



RAPID ACTION RESEARCH

INSIGHT FROM THE GUIDELIGN MEMBERSHIP & RIVEL G&S

March 22, 2024

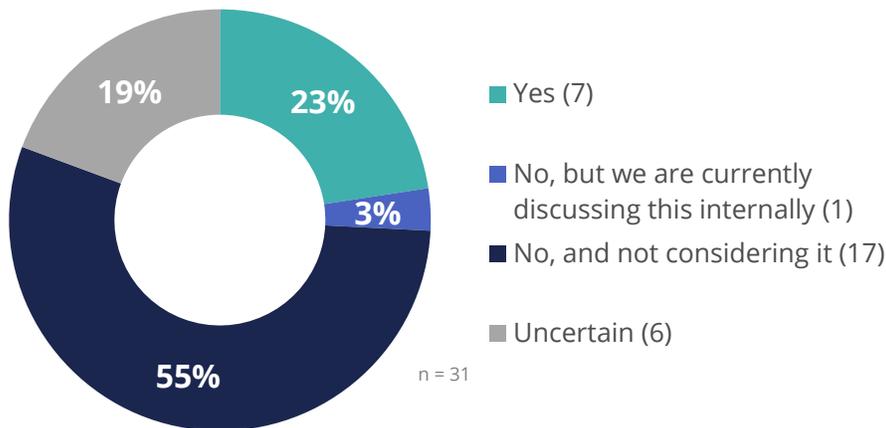
ESG Controller

Note: Rapid Action surveys are a weekly feature of Rivel's Governance & Sustainability (G&S) and GuideLign programs, conducted among our membership. The results are representative of members' thinking on key IR, governance, and sustainability issues.

With the recent wave of ESG-related regulations coming in from the EU, US SEC and California, there has been an increasing need for companies to apply the same rigor and controls developed for financial information to non-financial disclosures. To achieve this, many companies are delegating this responsibility to an ESG Controller.

QUESTION

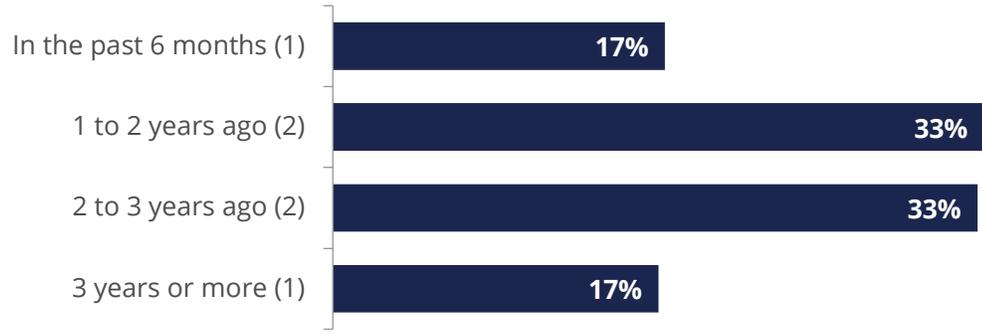
Do you have an ESG controller or similar individual in your organization?



23% of respondents say their company has an ESG controller or similar role in their organization.

HAVE ESG CONTROLLER:

QUESTION When was the position created?



n = 6

HAVE ESG CONTROLLER:

QUESTION What are the basic responsibilities of this position?

1. "Everything ESG." Mid-Cap Medium (\$2.5B to 4.9B USD), Industrials
2. "Work with third-party assurance and auditors on emission data quality and gathering, help write the sustainability report, complete and assess certifications (OGMP 2.0 etc.)" Large-Cap (\$10B to 24.9B USD), Energy
3. "Leading global programs for ESG reporting requirements, facilitating the ESG assurance process. The role has responsibilities outside of ESG as well." Mega-Cap (Greater than \$100B USD), Health Care

HAVE ESG CONTROLLER:

QUESTION How does this position interact between the organization's finance and sustainability functions?

1. "Seamlessly." Mid-Cap Medium (\$2.5B to 4.9B USD), Industrials
2. "A bridge between the engineering function and finance." Large-Cap (\$10B to 24.9B USD), Energy
3. "The role reports to the corporate controller and is linked in with our ESG team (some dedicated ESG members, but mostly a cross functional group that meets on our ESG council)." Mega-Cap (Greater than \$100B USD), Health Care

HAVE ESG CONTROLLER:

QUESTION Why did you hire, or why are you considering hiring, an ESG controller for your organization?

1. "We are considering what resourcing and capacity needs we need to address in response to ESG-related regulations, and an ESG controller or dual role is something we are discussing." Mid-Cap Medium (\$2.5B to 4.9B USD), Industrials
2. "It is a needed function within our organization." Mid-Cap Medium (\$2.5B to 4.9B USD), Industrials
3. "Was necessary to work with the accounting-backed audit firms." Large-Cap (\$10B to 24.9B USD), Energy
4. "Three years ago. She speaks externally often and is highly sought-after given the limited number of individuals with this skill set in the industry." Mega-Cap (Greater than \$100B USD), Health Care

DO NOT HAVE ESG CONTROLLER:

QUESTION Why does your organization not have an ESG controller?

1. "Our regular controller is assuming responsibility for the disclosure element of ESG in our financial statements." Large-Cap (\$10B to 24.9B USD), Consumer Staples
2. "Smaller team, so the responsibilities are managed without creating a separate role." Mid-Cap Large (\$5B to 9.9B USD), Energy
3. "We use a combination of internal and outside partners to manage the process at this point." Small-Cap (\$500M to 999M USD), Industrials
4. "ESG/sustainability organization has this capability." Mid-Cap Small (\$1B to 2.49B USD), Industrials
5. "Do not believe this is a necessary role for our industry" Mega-Cap (Greater than \$100B USD), Information Technology
6. "No budget for this position." Mid-Cap Small (\$1B to 2.49B USD), Health Care

Rivel Governance and Sustainability Team Commentary

ESG Controller

As the requirements around sustainability reporting increase with the introduction of regulations from the EU, US SEC and others, there is a growing demand for companies to strengthen and standardize their non-financial disclosures.

To meet this challenge and face the burdensome task of collecting sustainability data which is auditable, verifiable, and compliant with international regulations, companies must enhance the efficiency and effectiveness of existing processes.

Developing robust internal controls are key to ensuring accuracy of data and meeting the emerging requirements for third-party assurance. To do so, efforts are focused on establishing clear ownership for reviewing and assessing processes, as well as ensuring their business collects, stores and manages information appropriately, is required to align with best practice.

As the scope of data requested by regulators and investors widens, it is important that companies harness diverse skills and structures from across the business to inform the ESG reporting process and introduce effective controls. The establishment of an ESG Controller is one of the ways companies are working to strengthen and standardize their sustainability reporting processes while leveraging established and traditional financial controls frameworks.

Compared to our research in 2023, a far greater percentage of companies have an ESG Controller position (23%) than last year (9%). This growth clearly signifies that the need for tighter control over sustainability data is being met.

An ESG Controller seeks to bridge the gap between the need for high quality data collection and management of sustainability data and the expertise in this area that likely already exists within the finance or compliance functions at a company. Oftentimes mirroring financial reporting processes, this position works closely with third-party assurance and auditors to review and assess the quality of sustainability data collection processes and raise the standard for sustainability data quality. One Mega-Cap Health Care respondent noted that the roles and responsibilities of their ESG Controller include, “leading global programs for ESG reporting requirements [and] facilitating the ESG assurance process”. Regardless of how companies aim to meet these needs, the path forward will be smoother for those who integrate ESG data collection into existing processes and frameworks.

If you have questions or thoughts on how your business can prepare itself for upcoming ESG reporting requirements please contact dbobker@rivel.com.

About Rivel, Inc.

Since 1991, Rivel has been advising management teams and boards on how aligning attitudes and behaviors of key stakeholders can make the difference between success and failure in their business. Rivel works with **two-thirds of the S&P 100** and **over half of the S&P 500**, and companies across **six continents**.

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Governance and Sustainability

ESG consulting, corporate governance advisory and Board evaluations

TrendLign

Investor perception research conducted within the investment community

StoryLign

Strategic investor communications, presentations and investor day messaging and design

GuideLign

Investor Relations best practices and advisory

Rivel Banking Research

Research conducted among bank customers and prospects