BOSTON COLLEGE
CENTER FOR CORPORATE CITIZENSHIP
CARROLL SCHOOL OF MANAGEMENT
Corporate Citizenship

Rights
Responsibilities
Obligations
Privileges
Corporate Citizenship
How the firm exercises its rights, responsibilities, obligations, and privileges in the world. How do we show up?

Environmental
How we impact our natural environment and how changes to the natural environment can impact our ability to deliver value

Social
How we impact society across our value chain and how changes in our society may impact our ability to deliver value

Governance
How we consider & involve stakeholders (including shareholders) in decisions about how we create value and mitigate negative impacts.

Financial
How we use and create capital, including but not limited to financial capital, to add value to the financial economy.

Operations & CSR

Value Chain Impacts

Disclosure

Who are we? What do we stand for?

How we categorize results

Where do we create impacts

How we measure up
Financial Materiality
More discussion of ESG financial impact

Transition Risks
- Policy & Legal
- Technology
- Market
- Reputation

Physical Risks
- Acute
- Chronic

Opportunities
- Human Capital
- Resource Efficiency
- Energy Source
- Products/Services
- Markets
- Resilience

Risks

Strategy
Risk Management

Financial Impact

Incomes
Statement

Cash Flow
Statement

Balance
Sheet

Revenues
Expenditures

Assets & Liabilities
Capital & Financing
The ESG landscape

**Reporting Standards**

- GRI
- ISSB
- EFRAG
- SEC

**Frameworks developers**

- PCAF
- TNFD
- TCFD
- CDP
- PRI
- UN Finance Initiative
- IFIs
- OECD
- IFIs
- IFIs

**Rankers & Raters**

- MSCI
- Moody's
- FTSE Russell
- Refinitiv
- Morningstar
- ISS
- Calvert
- S&P Global
- GRESB

**Standard**: detailed requirements of ‘what’ should be reported on each topic

**Framework**: A set of ‘principles and guidance for how information is structured’
From end to end...
All over the world...
More Attention from Regulators & Standards

SEC

- 2010 (33-9106) Climate risk is business risk
- In March 2022, with the “issuer rule,” the SEC proposed rule amendments that would require public companies to provide certain climate-related financial data, and greenhouse gas emissions insights, in public disclosure filings.
  - Focus on investor protection and “truth in advertising” re: SRI and ESG funds
- 2022 ESG Risk Alert (9 April 2021) Representation to investors of material ESG issue management/portfolio selection

FASB

- FASB Staff Educational Paper (Intersection of ESG Matters with Financial Accounting Standards (19 March 2021)
- Refers to SEC 33-9106—an entity may consider the effects of certain material ESG matters…w/ a material direct or indirect effect on financial statements and notes.
- Direct & Indirect intersections of GAAP & ESG:
  - 205-40 Going concern
  - 275 Risks & Uncertainties
  - 330 Inventory
  - 350-20&30 Intangibles
  - 360 Property & plant
  - 410-20&30 Asset Retirement & Environmental Obligations
  - 740 Tax (credits)
  - 820 FV measurement
  - 900 Industry guidance (various)
Operationalization of sustainability reporting
Networks
Representation among EXECUTIVES vs. Representation among ALL employees

- White Men 2019
- White Men 2020
- White Men 2021
- Asian Men 2019
- Asian Men 2020
- Asian Men 2021
- Hispanic Men 2019
- Hispanic Men 2020
- Hispanic Men 2021
- Black Men 2019
- Black Men 2020
- Black Men 2021

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Bulletin: Advisory Board for ESG Reporting

Environmental, Social, and Governance (ESG) Process Governance

Structure and Guidance
Trends

• Consolidation and interoperability
• The bar can be raised by any player in the global economy
  • Impact materiality approach
• VALUE CHAIN ORIENTATION!!!
  • Opportunity to demystify and help clients through Scope 3
  • Supplier tier support
    • Social impacts in addition to environmental
• Internal governance process and data stewardship to support assurance (limited and reasonable)
  • Expertise and performance of decision-makers
• AI and XBRL-ESEF will make everything more transparent