Bloomberg Law®

Bloomberg Law News 2021-09-28T11:35

ESG Disclosure Plans Emerge as Corporate Priority, Study Finds

By Lydia Beyoud 2021-09-28,T05:45:35000-04:00

- ESG data collection seen as a critical challenge for 2022
- Companies face more ESG regulation, litigation

About half of companies have a strategy for reporting their environmental, social and corporate governance performance to regulators and shareholders, according to a report.

Another third, or 34%, plan to implement ESG reporting strategies in the next one to two years, said the report, compiled by law firm Thompson Hine LLP after querying 134 in-house counsels and senior executives at publicly traded and privately held companies. More than two thirds of the respondents were at small or mid-size companies with between $50,000 and $500 million in annual revenue.

The report underscores the growing importance of ESG issues among board room leaders, who are increasingly asked to be transparent on their corporate conduct and citizenship. It also comes as the Securities and Exchange Commission is poised to create new disclosure requirements related to climate change risks, board and workforce diversity this fall.

More than 25% of private companies—which have less onerous obligations to disclose their performance, had no plans to adopt an ESG strategy.

Regulators have mulled varying standards on reporting ESG metrics. Companies also define ESG strategies in different ways. But they generally view that main ESG components—such as workforce diversity, equity and inclusion, sustainability and proper board governance measures—come with reportable data, said Heidi Friedman, partner and co-chair of Thompson Hine's ESG Collaborative group and co-author of the report.

Disclosures on diversity, equity and inclusion initiatives were a critical focus for 95% of public companies and 63% of private companies.

Board oversight of environmental and sustainability issues was the second most significant concern for public companies. Private companies ranked ethical business practices as their second most important disclosure.

Companies are also facing the prospect of more ESG-related litigation from state authorities or investors, Friedman said. “That is also going to drive even the private companies that may not have the same regulatory requirements, in terms of external disclosures, to come up with a plan,” she said.

Looming legal threats and future regulatory compliance make good data collection a chief concern for companies, the report said. Companies identified data collection and verification as the most significant ESG concern over the next year.

Good disclosures and protection for litigation threats are difficult without good data, said Jurgita Ashley, the report’s co-author and a partner and co-chair of Thompson Hine’s ESG Collaborative.

Many companies have been voluntarily reporting ESG metrics to the public and shareholders for years. But the survey found some industries are further along than others in implementing ESG plans.

The financial services, real estate and health care industries led the pack as early adopters of ESG policies.

More than a third of respondents from the manufacturing and tech industries said they didn’t have an ESG strategy in place, but intend to pursue it in the next two years, according to the study.

To contact the reporter on this story: Lydia Beyoud in Washington at lbeyoud@bloomberglaw.com

To contact the editors responsible for this story: Michael Ferullo at mferullo@bloomberglaw.com; Roger Yu at ryu@bloomberglaw.com

Related Documents

Report