BENCHMARK ESG®

The Next Generation of Gensuite®

The 2022 Benchmark ESG Survey:

Business Leaders' Impressions of Their Enterprise ESG Programs

The business case for cloud-based ESG reporting and performance data management solutions

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Benchmark Digital Partners (Benchmark) the provider of the award-winning Benchmark ESG | Gensuite® digital solution, enables companies to address the environmental and social challenges facing global communities to help drive a more sustainable global economy through digital transformation of ESG data management and reporting processes. With the cloud-based tools needed to produce data-driven insights into enterprise sustainability performance, Benchmark's subscribers—350+ organizations and nearly 3 million users worldwide—can generate cost-saving, revenue-driving, risk-reducing outcomes and report investment-grade data to their investors, customers, employees, and other stakeholders..

Introduction

The imperative that business leaders and investors incorporate rigorous sustainability criteria into their respective enterprise and portfolio performance measurement, management, reporting, and verification processes might be seen as ESG's "moment."

The confluence of global market disruptions, from labor shortages and supply chain snarls to inflation and tightening monetary policy, may tempt these decision-makers to retreat to more familiar territory.

For the leaders of non-financial and financial companies alike, there are compelling reasons for them to strengthen their capacities to collect, analyze, and self-report ESG performance data that is accurate, timely, complete, financially relevant, and above all, verifiable. And these reasons are proving durable.

Globally, organizations are facing mandates to issue standardized disclosures of their ESG risk management goals, efforts, and outcomes. Access to and cost of capital are increasingly contingent upon companies' declaration, pursuit, and regular substantiation of bold sustainability outcomes. Despite global economic headwinds, ESG funds have sustained their years-long outperformance over those without a sustainability mandate.

Closer to home, a company's ability to retain and recruit talent, preserve engagements with mission-critical suppliers, vendors, and other partners, manage customer relationships, andotherwise secure its license to operate is being shaped by these stakeholders' estimations of their sustainability credentials.

The ESG imperative is not a fleeting "moment." It's a momentous shift.

If anything, an expectation that the "ESG moment" will ultimately prove ephemeral betrays a fundamental misinterpretation of the long-term, financially relevant advantages of robust ESG performance data management and reporting. And, left unchecked, this organizational myopia threatens to destabilize the broader ESG information ecosystem and the public good it's meant to serve.

Fortunately, as suggested by the findings of the **2022 Benchmark ESG Survey: Business Leaders' Impressions of Their Enterprise ESG Programs**, it seems business leaders are at least taking action. But there's evidence that while business leaders may be striving toward ESG performance excellence, both their appraisals of the ESG imperative as well as their approaches to accommodating it present risks and opportunity costs.

Yet, as detailed in the following analysis of the survey findings, the keys to redressing this oversight lie with improved **inter-stakeholder communications,** improved **ESG performance data management, analysis,** and **reporting, and digital transformation.**

About the Survey

As a leading provider of digital, cloud-based ESG performance data management and reporting platforms, our mission is simple. Our charge is to equip business leaders with the best practices and tools to pursue, achieve, and exceed their stakeholder-influenced sustainability goals without compromising their bottom lines. Key to that mission is helping our subscribers define the parameters against which their ESG performance management goals, achievement strategies, and outcomes will be judged, and providing an innovative digital ecosystem that enables cross-functional engagement, continuous improvement, and informed decision-making.

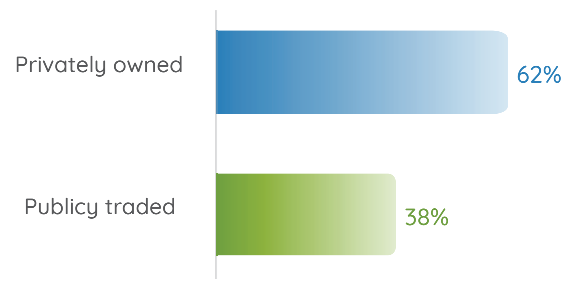
With the new **2022 Benchmark ESG Survey: Business Leaders' Impressions of Their Enterprise ESG Programs**, our objective is straightforward. With an eye to the quickly evolving global frameworks for ESG reporting and requirements, including the U.S. Securities and Exchange Commission's (SEC) pending proposal for a corporate climate risk disclosure rule, we set out to determine where companies are in their enterprise ESG journeys, as well as their leaders' estimations of the value-add brought by their organizations' ESG performance measurement, management, and reporting efforts. In last year's **2021 Benchmark ESG Survey** we saw that investors found considerable room for improvement in the depth, quality, and veracity of the self-reported enterprise ESG performance data they have at their disposal. Are business leaders feeling the same today?

Through a series of multiple-choice, rating-scale, and open-ended questions, this survey asked more than 500 senior leaders of various private and publicly traded non-financial companies their perspectives regarding:

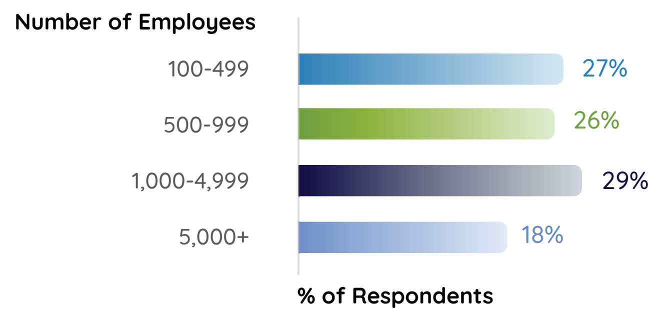
- **The importance of ESG goals and action plans to their companies, as well as the motivations behind their ESG initiatives**
- **Where they see the ROI of their efforts toward ESG performance measurement, management, and disclosure**
- **Their familiarity and confidence in complying with various mandatory and voluntary ESG disclosure frameworks**
- **The pros and cons of the tools they use to conduct ESG performance data management and reporting**
- **The aspects of ESG performance measurement, management, and disclosure they want solved**

Respondents to this survey, fielded online with assistance from public opinion research consultancy **ClearPath Strategies**, possessed a range of cumulative experiences and roles, and represented companies of various sizes and sectors.

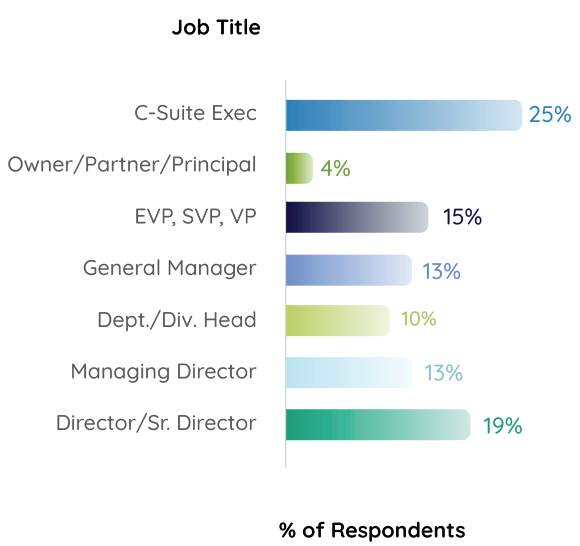
PRIVATE V. PUBLICLY TRADED COMPANY



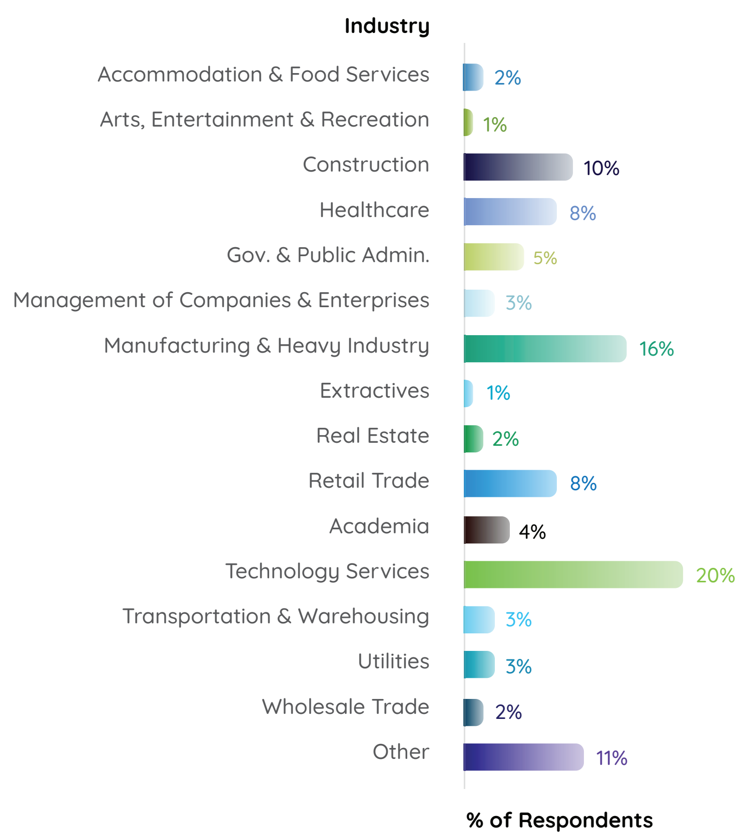
COMPANY SIZE



LEVEL OF SENIORITY



INDUSTRY REPRESENTED



Key Survey Findings

For over two decades, we have worked across industries in support of organizations and their efforts to operationalize ESG, including functional disciplines for Sustainability, Environment, Health & Safety (EHS), Quality, Product Stewardship, and Supply Chain. Core to the success of these organizations and their programs has been to effectively engage every person in the organization in delivering on challenging commitments, representative of each function's objectives and enabled via a robust digital solution that connects it all.

Organizations within our subscriber community, in many cases, have tapped these same functional leaders to either quarterback ESG efforts or play a crucial role in establishing the necessary organizational models, processes, and digital ecosystems to enable the needed transformation. As industry looks to identify and implement emerging best practices around ESG program enablement, our community is working to align digital solution strategies that are both practical and ready for the expected rapid and continuous evolution ahead.

This is the impetus behind the 2022 Benchmark ESG Survey: Business Leaders' Impressions of their Enterprise ESG Programs.

The SEC, among other market regulators in the U.S. and abroad, is preparing to implement climate risk and ESG performance disclosure rules soon. Voluntary frameworks too, largely under the mantle of the IFRS's International Sustainability Standards Board (ISSB), are accelerating in both their convergence and relevance to investors' ESG investment approaches. And the all but ubiquitous expectations for companies to undertake more ambitious, transparent, and credible pursuits of improved sustainability outcomes are becoming entrenched and more sophisticated.

With the following analysis of Benchmark's latest survey findings, we aim to show that the pursuit of ESG performance excellence is both possible and practical, a position substantiated by the more than two decades' worth of success that our community has had with similarly challenging directives through stakeholder engagement, continuous process improvement, and digital solution innovation.

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Business Leaders See ESG's ROI Concentrated in Brand Equity

Across the full survey sample, a plurality of respondents (48%) said "brand reputation" is where they expect the positive impacts of their ESG initiatives to manifest, though there are differences in perspective among survey subsamples.

Enterprise ESG Programs Are Driven By Internal Motivations

Despite a preponderance of stakeholder inquiries and regulatory requirements regarding ESG performance disclosures, pluralities of respondents representing both private (41%) and public (40%) companies say it's the leadership of their organizations that are leading demand. By way of comparison, only 18% of private company respondents and 29% of their public company counterparts said regulatory bodies (e.g., the U.S. SEC) lead demand for this data.

Vendor ESG Software Is Popular & Effective

A plurality of respondents (41%) said their Enterprise ESG Programs leverage digital ESG data management, performance measurement, and reporting solutions purchased from a vendor, as opposed to those developed in-house. "Vendor respondents" report greater satisfaction with the functionality of these purchased tools (+18%). And they are more likely to say they are confident in meeting core components of the SEC's proposed corporate climate risk disclosure rule, including measurement of operational greenhouse gas emissions (+12%).

Business Leaders Agree on Pros and Cons of Their Current ESG Tools

Across the full survey sample, a plurality of respondents (38%) say the digital ESG data management, performance measurement, and reporting tools they use, either purchased from a vendor or developed in-house, are "most helpful" in data collection. And a plurality of respondents (28%) agreed that their ESG tools are "most deficient" in providing real-time data updates, though this is most apparent among respondents who report using ESG tools developed in-house (34%).

Business Leaders Reveal Internal Disunity on ESG Objectives & Capabilities

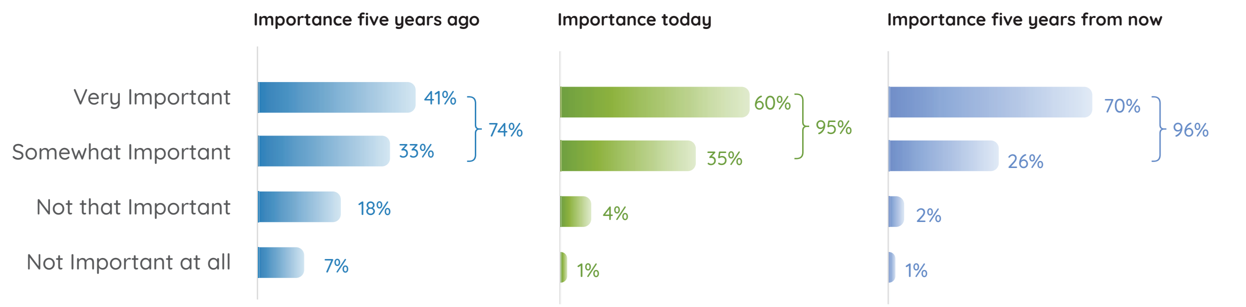
There are areas of significant divergence in the perspectives of survey respondents who self-identified as "VP and above" in their organizations, versus those who identified as "General Manager and below." Most significant is the difference in confidence these two demographics report having in achieving compliance with the SEC's proposed corporate climate risk disclosure rule. Nearly half (47%) of respondents who identified as "VP and above" said they are "very confident," whereas only 25% of respondents who identified as "General Manager and below" said the same.

Where Companies Are in Their ESG Journeys

Even With Strong Awareness, Acknowledgement, and Action, Gaps Remain

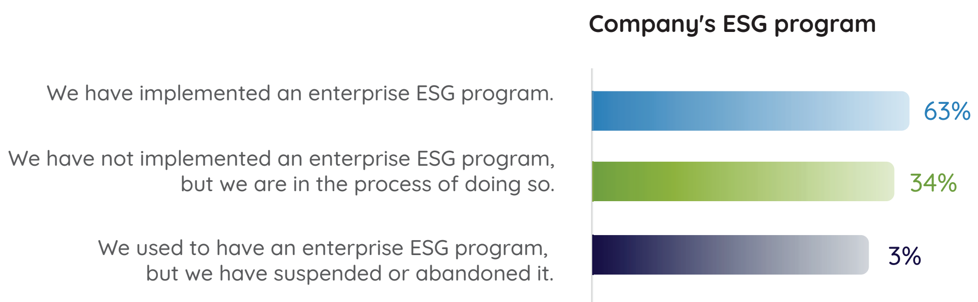
The host of incentives and mandates for business leaders to not only set, pursue, and achieve bold ESG performance goals, but also disclose verifiable evidence thereof, are as compelling as they are diverse. Unsurprisingly, a majority of respondents to this survey (60%) said that their ESG goals and action plans are "very important" to their company's overall business strategy. An even larger portion of respondents said they expect ESG's relevance to their bottom lines to continue strengthening.

THE IMPORTANCE OF ESG GOALS & ACTION PLANS TO CORPORATE STRATEGY



But capturing those incentives and obliging those mandates is easier said than done. Just as no two companies are identical, neither are their full slates of ESG risks, nor are their incentives and capacities to address them. As respondents to this survey would presumably agree, this is what makes the development, implementation, and operationalization of a bespoke "Enterprise ESG Program" so important.[1]

A MAJORITY OF COMPANIES HAVE AN ENTERPRISE ESG PROGRAM



And while it's encouraging to see that a majority of survey respondents report that their firm either already has an enterprise ESG program in place (63%), or has plans to implement one in the near future (34%), the value of strict adherence to best practice cannot be overstated.

1. *An "Enterprise ESG Program" was defined for survey-takers as "a set of Environmental, Social, and Governance (ESG) data management, performance measurement, and reporting goals and their corresponding action plans."*

Briefly, this entails the execution of a thoroughly stakeholder-influenced ESG materiality assessment. After all, beyond avoiding penalties for regulatory noncompliance, the aggregate value of the ESG performance measurement, management, and disclosure efforts completed as part of the Enterprise ESG Program is largely determined by how well these efforts serve the expectations of the companies' various stakeholders.

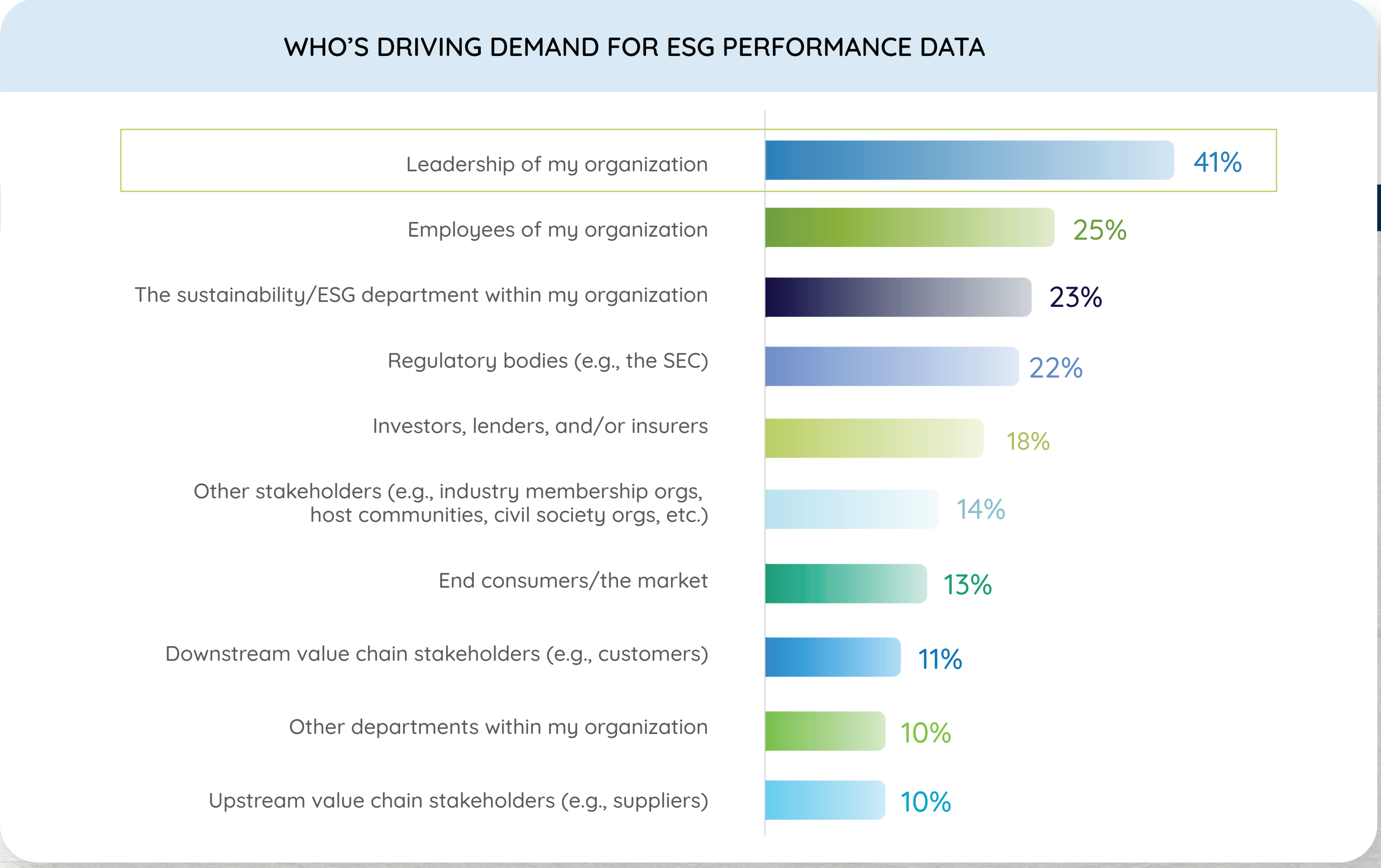
Accordingly, stakeholder-centricity must be prioritized in each stage of the Enterprise ESG Program's development, implementation, and operationalization. Once a firm has identified the ESG risks that matter most to their stakeholders, they must set consensus goals for managing them, and determine consensus performance metrics, management responsibilities, and disclosure methodologies.

For companies attempting to accommodate the divergent expectations and sustainability priorities of their investors, lenders, employees, customers, suppliers, vendors, and host communities, this methodical, even democratic approach to the Enterprise ESG Program is essential. Because even if a company is disclosing accurate, trustworthy evidence of its ESG performance, its disclosures won't pass muster with the company's stakeholders unless they demonstrate that company's alignment with their expectations.

The survey findings suggest companies' Enterprise ESG Programs are victims of well-intentioned but short-sighted objectives and haphazard approaches.

Respondent motivation for collecting, managing, analyzing, and reporting their enterprise ESG performance data is among the more telling findings to that effect. For example, across the full sample, a plurality of respondents (41%) said that their organization's leadership is driving the demand for ESG performance data, as opposed to a broader set of stakeholders.

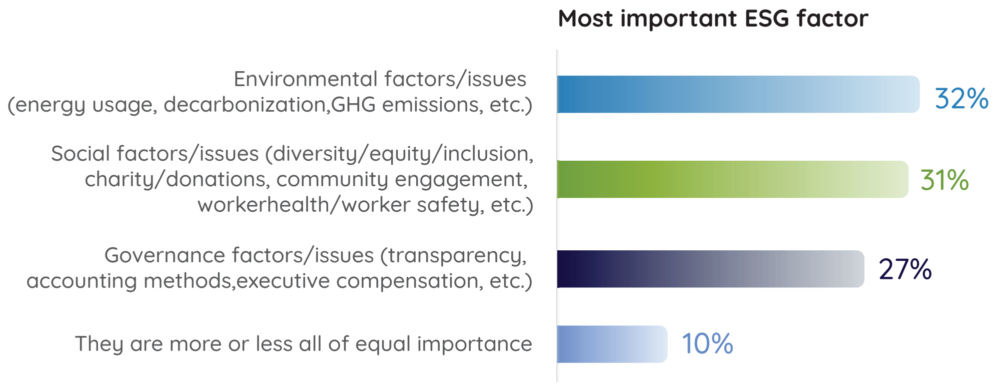
While that may be reconcilable considering that members of the companies' leadership, as part of their regulatory compliance and investor relations duties, are those most in need of data describing their firm's ESG performance, the survey data doesn't bear that out.



It would appear that neither companies' investors nor their regulatory compliance obligations have much sway in the development, implementation, and operationalization of their Enterprise ESG Programs.

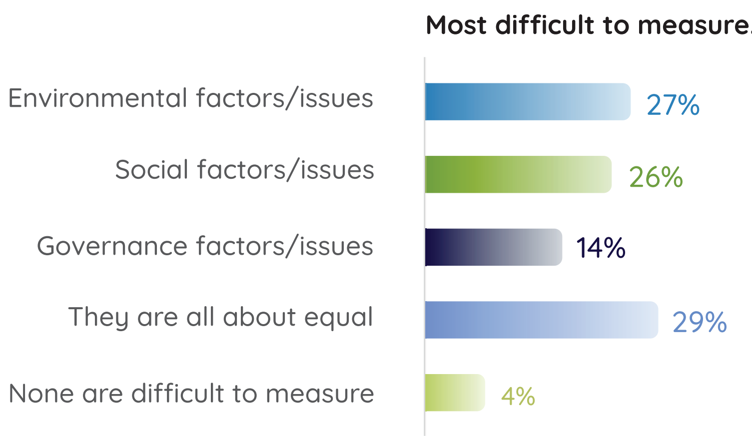
For instance, survey respondents indicated that the measurement, management, and disclosure of their social risks are nearly equally important as the measurement, management, and disclosure of their environmental risks. While, at face value, that might mean that respondents to this survey are managing well-balanced Enterprise ESG Programs, there's reason to believe otherwise.

IMPORTANCE OF ESG FACTORS TO THE ENTERPRISE ESG PROGRAM



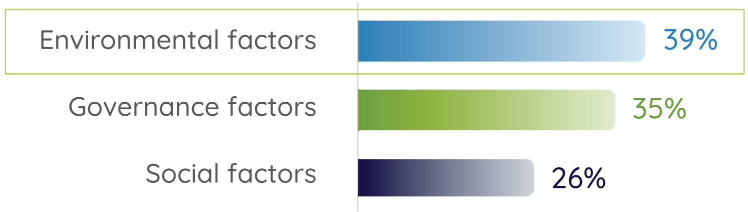
By way of comparison, a plurality of respondents (39%) in the **2021 Benchmark ESG Survey: Investor Attitudes on Company ESG Data** said that companies' self-reported data describing their management of "environmental factors" is most important to their investment decision–making, exceeding the portion of those who said the same for "social factors" by 13 points. Moreover, while respondents to this year's survey reported nominal difficulty with measuring their management of environmental, social, or governance risks, much larger shares of respondents to Benchmark's previous investor survey reported the need for companies to make significant improvements in each of these areas.

THE MOST DIFFICULT ESG FACTOR FOR BUSINESS LEADERS TO MEASURE



INVESTORS SAY COMPANIES' "E" DATA IS MOST IMPORTANT

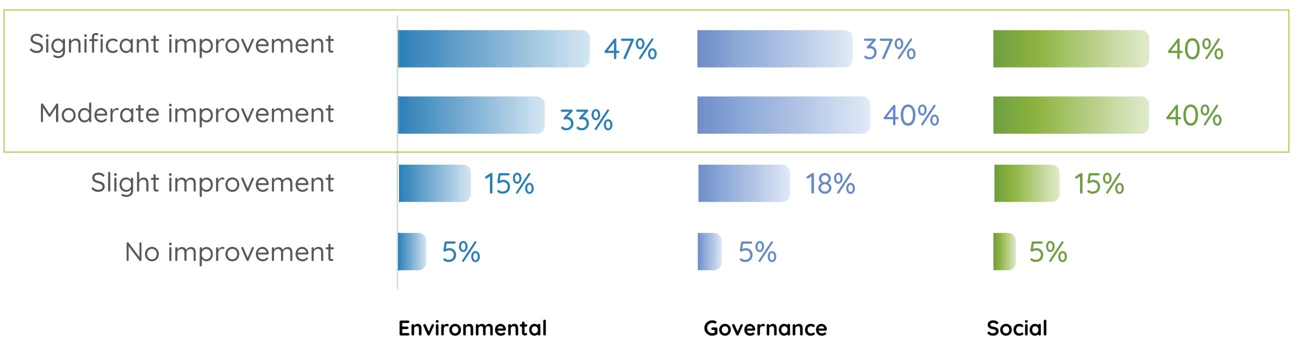
Most important ESG factor?



[Source: The 2021 Benchmark ESG Survey: Investor Attitudes on Company ESG Data]

AND THEY SAY SIGNIFICANT IMPROVEMENT IS NEEDED ACROSS THE BOARD.

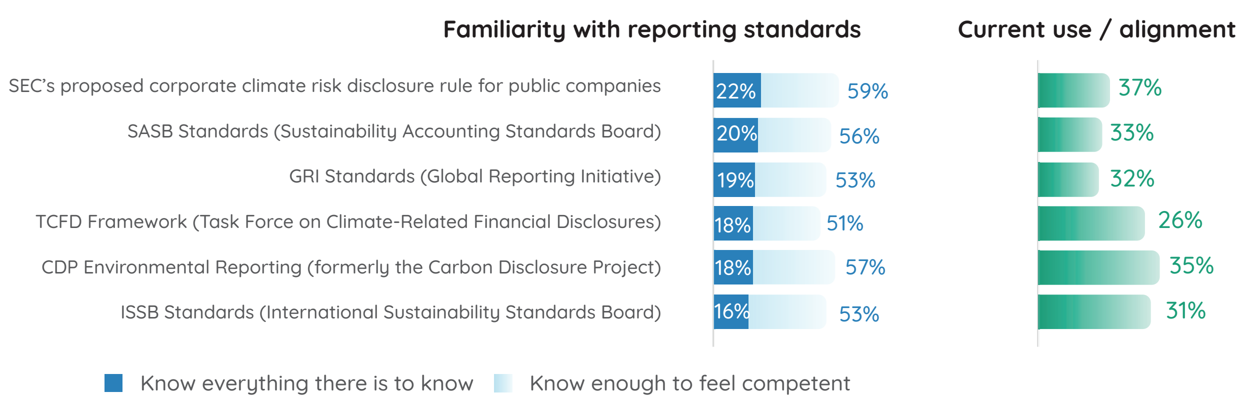
ESG factor in most need of improved data quality?



[Source: The 2021 Benchmark ESG Survey: Investor Attitudes on Company ESG Data]

More to the point, respondents to the **2022 Benchmark ESG Survey** reported that despite their familiarity with the various leading voluntary and mandatory ESG disclosure frameworks, their Enterprise ESG Programs are not aligned with those frameworks.

VOLUNTARY & MANDATORY ESG DISCLOSURE FRAMEWORKS HAVE LITTLE BEARING ON ENTERPRISE ESG PROGRAMS



In stark contrast to our expectations at the outset of this survey, only 37% of queried business leaders said their Enterprise ESG Programs align with the SEC's proposed corporate climate risk disclosure rule. Even still, a majority (74%) said they are at least "somewhat confident" in their organization's ability to achieve compliance with it.

Similarly, concerning the voluntary ESG disclosure framework under development by the IFRS's International Sustainability Standards Board (ISSB), only 31% of respondents said that their Enterprise ESG Programs are aligned with it.

To put this into perspective, at the time of this writing, the IFRS had reported its intent to require that companies issuing disclosures in alignment with the ISSB framework share information regarding both their Scope 3 (i.e., value chain) emissions and their usage of climate-related scenario analyses. Moreover, the ISSB's forthcoming frameworks have been billed as the "global baseline for sustainability disclosures," which is to say they are designed to be interoperable with other leading voluntary disclosure frameworks, as well as with government-backed mandatory frameworks.

These are no doubt perplexing findings for the vast majority of investors and, soon enough, regulators who expect companies to issue disclosures via one or more of these frameworks.

But there are a few clues that may explain the rationale.

First, there's the finding that a plurality of respondents (48%) said that the positive impacts of their Enterprise ESG Programs are most apparent as "brand reputation" outcomes. This is followed closely by "employee retention" (43%) and "employee recruitment" (42%), which is congruent with the finding that 25% of respondents (Private: 27%, Public: 23%) say that their employees are the stakeholders leading demand for Enterprise ESG Program data outputs.

WHERE BUSINESS LEADERS SEE ESG ROI

We can take this to mean that business leaders are disproportionately focused on accommodating the expectations of their existing and prospective end-consumers and employees. This is likely because these stakeholders' decisions to transact or engage with a firm not only carry fairly straightforward financial implications, but also because their decisions to that end are relatively easier to execute compared to an investor, lender, insurer, key supplier, or other institutional stakeholder.

Moreover, business leaders may find that the expectations of both their end-consumers and their existing and prospective employees are easier to ascertain and, more likely, accommodate without strict conformance to a given disclosure framework.

In sum, there's a risk that business leaders are treating their Enterprise ESG Programs as a means to an immediately demonstrable end.

Business leaders who are disproportionately focused on the outcomes that their Enterprise ESG Programs drive in one area of business performance—in this case, brand equity—may be tempted to walk-back their ESG performance aspirations in the event of lackluster results in that single area. On the other hand, business leaders that keep a keen, receptive eye to how their Enterprise ESG Programs affect other bottom line-relevant business performance areas, such as operational efficiency, investor relations, and regulatory compliance, will be better able to make more balanced and durably effective management and investment decisions.

Other survey findings substantiate the assertion that business leaders are taking a narrowly scoped, short-term view of their Enterprise ESG Programs and, in turn, are incurring unnecessary risks and opportunity costs.

And as detailed in the remainder of this eBook, much of this stems from internal dysfunction among Enterprise ESG Program administrators who lack adequate ESG data management and reporting tools.

Diagnosing the Causes of Untapped ESG Potential

Internal Dysfunction: ESG Performance Excellence Requires All Hands on Deck

The success of any given Enterprise ESG Program depends on two key components. First, as described in the preceding section, is the extent to which the program's objectives, performance metrics, management responsibilities, and disclosure methodologies incorporate the input of the company's stakeholders.

A lack of stakeholder consensus in the development, implementation, or operationalization of an Enterprise ESG Program can prove most detrimental. But the stakeholder-centricity principle discussed earlier in this eBook applies to more than a company's external stakeholders.

Indeed, there's a need for internal consensus, too. And judging from our respondents' perspectives on who is driving demand for their Enterprise ESG Program's data outputs (i.e., leadership and employees), it would appear that business leaders are at least cognizant of this. However, given the differences in responses from survey takers who self-identified as "Vice President or above" versus those who self-identified as junior to a VP, it's clear that business leaders aren't putting the stakeholder-centricity principle into practice.[1]

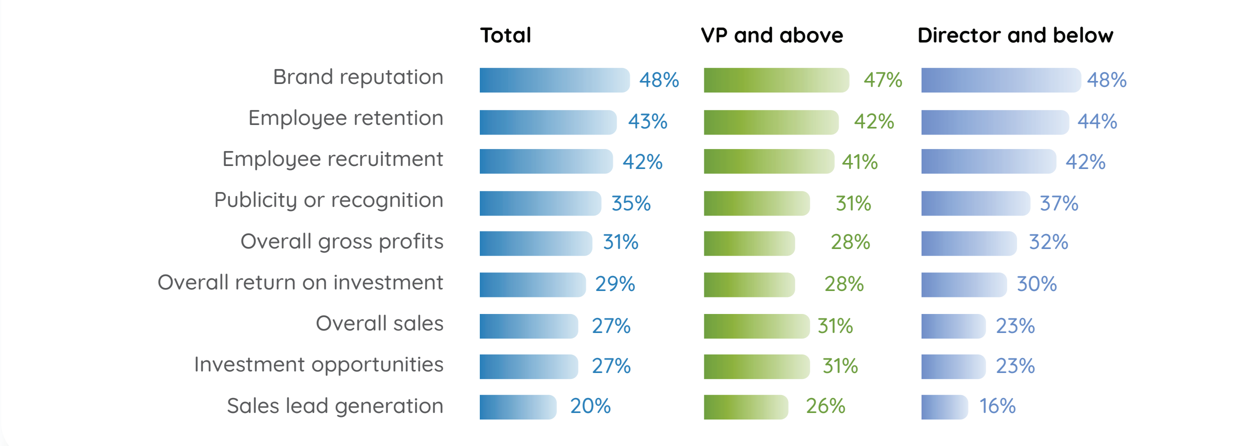
When it comes to developing the Enterprise ESG Program, chief among these indicators are the areas where survey respondents say they see the positive impacts of their respective ESG initiatives manifesting.

For instance, while VP and Director respondents were in agreement that ESG's ROI would primarily accrue as "brand reputation," "employee retention," and "employee recruitment" outcomes, there were considerable differences in three key areas.

As shown below, the share of VP respondents who said that their organizations' Enterprise ESG Programs are (or are expected to) yield positive outcomes in terms of "overall sales" and "sales lead generation" exceeded the share of Director respondents who said the same by eight points and 10 points, respectively.

Relatedly, the share of VP respondents who expected their ESG initiatives to positively impact "investment opportunities" was eight points greater than that of Director respondents who said the same.

IMPRESSIONS OF ESG ROI DIFFER ACROSS SENIORITY



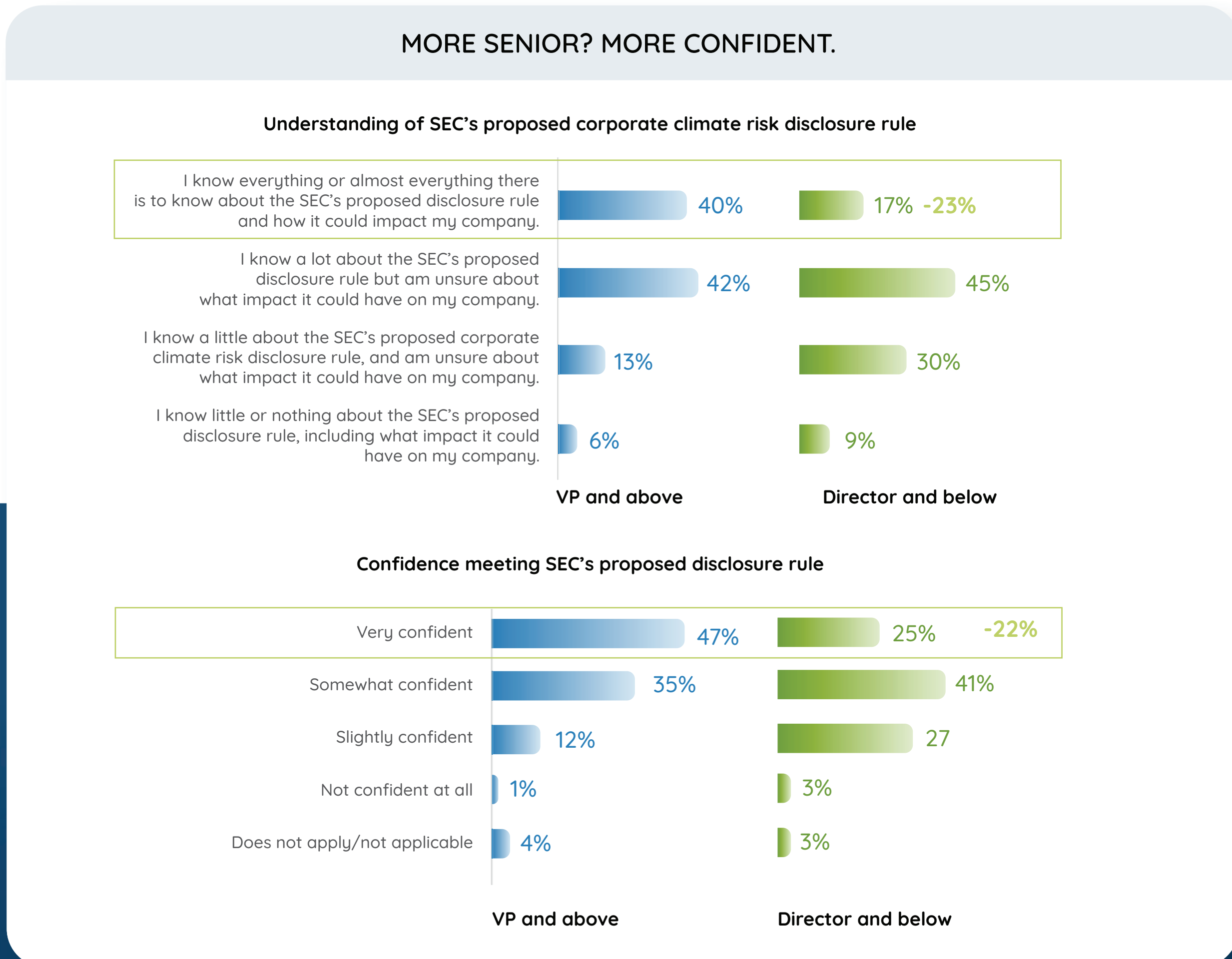
1. "Survey respondents who self-identified as either a Vice President (VP) or something more senior will be referred to as "VP respondents" hereafter. Similarly, survey respondents who self-identified as junior to a VP (i.e., General Manager, Department Head, Director, etc.) will be referred to as "Director respondents" hereafter.

Yet the findings that most betray a lack of communication and consensus among VP and Director respondents have to do with their respective appraisals of the actual work needed to achieve ESG performance excellence.

This includes the universal need to comply with the SEC's proposed corporate climate risk disclosure rule. Public companies will soon be compelled to issue standardized disclosures of their operational emissions and other climate risks, their plans for and efforts toward managing them, and finally, the financial implications of their climate risks and their corresponding mitigation efforts. Private companies, for their part, will face pressure from their regulated partners to produce high-quality ESG performance disclosures, so as to support regulated companies' disclosures of their upstream and downstream climate risks.

It's a tall order.

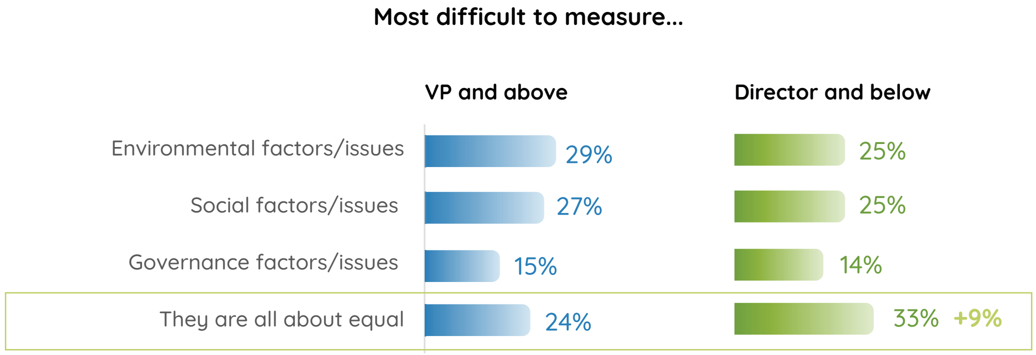
Across the board, though, VP respondents reported a degree of familiarity and confidence in achieving compliance with the SEC's proposed rulemaking that far exceeded that of Director respondents.



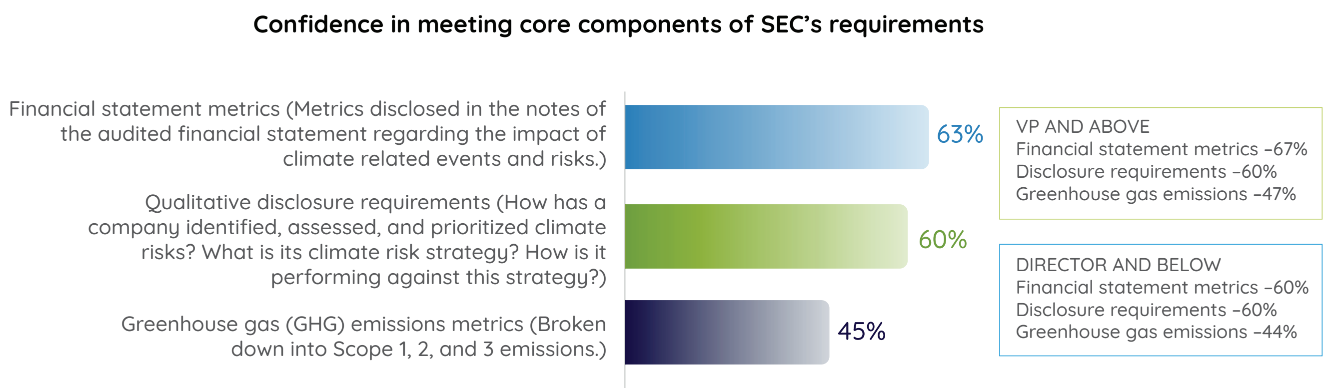
More specifically, while 67% of VP respondents said they are confident in their organizations' abilities to furnish the climate-related financial statement metrics soon to be required by the SEC, only 60% of Director respondents said the same. And while 29% of VP respondents reported having difficulty in measuring their organizations' management of financially relevant "E" risks, 47% said they're confident in their organizations' abilities to measure and disclose their operational greenhouse gas emissions per the SEC's rule.

In contrast with VP respondents, fewer Director respondents (25%) reported difficulties measuring their organizations' management of "E" risks. But they were also less confident (44%) than VP respondents in their organizations' abilities to comply with the operational greenhouse gas emissions components of the SEC's proposed disclosure rule.

VPS & DIRECTORS DISAGREE ON WHAT'S MOST DIFFICULT TO MEASURE



AND THEY FEEL DIFFERENTLY ABOUT THEIR PREPAREDNESS FOR REGULATORY COMPLIANCE, TOO



In our view, these findings speak to an apparent intra-organizational disconnect between those evidently leading the charge for ESG performance excellence—VPs and their senior colleagues—and the more junior employees who likely are doing much of the legwork.

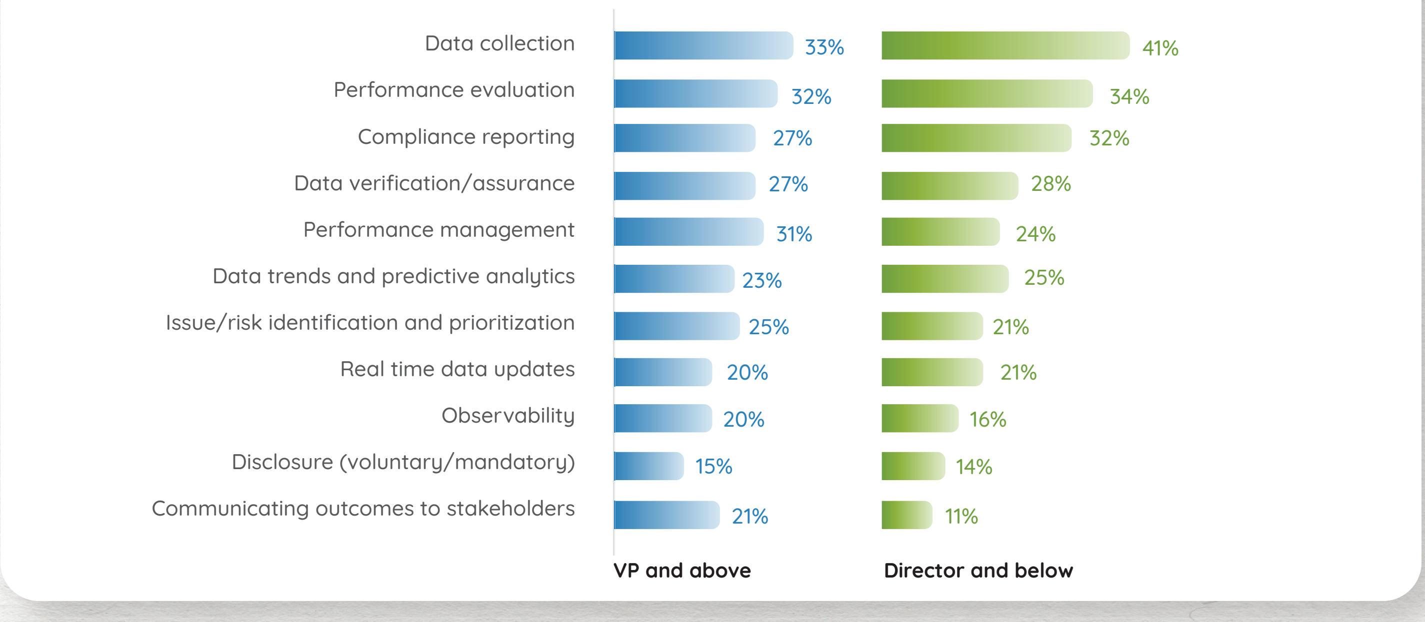
One might argue that such an arrangement is permissible, albeit only in a scenario where the stakes don't involve, say, penalties for regulatory noncompliance. But developing, implementing, and operationalizing an Enterprise ESG Program without adequately reconciling competing priorities or remediating challenges experienced along the way is a recipe for failure over the long haul.

Otherwise, business leaders risk making ESG performance commitments that are irrelevant to their organizations' bottom lines and stakeholders—or worse, commitments that they lack the wherewithal to achieve. A failure by leadership to receive and respond to the ESG performance measurement, management, and disclosure priorities and experiences of their junior colleagues' risks sowing discontent, presenting obvious implications for the success of their companies' Enterprise ESG Programs.

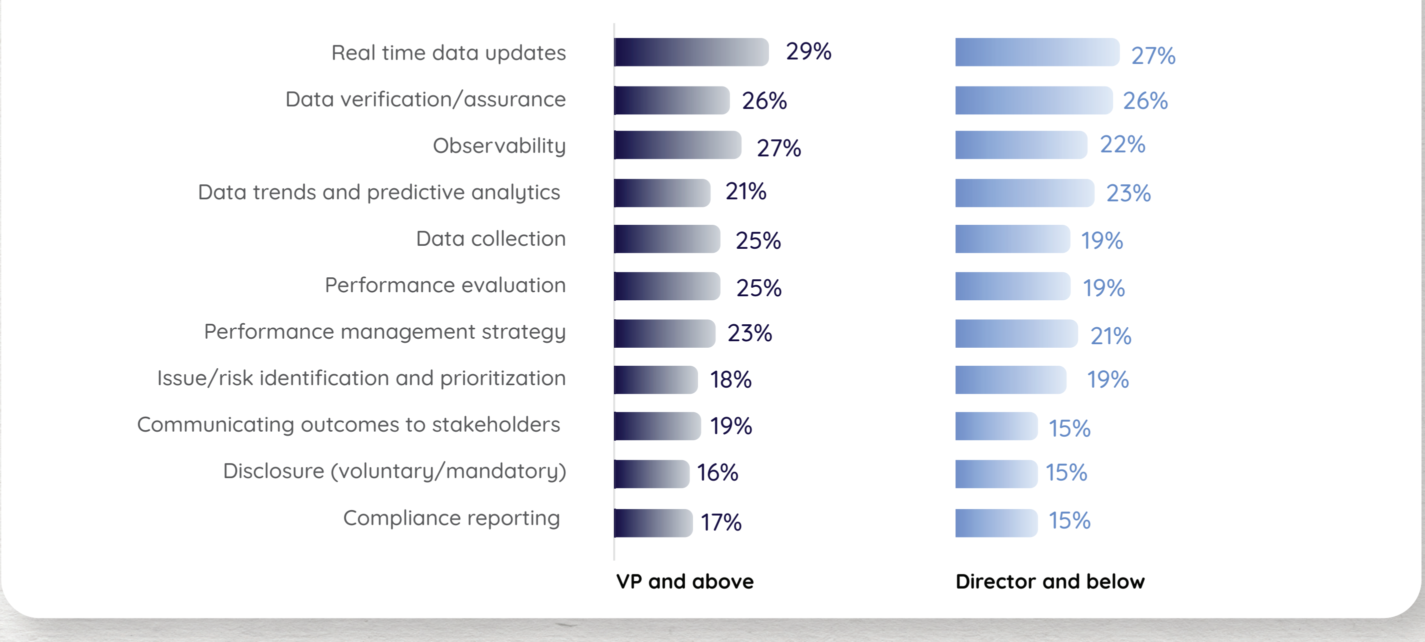
We see evidence of this intra-organizational disconnect elsewhere in the survey data, too. Specifically, VP and Director respondents report different impressions of their respective ESG data management, performance measurement, and reporting tools.[2]

For the most part, though, VP and Director respondents agree on where they find their ESG tools to be helpful, where they find them to be most deficient, and where they say there's room for improvement. For instance, pluralities of VP and Director respondents said their ESG tools are most helpful in data collection, are most deficient in providing real-time performance updates, and commendably, most in need of improvement on ensuring the quality of internal data.

WHERE VPS AND DIRECTORS SAY THEIR ESG DATA MANAGEMENT & REPORTING TOOLS ARE MOST HELPFUL

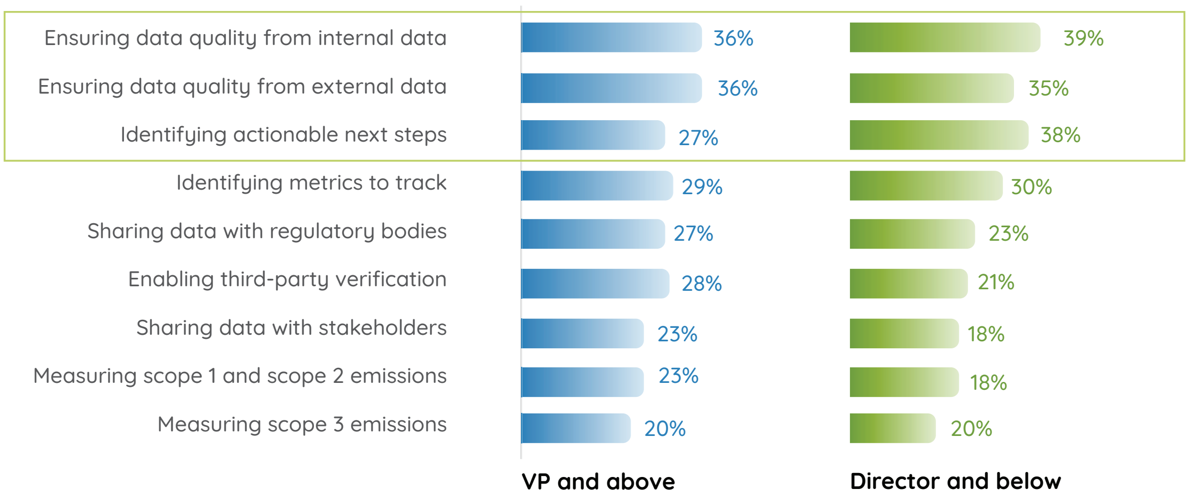


WHERE VPS AND DIRECTORS SAY THEIR ESG DATA MANAGEMENT & REPORTING TOOLS ARE MOST DEFICIENT



2. *The technologies and tools that business leaders use to collect, taxonomize, collate, store, manage, retrieve, analyze, and disclose data that describes their organizations' management of their ESG risks will be referred to as "ESG tools."*

WHERE VPS AND DIRECTORS SAY THEIR ESG DATA MANAGEMENT & REPORTING TOOLS ARE MOST IN NEED OF IMPROVEMENT



However, it's where VP and Director respondents disagree on these aspects of their ESG tools that are most instructive.

For example, on where respondents find their current ESG tools to be most helpful, the share of Director respondents who said their tools' utility is most apparent in "data collection" exceeds the portion of VP respondents who said the same by eight points. VP respondents were most bullish relative to Director respondents (+7) on the "performance management" functionality of their ESG tools (31%).

Admittedly, these discrepancies may be chalked up to the differences in how these two demographics utilize their ESG tools as part of their respective roles in their organizations' Enterprise ESG Program. But to learn that 27% of VPs say that "identifying actionable next steps" is the challenge they most want solved, compared to 38% of Director respondents who said the same, helps to underscore the dysfunction between these two demographics.

Take this with the finding that companies' leadership are leading the demand for Enterprise ESG Program data outputs (41%), and that 31% of VP respondents (versus 24% of Director respondents) say that their ESG tools are most helpful in "performance management," then we can only make one conclusion.

Companies' most senior leaders are not as effective at either Enterprise ESG Program administration or broader ESG strategy as they might believe.

But that doesn't mean they—or their Enterprise ESG Programs—are destined to fail.

The Prescribed Solution

The Strategic Advantages of Dedicated ESG Data Management & Reporting Software

Once business leaders ensure the stakeholder-centricity principle is espoused throughout the Enterprise ESG Program's development, implementation, and operationalization, and also encompasses their internal stakeholders, business leaders must equip themselves and their collaborators with the digital tools needed to succeed.

Enterprise ESG Program administrators—regardless of their seniority—have two clear needs for technological reinforcements.

Multi-Directional, Cross-Functional Communications Channels

The first, as premised by the preceding section of this eBook, are dedicated cross-functional communication channels. These channels will enable junior employees to disseminate evidence of ESG performance successes that leadership, in turn, can dispatch to internal and external stakeholders.

More importantly, these channels enable junior employees to escalate concerns over discrete and patterned ESG performance failures, recommendations for corrective action, records of whatever corrective actions have been deployed, and analyses of their corresponding outcomes. These channels enable employees across the organization—regardless of their involvement in the Enterprise ESG Program—to accommodate program administrators' requests for additional operational data.

Cloud-Supported ESG Performance Data Management & Reporting Platforms

Second, the value of these multi-functional, cross-functional communications channels depends on the decision-useful information they transmit. Indeed, reliably driving continuous progress toward stakeholder-agreed sustainability goals—without compromising the bottom line—necessitates a centralized, remotely accessible, easily configurable, and automatable digital system of record.

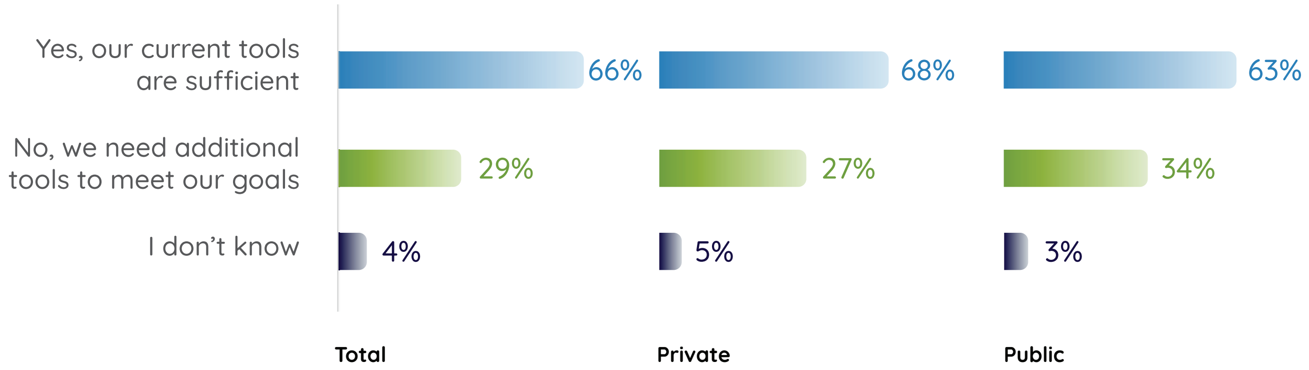
The assembly, taxonimization (i.e., digital tagging), collation, storage, retrieval, analysis, and finally, disclosure of the troves of operational data that describe both an organization's ESG risks and its management of them is a considerable undertaking.

And without finely tuned, multi-functional ESG data management and reporting solutions, business leaders not only risk human error and delay in data entry and verification, performance monitoring and analysis, and disclosure. Unaddressed, the deleterious impact of these errors and delays will compound over time. These errors will heighten the risk that business leaders misallocate time and resources in the pursuit of ESG performance excellence and, ultimately, jeopardizing the life cycle ROI of their Enterprise ESG Programs.

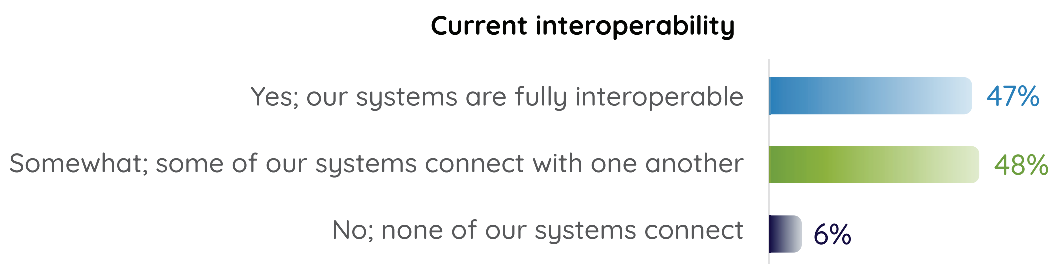
Don't Take Our Word for It: Evidence From the 2022 Benchmark ESG Survey

Across the entire survey sample, 66% of respondents said the ESG tools they currently employ are satisfactory, with 47% saying their systems are interoperable across their respective enterprise. Even still, respondents indicated there is room for improvement.

BUSINESS LEADERS' SATISFACTION WITH THEIR ESG TOOLS



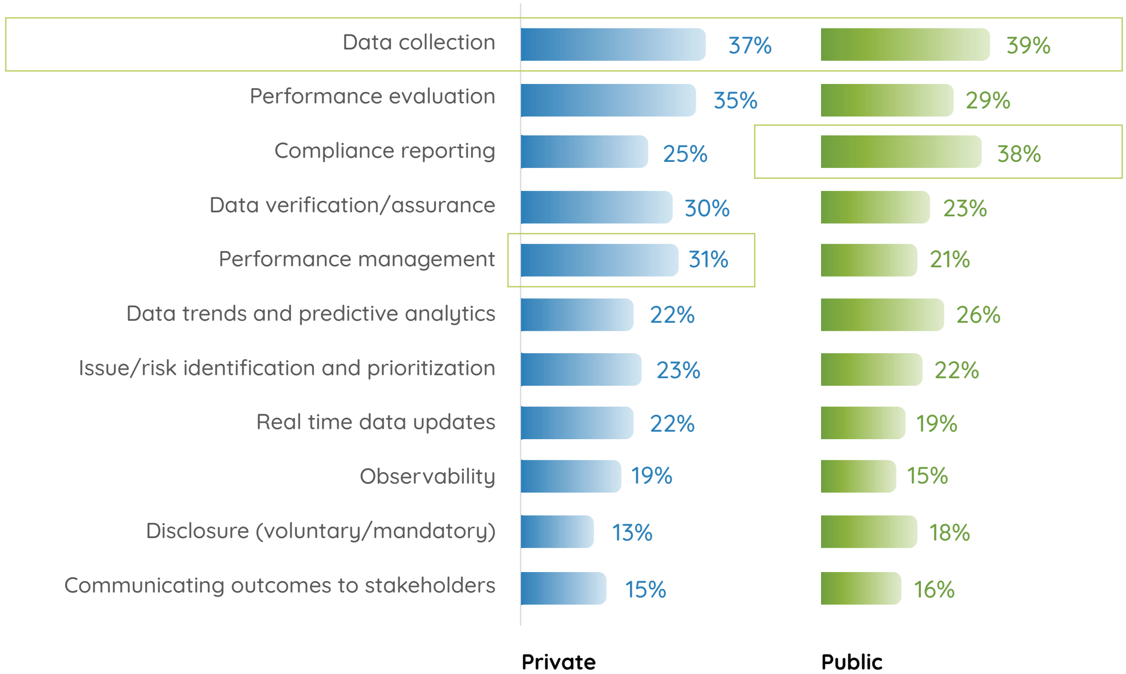
CURRENT INTEROPERABILITY OF BUSINESS LEADERS' ESG TOOLS



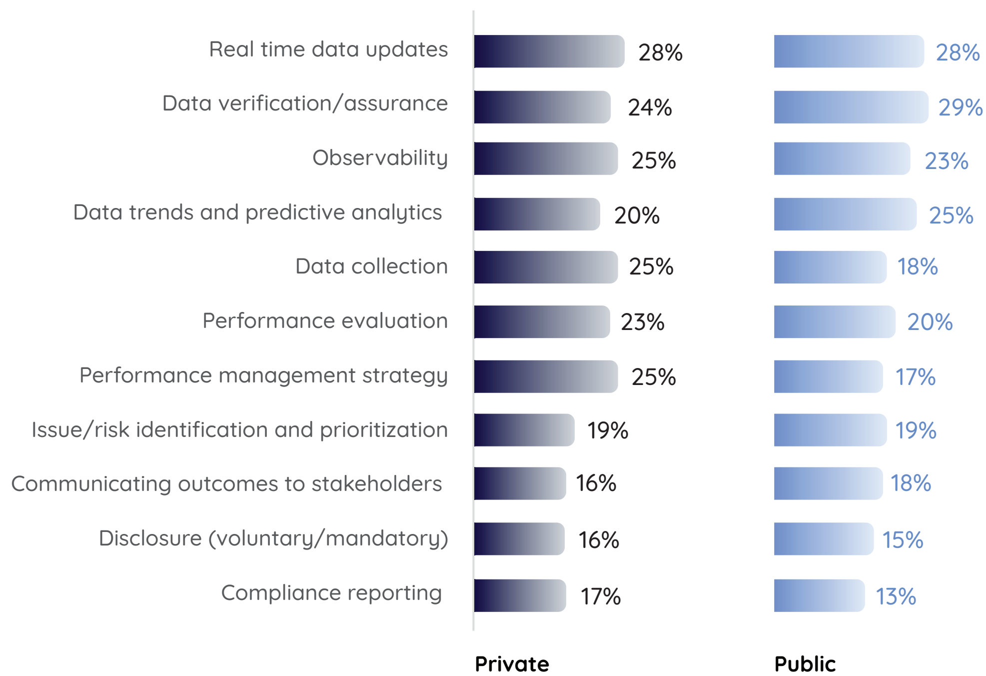
Among public companies, 34% of respondents said they still need additional tools to achieve the objectives of their Enterprise ESG Programs, in contrast with the 27% of private company respondents who said the same. This difference likely stems from the complexity of achieving compliance with the SEC's proposed corporate climate risk disclosure rule, and the gravity of consequences (i.e., valuations, cost of capital, etc.) for promulgating exaggerated or otherwise unsubstantiated claims of ESG performance excellence.

Encouragingly, there seems to be agreement among respondents from both public and private companies on the strengths and weaknesses of their ESG tools, thus giving direction to both Enterprise ESG Program administrators and, when applicable, their service providers.

WHERE BUSINESS LEADERS' SAY THEIR ESG TOOLS ARE MOST HELPFUL

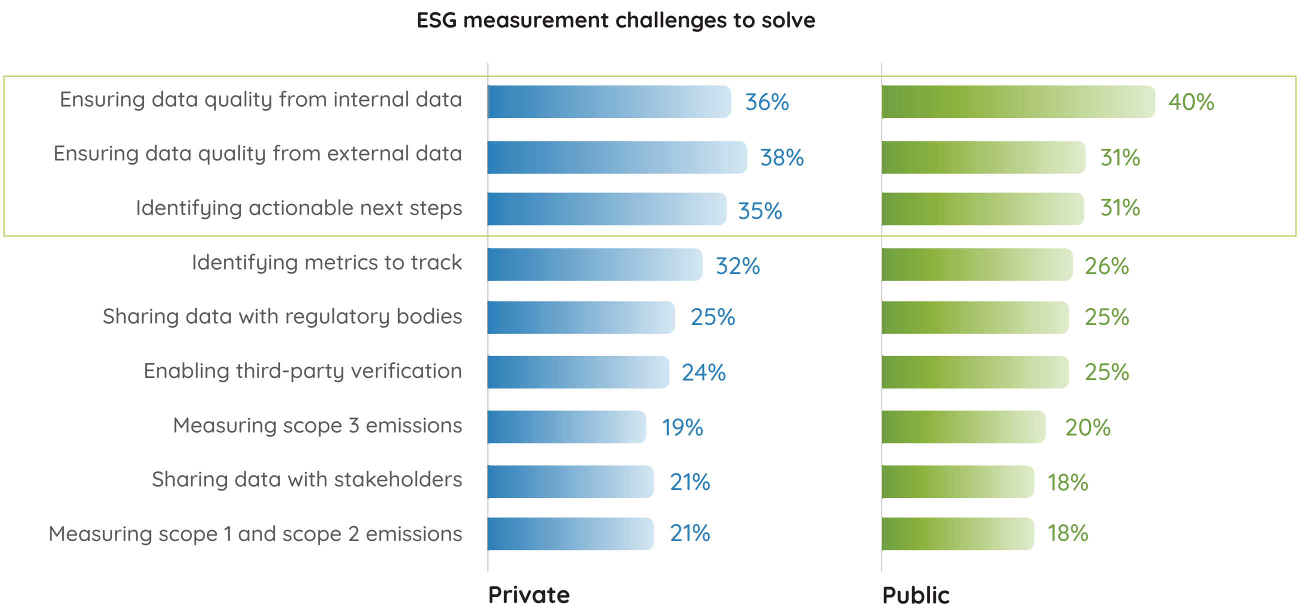


WHERE BUSINESS LEADERS SAY THEIR ESG TOOLS ARE MOST DEFICIENT



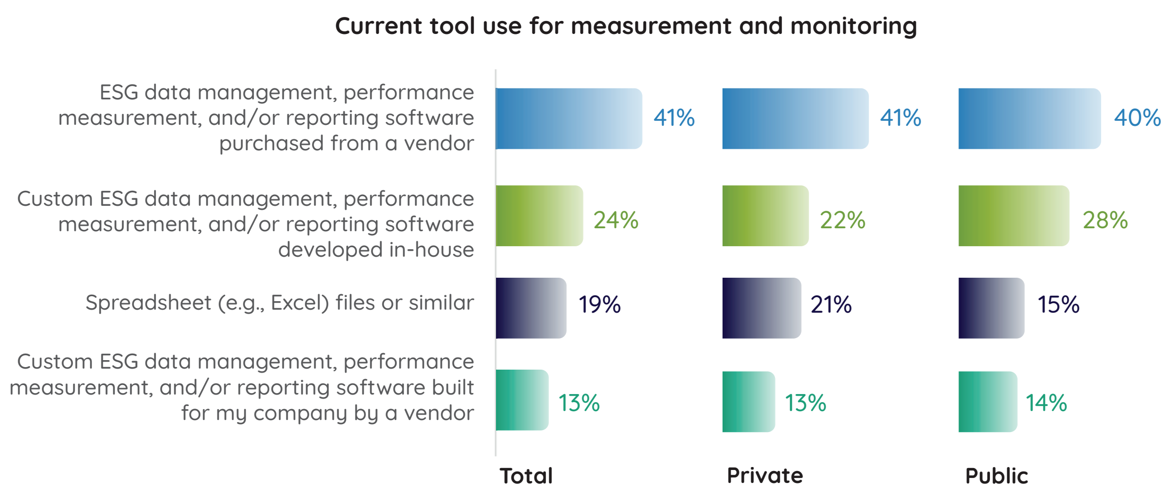
Even with a cursory look at the survey results, it's clear that business leaders recognize the need for accurate, timely, decision-useful, and verifiable data describing their organizations' management of financially relevant sustainability risks. They understand the broad expectations for their Enterprise ESG Programs and the attributes of a workable solution.

THE STICKY CHALLENGES BUSINESS LEADERS WANT THEIR ESG TOOLS TO ADDRESS

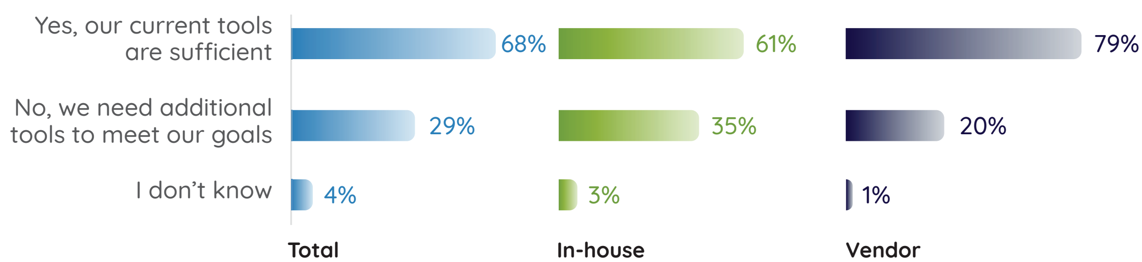


By comparing the experiences of business leaders whose Enterprise ESG Programs are operationalized using different ESG tools, the value of cloud-based digital platforms is made most apparent.

ESG TOOLS FROM DEDICATED SERVICE PROVIDERS ARE POPULAR



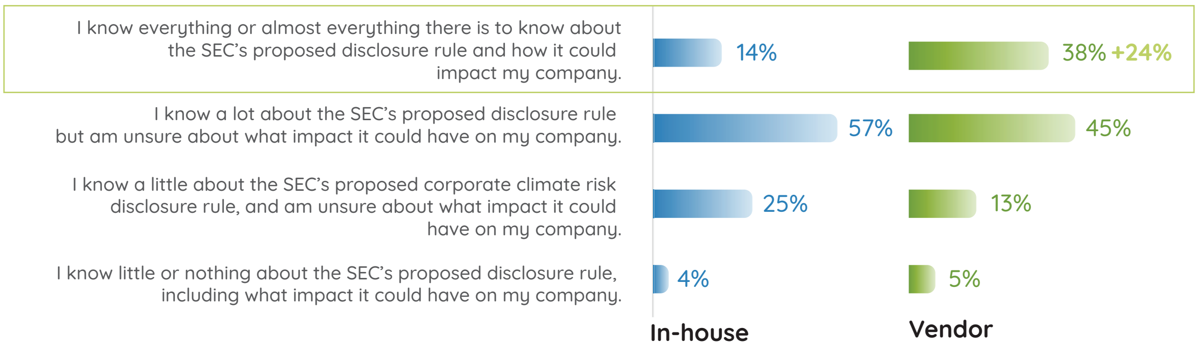
AND FOR GOOD REASON



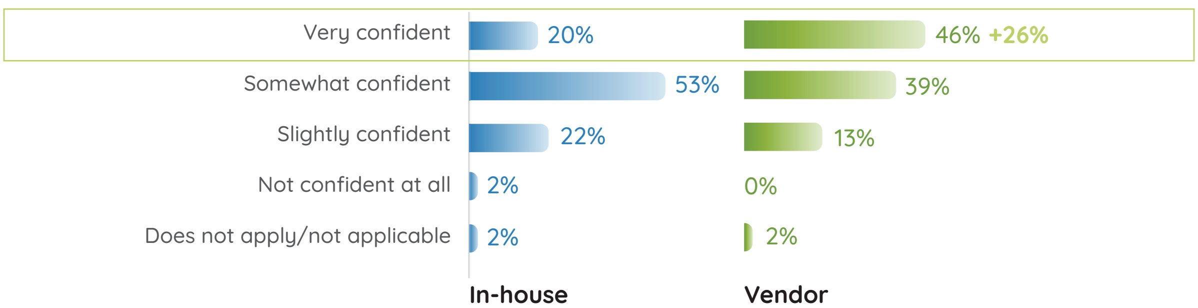
First, there's the confidence that vendor-supplied ESG tools afford enterprise end-users who are facing compliance with the SEC's proposed corporate climate risk disclosure rule.

VENDORS HAVE A KNACK FOR ALLAYING ANXIETIES OVER ESG DISCLOSURES

Understanding of SEC's proposed corporate climate risk disclosure rule



Confidence meeting SEC's proposed disclosure rule

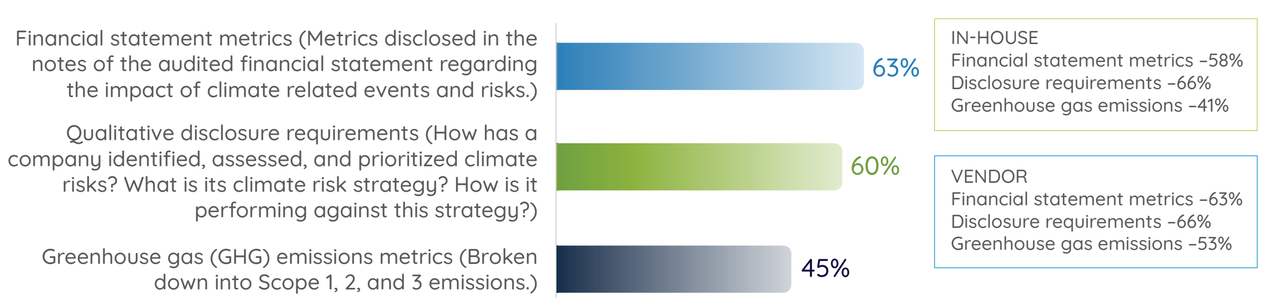


More specifically, business leaders who report using ESG tools purchased from a vendor are more confident in their organizations' abilities to furnish the data needed to comply with each of the SEC rule's three broad component parts. This is particularly true with regard to greenhouse gas emissions accounting.

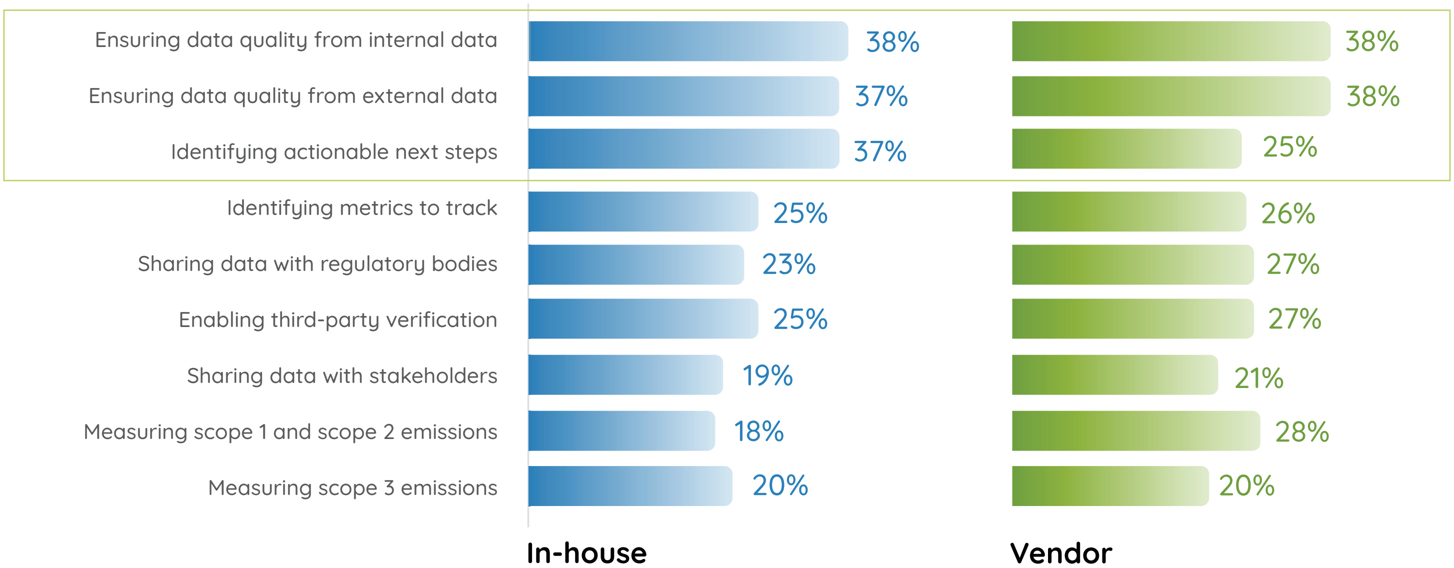
And this exceptional confidence is apparent despite the finding that a plurality of respondents (38%) who reported using ESG tools sourced from vendors, as well as a plurality of respondents (38%) who reported using ESG tools developed in-house, are most interested in having their ESG tools ensure the quality of internal and external data.

THOSE WHO USE VENDORS ARE MORE CONFIDENT ON REGULATORY COMPLIANCE

Confidence in meeting core components of SEC's requirements



THE ESG CHALLENGES BUSINESS LEADERS WANT SOLVED

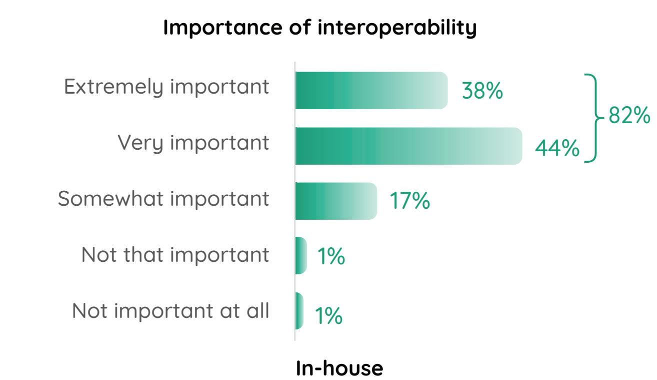


Yet, beyond these discrete, straightforward applications of digital tools for ESG data management, performance measurement, and reporting, these systems truly shine in how they enable their enterprise end-users to build more holistic, more forward-looking, and more resilient Enterprise ESG Programs.

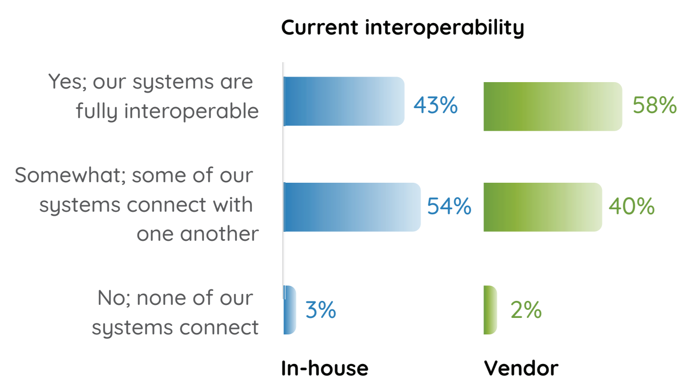
Three key findings demonstrate that users of vendor-sourced ESG tools are cognizant of their comparative advantages.

First and foremost, there's the relative degree of these tools' interoperability with companies' other systems. Program administrators need to be able to collect and analyze the complete range of their businesses' operational data. Performance indicators from sources as disparate as EHS and Accounting to Human Resources and Procurement, need to be remotely accessible, seamlessly collected and organized, amenable to continuous analysis, and easily retrievable for internal reporting and external disclosures.

INTEROPERABILITY OF ESG TOOLS WITH OTHER ENTERPRISE SYSTEMS IS PARAMOUNT



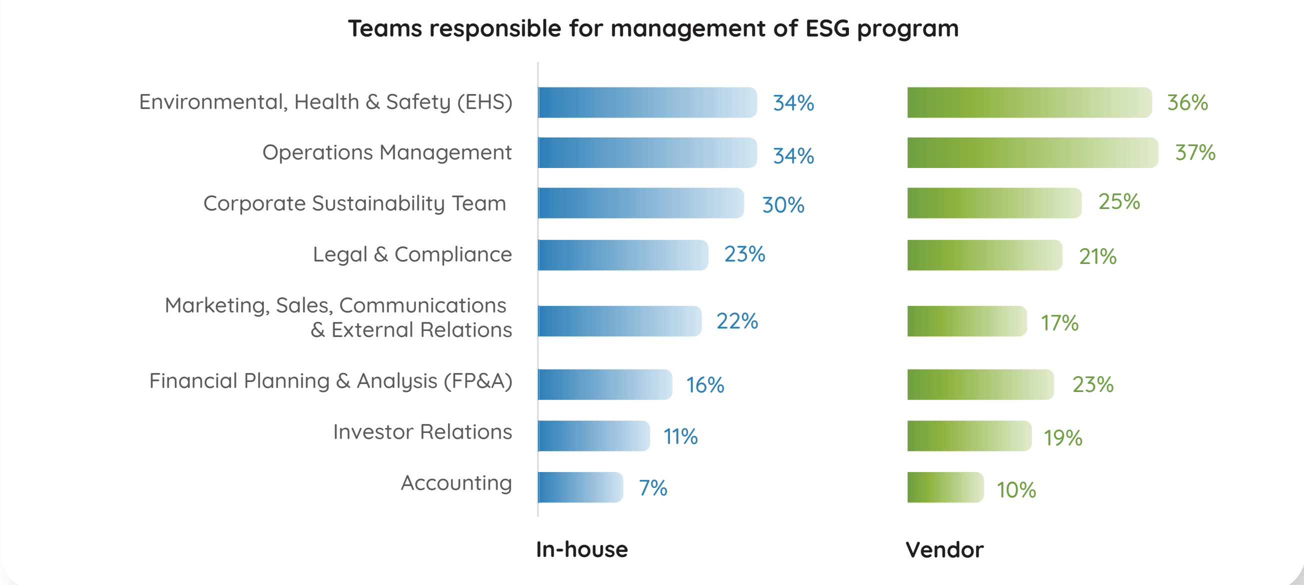
VENDOR ESG SOFTWARE OFFERS THAT INTEROPERABILITY



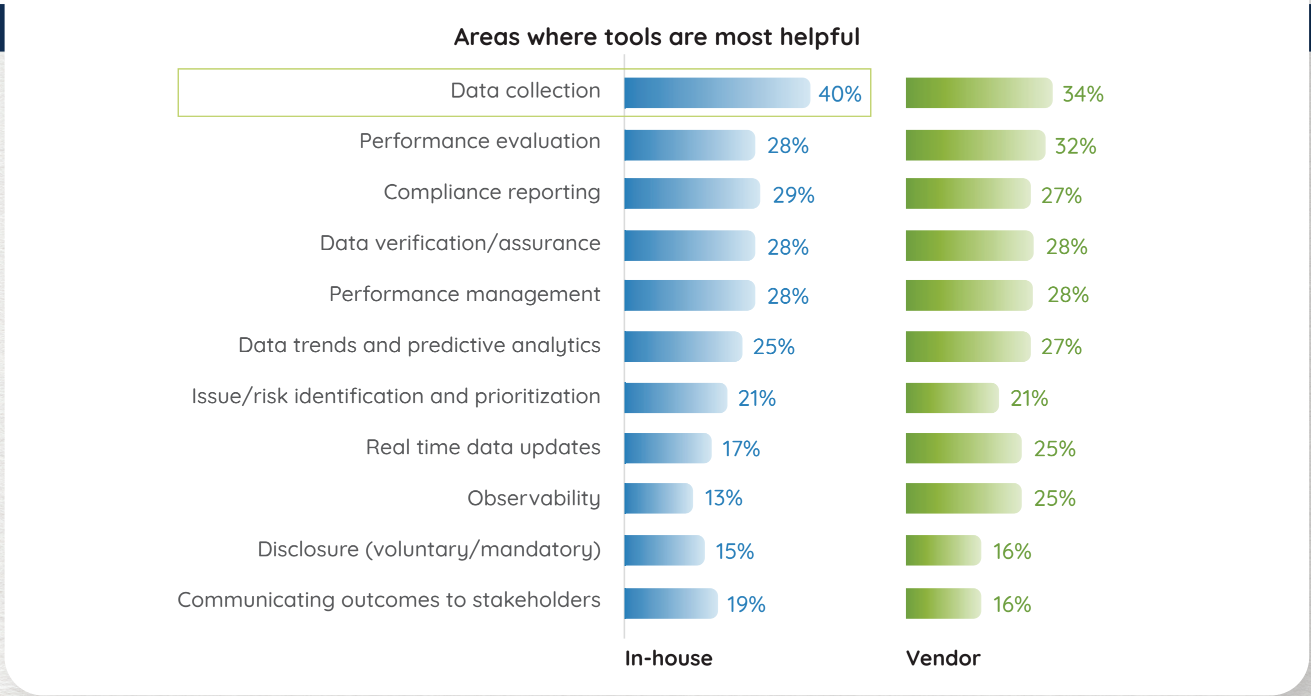
In short, this interoperability is necessary for utilizing operational data that speaks to a firm's management of its ESG risks. Part and parcel of that functionality, too, is the diversity of insights it provides Enterprise ESG Program administrators; diverse data sets enable more informed, complete ESG performance management and investment decisions.

Findings from the **2022 Benchmark ESG Survey** suggest that users of ESG tools procured from a vendor are better able to take a more balanced approach to Enterprise ESG Program administration and also less likely to see their ESG tools as merely a data collection mechanism.

VENDOR ESG TOOLS ARE MORE CONDUCIVE TO CROSS-FUNCTIONAL ENTERPRISE ESG PROGRAMS



USERS OF VENDOR ESG TOOLS ARE MORE LIKELY TO SEE MULTI-FUNCTIONAL APPLICATIONS



The survey data suggests that users of ESG tools developed in-house and users of ESG tools purchased from a vendor are operationalizing their Enterprise ESG Programs differently. This is apparent in the functional teams that these two groups of respondents say are principally responsible for managing their organizations' Enterprise ESG Programs.

Users of ESG tools developed in-house are more likely to take a narrowly scoped, short-term approach to their Enterprise ESG Program. Among this subgroup, 22% said their "Marketing, Sales, Communications, and External Relations" teams are their organizations' ESG leaders. In contrast, only 17% of respondents who reported using vendor-sourced ESG tools said the same. This suggests that users of ESG tools developed in-house are not as concerned with achieving regulatory compliance, accommodating investors' specific expectations, or executing financially advantageous ESG performance management and investment decisions as their counterparts.

By comparison, respondents that reported using ESG tools purchased from a vendor demonstrated a greater reliance on cross-functional teams for the management of their Enterprise ESG Programs. This suggests they are not only applying a diversity of insights and expertise to their pursuits of ESG performance excellence, but are also taking a more strategically balanced and therefore resilient approach.

For instance, the finding that respondents using ESG tools purchased from a vendor are less likely (-5%) to call upon a dedicated Corporate Sustainability Team suggests they are leveraging their ESG tools to orchestrate their cross-functional teams, rather than assign responsibilities to a siloed team. Indeed, the survey found that users of vendor-sourced ESG tools are more likely to call upon functional teams that are likely to have a better understanding of sustainability-related data streams, including EHS (+2%) and Operations Management (+3%).

It would appear that this group of respondents is also more likely (+7%) to call upon their FP&A teams, which suggests that they are more likely to consider the financial outcomes of their ESG performance and the financial implications of their sustainability risk management decisions. This is crucial; ensuring the Enterprise ESG Program simultaneously drives desirable sustainability and financial outcomes is the key to accommodating investor expectations and securing internal stakeholder buy-in.

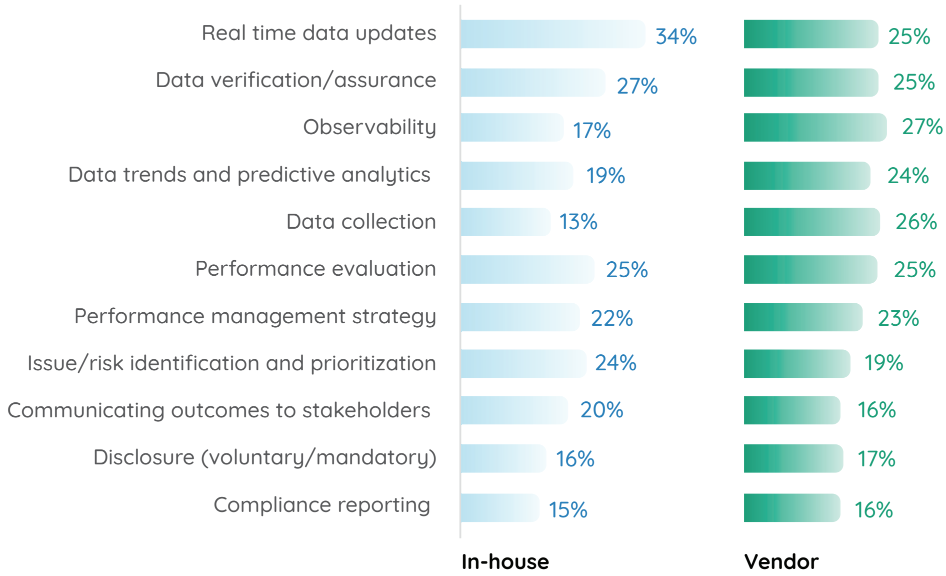
Respondents who reported using ESG tools purchased from a vendor are more likely (+8%) to call upon their Investor Relations teams, suggesting that using these tools equips companies' Investor Relations units with the insights needed to drive more effective capital raise campaigns.

Users of ESG tools purchased from a vendor see a greater diversity of advantages from their ESG tools. And they are more likely to report satisfaction with the augments their tools bring to processes that are most critical to the sort of resilient, forward-looking Enterprise ESG Program administration that drives continuous progress. This includes performance evaluation (+4%), data trends and predictive analytics (+2%), real-time data updates (+8%), and data observability (+12%).

Finally, users of vendor-supplied ESG tools are less likely (-9%) to struggle with a lack of "real-time updates" on their ESG performance, they are more likely to use these tools daily (+10%), and they are far less likely (-12%) to say that they need additional tools to identify actionable next steps toward the achievement of their ESG performance goals.

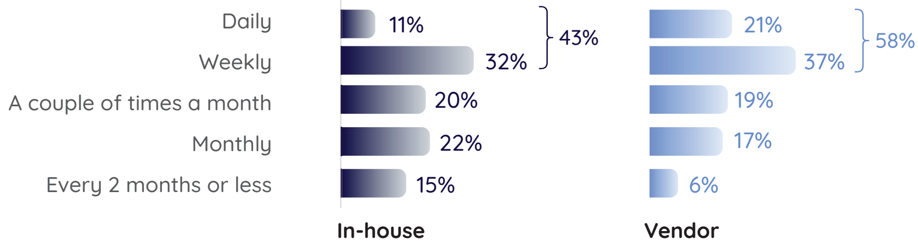
VENDOR ESG TOOLS OFFER CONTINUOUS PERFORMANCE INSIGHTS

Most deficient areas with ESG tools



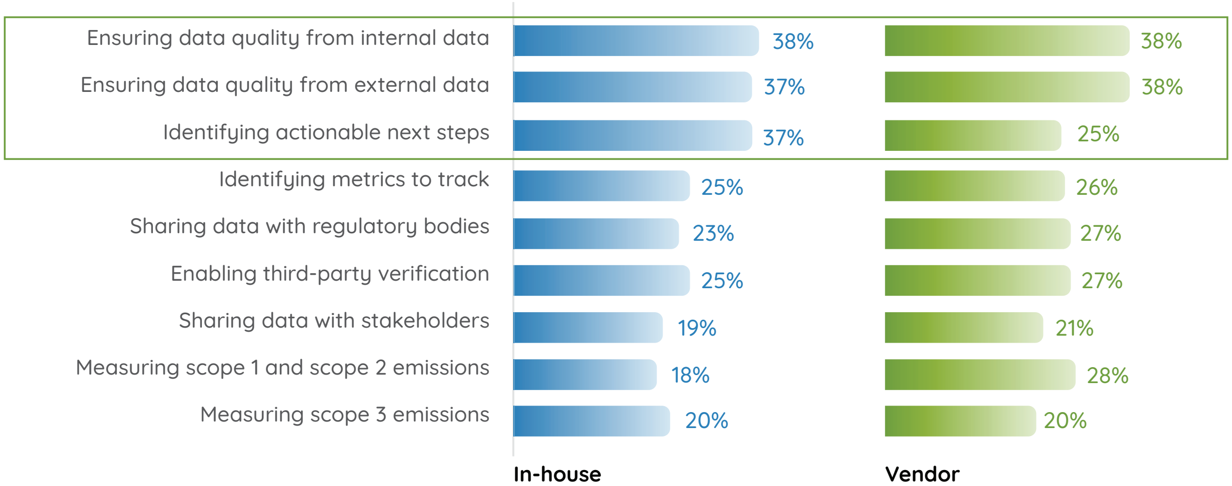
VENDOR ESG TOOLS PROVE USEFUL MORE REGULARLY

Frequency of tool use



VENDOR ESG TOOLS AFFORD FORWARD-LOOKING INSIGHT

ESG measurement challenges I want solved



Key Conclusions for Business Leaders

ESG Performance Excellence Is a Marathon, Not A Sprint

Dedicated ESG Software Facilitates Consensus, Informs Action, and Tracks Results

Business leaders are neither wrong to expect that their Enterprise ESG Programs will prove most advantageous in driving brand reputation and talent acquisition outcomes, nor should they be faulted for pursuing ROI in those areas. Companies' sustainability track records speak to the caliber of their corporate governance, the prudence of their decision-making, and, of course, their responsiveness to market expectations. And the security of companies' talent pools is critical to the achievement of both their programmatic ESG goals and their attendant financial performance outcomes.

But a failure to appreciate the capacity of a thoroughly stakeholder-influenced, technologically enabled Enterprise ESG Program to drive regulatory compliance, competitiveness in the capital markets, operational efficiency, resilience, and other financially advantageous outcomes yields a slew of risks and opportunity costs.

Unfortunately, the **2022 Benchmark ESG Survey** findings suggest that business leaders are taking neither holistically comprehensive nor unified approaches to the development, implementation, and operationalization of their Enterprise ESG Programs.

Yet, on the bright side, the survey findings reveal the causes for these narrowly scoped, short term approaches.

Enterprise ESG Program administrators aren't seeing eye to eye on either the goals of their efforts, the tactics they employ, or the functionality of the ESG tools they use. We largely attribute this to a lack of mechanisms enabling cross-functional internal communication and collaboration. The development, implementation, and operationalization of an Enterprise ESG Program capable of driving continuous sustainability and financial results requires unification over goals, perspectives, and action plans.

This unity will only be possible to cultivate with uniformity in ESG performance intelligence.

To that end, business leaders must strengthen their ESG data collection, collation, storage, retrieval, analysis, and disclosure competencies. And as our latest survey suggests, cloud-supported ESG data management, performance measurement, and reporting platforms that are developed by dedicated enterprise software solutions providers are the tools best suited to close these capabilities gaps.