respect to issuers, focuses on "check the box" ESG programs that are divorced from the business and that don't apply with rigor the lens of value creation.

The ESG Maturity Model described herein presents a framework that can be used by issuers to ensure that ESG programs advance in way that is consistent with core strategy, value generation and the specific characteristics of the business. The ESG Maturity Model is both linear and cyclical – it is both a roadmap to implement key ESG objectives over a given time horizon (e.g., six months, a year, etc.), and a method of employing a continuous improvement approach to iterate once those key workstreams are complete. It recognizes and leverages that fact that, even across various products and services, business models, and industries, ESG programs can be most effective if they advanced according to a "walk" and cadence that incorporates best practices and reflects the learnings and practical experience of counsel and sustainability practitioners. And at the same time, the ESG Maturity Model can be customized to address the unique features of each issuer's business. For example, the ESG Steering Committee approach has proven to be a powerful method of driving ESG workstreams for companies in various sectors. At the same time, the membership of the ESG Steering Committee will undoubtedly differ based on business model – while a retail company will likely have a supply chain member serving on the committee, a therapeutics company may instead have a representative from the access and affordability team among its members. It is both the universality of the ESG Maturity Model and the ability to customize and calibrate it for a particular business that makes it such a powerful and widely applicable tool for ESG program development. In our experience, we have found that the approach outlined in this document can be extremely useful in aligning with board direction and guidance, organizing around an ESG strategy, developing a practical ESG roadmap, achieving milestones, and reporting on progress, both internally and externally.

The ESG Maturity Model starts with board governance as a foundation – establishing the necessary oversight for the effective operation of the model. The next step is a core element of the ESG Maturity Model: the ESG Priority Assessment, which identifies which ESG topics are relevant to the business, management, and stakeholders. The ESG Priority Assessment should serve as the north star for an issuer's ESG program, guiding the board and management in identifying the programs to which the company should devote time and dollars, and providing a starting point in determining the scope and content of ESG disclosures. The ESG Maturity Model contemplates that the issuer form a management-level cross-functional ESG Steering Committee to operationalize the ESG Priority Assessment – if properly constituted with the right individuals in terms of department and seniority, this group can serve as a powerful tactical engine in identifying and advancing ESG workstreams. Once ESG workstreams are selected, ESG goals must be established and progress against those goals must be measured with appropriate metrics. Consistent disclosure is then prepared to report on ESG workstreams, and the effectiveness of the program is assessed to support progress and iterative improvement.

For each component of the ESG Maturity Model, three to four levels of maturity are presented, progressing from Level 1 (basic and foundational) to Level 3 or Level 4, depending upon the component (mature). By locating where it falls on this scale, an issuer can identify potential next steps for program advancement. As the company iterates on its ESG program over time, it can work to move the program to the next maturity level. The ESG Maturity Model can serve as the primary tool in benchmarking against the market, assessing the status of the ESG program, and establishing next steps.

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An important note – the model presented in this document covers the functional aspects of an ESG program (e.g., oversight, workstreams, goals, etc.) but does not address the substantive aspects of ESG maturity (maturity with respect to, e.g., climate, human rights, diversity, equity and inclusion, etc.). In our view, the roadmap for these substantive areas will differ significantly based on business model and industry, and so opportunities for advancement or reallocation of resources in these substantive areas must be identified and implemented with reference to the unique circumstances of each business. We have identified what we believe to be the core substantive ESG workstreams in Section 6.

We are grateful to have had the opportunity to partner with NetScout in developing the ESG Maturity Model approach, and based on those results, we believe this can be the key tool in designing ESG programs that are effective in driving corporate strategy and business value. Born "on the ground," based on practical experience and informed by powerful ESG data, the ESG Maturity Model provides the blueprint for an ESG program that is tailored, targeted, and above all, relevant to an issuer's business.

2 WHY ESG?

ESG is a taxonomy that categorizes the non-financial factors that affect a company's performance and value creation. This definition recognizes that while these factors are not technically financial in nature, they impact financial performance through, for example, long-term value creation, cost savings, other efficiencies, and risk mitigation. Expectations for ESG programs and demand for ESG-related data have grown in recent years, as stakeholders now view corporate action, disclosure, and progress on topics such as climate, human rights, risk management, human capital, diversity, equity, and inclusion ("DEI") and corporate governance as table stakes. Companies without a model to situate themselves along an ESG maturity curve are at a disadvantage in designing and describing their programs to address stakeholder expectations.

ESG and the Sources of Value Creation

The source of value creation can vary from company to company, but there are four common themes that we see at companies with a successful approach to ESG:

Top Line Growth

Sustainable products are often a source of accelerated growth and revenue. Both strong consumer preferences and goals set by business partners for sustainability in their value chains represent an opportunity for long-term value and growth for companies with sustainable products and operations.[1]

Access to Capital

With an expected $53 trillion in global ESG assets under management by 2025, representing one third of global assets, a significant share of available capital is bookmarked for companies which meet sustainability criteria, with lowered average borrowing costs for companies with best-in-class performance on ESG.[2]

Cost Containment

Many ESG initiatives overlap with key efforts to drive down costs, including reductions in energy and water consumption, and efforts to reduce the volume of materials used in products.[3]

Value of Assets

Successfully identifying and prioritizing ESG risks and opportunities can help companies protect the value of their tangible and intangible assets.[4]

1 Harvard Business Review *"Research: Actually, Consumers Do Buy Sustainable Products"* June 19, 2019
Web. Link: hbr.org/2019/06/research-actually-consumers-do-buy-sustainable-products

2 Bloomberg Intelligence "ESG assets may hit $53 trillion by 2025, a third of global AUM" February 23, 2021.
Web. Link: https://www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/

PwC *"Asset and Wealth Management Revolution 2022 Report"* October 2022.
Web. Link: https://www.pwc.com/gx/en/industries/financial-services/asset-management/publications/asset-and-wealth-management-revolution-2022.html

MSCI, "ESG and the cost of capital" February 25, 2020.
Web. Link: https://www.msci.com/www/blog-posts/esg-and-the-cost-of-capital/01726513589

2 McKinsey Quarterly *"Five ways that ESG creates value"* November 19, 2019
Web. Link: https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/five-ways-that-esg-creates-value

The Wall Street Journal *"ESG Metrics Help CFOs Attract New Investors, Reduce Costs"* February 8, 2021
Web. Link: https://www.wsj.com/articles/esg-metrics-help-cfos-attract-new-investors-reduce-costs-11612780321

4 Whelan et al (2021) *"ESG and Financial Performance"* NYU Stern Center for Sustainable Business.
Web. Link: https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM_ESG-Paper_2021%20Rev_0.pdf

Boffo, R., and R. Patalano (2020), *"ESG Investing: Practices, Progress and Challenges"*, OECD Paris,
Web. Link: www.oecd.org/finance/ESG-Investing-Practices-Progress-and-Challenges.pdf

3 ESG TRENDS

The ESG landscape continues to evolve with changes driven by customers, regulators, legislators, and investors, as well as employees and other stakeholders. Keeping up with these changes is something that all companies – whether they are best in class or just getting started on their ESG journey – struggle to manage. The trends we see in this space fall into the following categories:

1. SHIFT FROM CSR TO ESG

Historically the emphasis for company programs was on corporate social responsibility, highlighting positive social impact through philanthropy. Expectations have shifted, however, with growing awareness of the link between ESG and long-term value and financial performance. Sustainability is now seen as critical to core business activities and financial measurements, including revenue and share price, as well as risk management. This changes not only the way companies talk about their programs, but it also changes the programs themselves.

2. EMERGING REGULATIONS

Regulators around the world have significantly increased their expectations for ESG-related disclosure and their scrutiny of these disclosures. For example, the EU Corporate Sustainability Reporting Directive has established a significantly expanded set of sustainability reporting requirements for many companies operating in Europe. The Securities and Exchange Commission's ("SEC") cybersecurity rule, its proposed climate change rule, and its anticipated prescriptive human capital rule are expected to drive widespread sustainability disclosures in the United States. The SEC has also made enforcement related to inaccurate ESG disclosures a priority. Emerging regulations and risk management necessarily require appropriate governance and oversight from the Board and executives.

3. CHANGING SUSTAINABILITY STANDARDS

The third major source of change is a significant effort to establish a voluntary global baseline for comprehensive corporate sustainability reporting through the International Sustainability Standards Board, or the ISSB, which recently published its first two standards, covering general requirements for the disclosure of sustainability-related financial information and climate-related disclosures. The ISSB is consolidating two of the most widely used frameworks and standards, the Task Force on Climate-Related Financial Disclosures, also known as the TCFD, and the Sustainability Accounting Standards Board, or SASB, with expected changes in how companies inform their sustainability strategy and reporting. Some companies are already voluntarily reporting against these and other standards, because they find it useful for their own program management and for responding to stakeholder requests.

4. ANTI-ESG EFFORTS

In the U.S., some states are challenging aspects of ESG, whether with respect to companies' ESG efforts or large investors' ESG policies. At the same time, companies' large investors as well as customers, employees, and other stakeholders are still asking for or demanding information and responses on ESG-related issues. Under Delaware law, the Board can pursue ESG measures, as long as those measures drive stockholder value.

Together, these factors are leading to new requirements and best practices for the corporate sustainability function. Companies will need to establish appropriately tailored and defensible ESG programs, with the same types of internal controls and procedures currently in place for financial disclosures. From attestation requirements to potential financial impact metrics in the annual report, companies may need to significantly change the shape and function of their approach to ESG.

> Companies will need to establish appropriately tailored and defensible ESG programs, with the same level of internal controls and procedures currently in place for financial disclosures.

This ESG Maturity Model is meant to help companies navigate these changes by identifying the core components of an ESG program and charting a path to continual improvement year over year. Developed by Orrick and NetScout's Chief ESG Officer, this Maturity Model offers decision-useful guidance and milestones to help companies establish and advance their ESG programs and can help companies meet the growing expectations that they face for reporting and performance.

One important caveat. What constitutes "ESG maturity" varies from company to company. This document reflects our collective experience advising a range of clients, and makes suggestions about what is an appropriate path for many companies. Each company must assess its own ESG priorities and its own internal structure and culture to determine whether the steps we recommend are the appropriate ones.

4 THE ESG MATURITY MODEL

With expectations for corporate ESG programs becoming more complex and nuanced, many public companies are rethinking or revising their approach to ESG. The **ESG Maturity Model** is a general framework for internal ESG program development that charts a path to continual improvement year over year. Informed by an approach that combines legal risk assessment and powerful data analytics, and supported by our deep experience and research on best practices in ESG, the ESG Maturity Model addresses eight core components of a corporate ESG program, from expanding board-level oversight to ESG reporting.

For companies that have already started building their ESG programs, we recommend identifying the main features and workstreams that you already have in place (an "**ESG Inventory**"), and comparing these against the ESG Maturity Model (a "**Gap Assessment**") to identify the current status of your program compared to our recommendations. This type of assessment can help identify specific, actionable steps for you to take over the next ESG reporting cycle.

For companies that are just starting out, we recommend using the maturity model to set your strategy for the road ahead. Our recommendations are meant to be proposed milestones for your emerging program, with companies advancing year-over-year.

In either case, conducting a an ESG Priority Assessment, which is described in further detail below, can support program direction, emphasis, and resource allocation, and help shape the internal discussion at the company.

While the ESG Maturity Model is meant to help identify key action items and milestones, building an ESG program does require industry knowledge and expertise. For companies that do not yet have that internal expertise, additional resources can be accessed at PracticalESG.com, the Association of Corporate Counsel's ESG Resource Center at https://www.acc.com/resource-library/esg, or orrick.com/esg, and Orrick's ESG team is also available to help you navigate along your ESG journey.

5 APPLYING THE ESG MATURITY MODEL

Our ESG Maturity Model offers specific recommendations across eight components of ESG, based on our experience with a broad range of companies. As a reminder, each company is different, but the ESG Maturity Model is designed to be broadly applicable, and we believe evaluating a program against these recommendations can help drive progress at companies in a variety of industries and with disparate business models.

5.1 BOARD OVERSIGHT

ESG is a board-level issue. From regulators to investors, proper oversight of ESG is recognized by many stakeholders as a fundamental role of the board given the impact that ESG factors can have on long-term value. Delaware case law provides boards with broad discretion in taking into account ESG considerations in their decision-making, as long as such actions promote stockholder value. Boards are expected to establish formal oversight, regularly review relevant ESG issues, and ensure that key competencies and knowledge is either on the board or made available through third parties.

[5] Under Delaware case law, directors must "promote the value of the corporation for the benefit of its stockholders" *Allen v. El Paso Pipeline Gp. Co.*, 113 A.3d 167, 180 (Del. Ch. 2014); however, directors may also take actions "that do not maximize corporate profits currently" such as stakeholder initiatives so long as "such activities are rationalized as producing greater profits over the long-term" *Allen*,113 A.3d at 180.

LEVEL 1 **Initial Board & Committee Oversight**	Board and committees begin periodically overseeing ESG issues, often through one annual Nominating and Corporate Governance Committee ("NCGC") session, which is reported on to the full board by the committee chair. Other committees may review ESG-related issues, such as Audit Committee for risk management. Committee coordination is limited. Generally, review is focused on shareholder priorities and feedback, if any. Board begins reviewing relevant third-party ESG-related ratings.
LEVEL 2 **Formalizing Board Oversight**	Charters for board committee(s) amended to include oversight of ESG and of specific ESG-related topics in committee responsibilities (e.g., NCGC generally oversees ESG, Compensation Committee oversees human capital management and DEI, etc.). Board conducts an inquiry into strategic alignment of ESG effort and resource allocation. Board skills matrix review conducted to determine whether and where the board has ESG-related expertise, and, if not, whether separate ESG expertise should be added to the board. Board assessment includes inquiry into adequacy of board oversight.
LEVEL 3 **Regular Board Reporting and Education**	ESG becomes a regular committee topic (for example, quarterly review by NCGC), reported up to the board and framed in terms of the priorities identified in the ESG Priority Assessment (see next section). Other committees review specific ESG-related topics as part of ongoing agendas (e.g., Compensation Committee reviews human capital and DEI issues). Board conducts regular review of shareholder and investor relations engagement and responses and regular review of other stakeholder priorities and feedback. Board reviews third-party ratings and company's goals and targets with respect to select ratings (e.g., those ratings upon which customers make assessments). Board reviews strategic alignment and resource allocation. Board regularly receives education regarding key ESG topics and trends.
LEVEL 4 **Long-Term Value**	Board has integrated ESG considerations to the extent material into annual business strategy, financial and capital planning, and M&A activities. Board oversees strategic alignment and resource allocation.

5.2 ESG PRIORITY ASSESSMENT

Companies should have a process to determine and prioritize their most relevant ESG topics. We recommend conducting an ESG Priority Assessment, which is a process to regularly identify and assess ESG risks and opportunities.

LEVEL 1 **Identify Priority Issues and Opportunities**	Identify relevant ESG issues and opportunities through peer benchmarking and a review of relevant ESG standards and frameworks. Assess company strategy and culture (and ESG efforts already in place) and alignment with ESG priority topics. Collect data from members of management to assess and set correct priority of ESG topics. Initiate executive discussions on ESG issues, risk, opportunity, stakeholder requests, and process (establishing process and resources).
LEVEL 2 **Analyze External Output**	Regularly analyze input from key external stakeholders, including investors and customers
LEVEL 3 **Integrate into Broader Controls Systems**	Integrate ESG topics into overall Enterprise Risk Management efforts, including risk identification, assessment, and mitigation efforts. Measure financial risks related to ESG topics, including the use of scenario modelling or ESG stress tests.
LEVEL 4 **Strategic Alignment**	Integrate priority ESG topics into the company's strategy, including review at the board and management level to ensure strategic alignment, and create a feedback loop to inform future priority assessments.

5.3 MANAGEMENT OVERSIGHT AND STRATEGY

How a company oversees and organizes its ESG efforts helps determine whether a company will make significant and continual progress with respect to ESG workstreams. Forming a cross-functional group can help obtain organizational buy-in and alignment, and establishing an ESG Steering Committee can be an effective way to coordinate and advance ESG workstreams.

LEVEL 1 **Set the Tone at the Top** **Cross-Functional Coordination**	Secure specific buy-in and participation from senior leadership, and communicate a commitment to ESG and the company's ESG programs and initiatives from the top. Internal ESG champion selected to organize ESG efforts according to core strategic directives and regularly report to the relevant board committee. Relevant set of departments/individuals across the organization identified and method/technology employed to coordinate and collaborate regarding ESG workstreams.
LEVEL 2 **ESG Steering Committee** **Sustainability Office**	ESG Steering Committee formed and properly constituted with internal stakeholders to provide organization-wide buy-in and alignment. A resourced sustainability office or Office of ESG headed by the Chief ESG Officer leads the ESG Steering Committee and leverages ESG expertise to identify ESG workstreams based on priorities identified as a result of the ESG Priority Assessment.
LEVEL 3 **ESG Working Groups** **Senior ESG Manager**	Subject-specific ESG Working Groups serve as tactical engine driving iterative advancement of ESG workstreams in a continual improvement model. Full-time senior ESG resource recommends ESG strategy to the board, oversees implementation of that strategy across the business, and coordinates the creation of ESG disclosure.

5.4 ESG WORKSTREAMS

At most companies, ESG workstreams are being pursued across the organization but frequently in silos. We recommend that an organization leverage the ESG topics identified in the ESG Priority Assessment to conduct an inventory of existing ESG practices and identify opportunities to better coordinate workstreams – and allocate staffing and investment accordingly:

LEVEL 1 **Key Strategic ESG Workstreams**	Inquiry conducted by ESG champion to determine existing ESG efforts and near-term ESG needs across the organization. ESG workstreams identified based on strategic direction provided by the executive team or the board and what can be accomplished with minimal internal infrastructure. Address core ESG workstreams (see Section 6).
LEVEL 2 **ESG Roadmap Inventory**	Office of ESG or sustainability office develops ESG roadmap that addresses progressively more advanced ESG workstreams in core ESG areas, rationalizes workstreams where appropriate, and assigns specific timeframes. Validate workstreams against topics identified in the ESG Priority Assessment.
LEVEL 3 **Full ESG Inventory**	ESG priority topics mapped to subject-specific ESG Working Groups to guide process of conducting inventory of existing ESG practices and selecting ESG workstreams. ESG Working Groups report ESG workstream inventory and suggested ESG workstreams to full ESG Steering Committee; selected ESG workstreams reported to the board.

5.5 GOALS AND METRICS

A successful ESG program is one that clearly tells the company's story and drives meaningful progress on relevant ESG issues. Setting ESG goals and tracking progress along key measurements is a key part of this effort. At the same time, companies should be aware of the differences between internal targets and those publicly disclosed, the latter of which require planning, scrutiny, and commitment. We suggest that companies strive for clearly defined ESG goals and metrics, progressing along the following three stages of maturity:

LEVEL 1 **Map Relevant Metrics**	Leverage existing external ESG frameworks (SASB, TCFD, GRI, etc.) and peer disclosures to identify comparable and decision-useful metrics. Work with subject matter experts and stakeholders to assess the relevance, availability, and appropriateness of potential ESG metrics for the company and its business.
LEVEL 2 **Set Formal Goals**	Develop real, achievable ESG goals that are specific, measurable, relevant, and time-bound. Subject to relevant legal and business considerations, assess whether to publicly disclose select ESG goals to promote transparency and accountability. Cross-check and validate accumulated data leveraging ESG Maturity Model Data Collection and Controls recommendations.
LEVEL 3 **Develop Controls**	Track progress against goals and metrics and consider appropriate and regular internal and external reporting on progress. Develop internal dashboards and reporting to promote transparency and drive performance.
LEVEL 4 **Integrate Accountability**	For the most important ESG topics, companies should consider whether and how to incorporate goals and metrics into compensation practices. Consider obtaining external validation of ESG goals if available. Board oversees progress against ESG goals, including the establishment of any interim ESG goals.

5.6 DATA COLLECTION AND CONTROLS

ESG data need to be accurate, complete, and auditable, with clear and centralized ownership and repositories. We suggest companies have robust data collection processes and controls, progressing along the following three stages of maturity:

LEVEL 1 **Identify, Collect, Validate**	Identify internal experts and data owners responsible for collecting and validating data and provide clear definitions and timelines for data collection. Create processes for internal experts to validate ESG data ahead of disclosure, including a review of supporting documents and adherence to internal processes.
LEVEL 2 **Centralize and Train**	Establish a central ESG function to manage ESG data and set consistent company-wide validation and internal reporting processes. Provide training to relevant employees on following company-wide processes. Consider use of an enterprise reporting tool that aggregates ESG data from across the business and that allows for internal validation and auditing.
LEVEL 3 **Apply Internal Controls**	Integrate ESG data into the existing control environment, including integration with internal audit and provision of assurance where appropriate, and conduct regular reviews of the effectiveness of ESG data controls.

5.7 ESG REPORTING AND DISCLOSURE

The ESG report is one of the most important tools for telling the company's ESG story. In addition to an annual ESG report and related interim updates that a company may provide, companies should consider where and to whom they should disclose ESG information. Additionally, ESG reporting comes with risks that should be managed. We suggest companies have well-established reporting and review processes, progressing along the following three stages of maturity:

LEVEL 1 **Preparing the ESG Report**	An initial report should address key topics identified by internal and external stakeholders, potentially noting the requirements of relevant standards and frameworks. ESG efforts should be aligned with corporate strategy and culture in support of long-term value creation. A report should be reviewed for legal and data concerns by associated internal stakeholders, as well as for consistency with other disclosures. Initial reports will require executive participation and alignment on ESG priorities and how to publicize them.
LEVEL 2 **Reporting Governance**	Develop a centralized review process for all types of ESG disclosure, with legal, data, and consistency review built into each disclosure. Integrate ESG reporting into existing disclosure controls structures, including deliberate allocation of review responsibilities to the board, its committees, and management, as appropriate.
LEVEL 3 **Integrated ESG Data and Disclosure Hub**	Create an integrated ESG data and disclosure hub to drive consistency and facilitate legal review. Consider creating an external ESG data hub for stakeholder access.

5.8 EVALUATE THE ESG PROGRAM

Companies should be able to evaluate the effectiveness of their ESG program. This can include an assessment of how effectively management implemented an ESG strategy and how effective that ESG strategy is in driving long-term value. We suggest companies have a regular process for evaluating their ESG programs, progressing along the following two stages of maturity:

LEVEL 1 **Basic Program Evaluation**	Board and its committees convey assessment to management, and ESG management leaders convey assessments to teams, with action plans for addressing areas for improvement. ESG leaders communicate regularly with CEO and ESG Steering Committee.
LEVEL 2 **Advanced Program Evaluation**	Adopt regular, formal review process for program effectiveness, including examination of progress against goals and work plans, root cause analysis of any failures, and feedback. Office of ESG delivers regular updates to ESG Steering Committee. Conduct benchmarking and review against stakeholder preferences and the company's ESG Priority Assessment to identify potential changes.

6 CORE ESG WORKSTREAMS

In our view, the roadmap for ESG substantive topics will differ significantly based on business model and industry, and so opportunities for advancement or reallocation of resources in these substantive areas must be identified and implemented with reference to the unique circumstances of each business. Core ESG workstreams include the following, among others:

Climate Change	Human Capital Management	Diversity, Equity and Inclusion
Human Rights and Labor	Commercial and Supply Chain	Ethics and Compliance
	Sustainable Operations and Products	

For assistance with assessing an ESG program with respect to these substantive topics and developing a roadmap, please contact Orrick's ESG team, whose members are listed on the final page of this report.

7 OUR METHODOLOGY

The ESG Maturity Model was developed as a collaborative effort with NetScout to help identify stakeholder expectations for company ESG programs and reporting practices, and, with respect to NetScout specifically, work with the company to assess those expectations against existing corporate strategy, culture, and ongoing ESG-related work. As part of this effort, Orrick conducted extensive desktop research on best practices in ESG, with references to leading sustainability standards and frameworks, publicly available guidance documents from ESG ratings and rankings organizations, ESG reporting and other disclosure by public companies, and investor expectations in proxy voting guidelines and stewardship principles. This desktop research was also informed by Orrick's deep experience working on ESG governance and management oversight, setting ESG goals and KPIs, preparing ESG disclosures, and helping companies define and achieve success on ESG.

For the model, in cooperation with NetScout, we used a qualitative and exploratory approach to identify elements of best practice and how those practices are effectively implemented, rather than collect data from a statistically significant population. Our goal was to capture and understand different approaches to ESG management and ESG program implementation, rather than develop a quantitative understanding of current market practice.

We did not focus only on companies that had the most advanced ESG programs. Our study considered a wide range of ESG practices and different levels of maturity. In our view, the heterogeneity of our study sample helped to identify a wide range of approaches to ESG and consistent best practices across those various approaches.

This model leverages many public resources, including the work of the IFRS Foundation, the Global Reporting Initiative, and the Task Force on Climate-Related Financial Disclosures. We recommend that companies incorporate the sustainability frameworks and standards developed by these organizations, including the Sustainability Accounting Standards Board standards, as part of their ESG program to develop substantive ESG workstreams and disclosures that address the sustainability factors that are relevant to their organizations.

ABOUT NETSCOUT

NetScout is an industry leader with over three decades of experience in providing service assurance and cybersecurity solutions that are based on our pioneering deep packet inspection technology at scale, which are used by many Fortune 500 companies to protect their digital business services against disruption. Service providers and enterprises, including local, state and federal government agencies, rely on our solutions to achieve the visibility and protection necessary to optimize network performance, ensure the delivery of high-quality, mission-critical applications and services, gain timely insight into the end user experience and protect their networks from attack. With our offerings, customers can quickly, efficiently and effectively identify and resolve issues that result in downtime, interruptions to services, poor service quality or compromised data, thereby reducing meantime-to-resolution of issues and driving compelling returns on their investments in their networks and broader technology initiatives.

ABOUT ORRICK

Orrick counsels companies in the technology & innovation, energy & infrastructure, and finance sectors globally. Our clients include eight of the top 15 tech companies by market cap, eight of the top 15 energy companies, and 10 of the top 15 financial institutions – giving us a broad perspective on market trends. We focus on delivering strategic advice on the day-to-day issues that concern management and boards the most – and value-added support for transactions and litigation.

Our emphasis on innovation – in our advice and service delivery – has earned the firm top-three rankings in Financial Times' Most Innovative Law Firms report seven years in a row. And we provide our clients with inspired, consistent and inclusive teams by being a Fortune 100 Best Companies to Work For for eight years in a row.

Our Public Companies & ESG practice advises on ESG program design and implementation by combining legal risk assessment with powerful data analytics.

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