ADAPTING TO THE EVOLVING ESG LANDSCAPE

Insights for Business Resiliency

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KEY TAKEAWAYS

01

Over the last 12 months, the surge in ESG politicization had minimal impact on corporate issuers' and investors' approach to the topic. One in 10 investor respondents (21% in Europe) has increased their dollar allocation to ESG funds.

02

ESG disclosure regulations continue to proliferate domestically and internationally, creating an imperative for strong sustainability data collection procedures and controls that can be assured. One in three investors find external assurance of ESG metrics important to their investment decision.

03

Clear communication of ESG's integration into company strategy can shape investor perception of the company's investment thesis, affecting its perceived risk and value.

04

Investors want to see ESG information analogous to traditional financial reporting—quantifiable metrics and targets, their impact on financial performance and company outlook, and a roadmap to achieve long-term targets.

INTRODUCTION

As investors and businesses increasingly prioritize ESG issues, a glut of commentary by media, politicians, and activists has followed. In a saturated landscape, it is difficult to discern meaningful trends from unduly amplified voices. To understand and evaluate evolving investor perceptions on ESG, Rivel interviewed 63 investors across North America and Europe for its third annual study. At the same time, Rivel surveyed 158 North American corporate issuer respondents representing a range of market caps and industries on similar topics to identify gaps and areas of alignment and understand how issuers are navigating the changing ESG landscape.

This year's report highlights how ESG information is used by investors to both accurately understand a company's risks and correctly assess its opportunities. Corporate issuers, responding to this demand, are not only disclosing more information, but beginning to assemble robust reporting controls around ESG data. This report examines findings from both investors and issuers on the following topics:

Navigating a polarized ESG landscape

Understanding the regulatory environment

Optimizing ESG strategy and risk management

Enhancing investor ESG communication and engagement

01

Navigating a Polarized ESG Landscape

01

Navigating a Polarized ESG Landscape

Headlines, political talking points, and even state-level legislation can give a skewed impression of the prevailing investor sentiment, abstracted from the real attitudes and actions of key decision makers. At the state level, legislation designed to discourage ESG activity has gained partisan support in at least 19 states in 2023.[1] In a few brief years, pro- and anti-ESG positions have calcified along party lines, politicizing the ESG landscape on the national stage. This increased politicization leaves companies and other stakeholders to navigate conflicting signals about the direction and future of ESG.

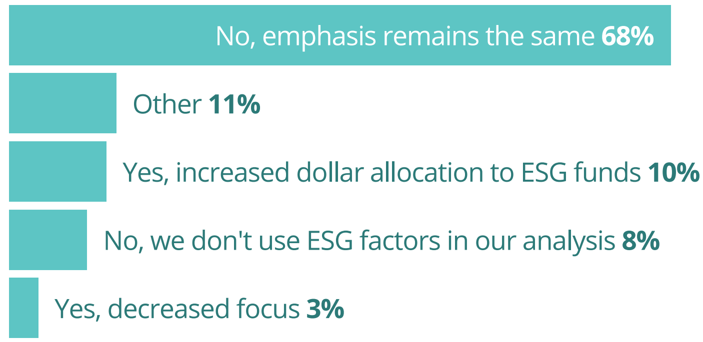
Ultimately, the increased politicization of ESG over the past 12 months has caused only modest changes in issuers' rhetoric surrounding ESG matters, with less than one in five (17%) issuer respondents indicating their companies have revised ESG-related terminology in external communications. In fact, over half (54%) state that their company's approach to ESG messaging and initiatives has not changed at all as a result of increased ESG politicization. A mere 6% of issuer respondents decreased their messaging or investment in ESG initiatives. While many assume that large-cap companies are doubling down on their focus, in fact, small-cap companies (30%) were more likely to increase marketing and PR efforts than large-cap companies (18%).

[1]David Cifrino, "The Politicization of ESG Investing," Harvard Advanced Leadership Initiative Social Impact Review, January 24, 2023, https://www.sir.advancedleadership.harvard.edu/articles/politicization-of-esg-investing.

For those issuers that have adjusted communications, terminology changes are not indicative of a shift away from ESG initiatives—changes instead aim to clarify the company's sustainability programs, and many times, mitigate potential greenwashing concerns. While terminology may continue to evolve, the underlying strategy to pursue strong environmental, social and governance performance persists.

Investor respondents showed even less reaction to the politicized climate than issuers—over three quarters (76%) have not adjusted their focus on ESG for making investment decisions. In fact, one in 10 investor respondents (21% in Europe) remarked they have increased their dollar allocation to ESG funds. While many will point to Larry Fink's avoidance of ESG terminology in his 2023 annual letter as an indicator of changing times, non-financial impacts remain a clear focus. In fact, Larry Fink states simply, "For years now, we have viewed climate risk as an investment risk. That's still the case."

Change in ESG Focus for Investment Decisions



N= 63 investor respondents

> *"No, emphasis remains the same. We do have factors that can now be put under a definition of ESG, where we're looking at pollution issues and business operations. We always did that and we continue to do that. We just haven't referred to it as ESG, although it seems to be able to fit under that title."*
>
> –Portfolio Manager, North America

AI IN INVESTING

Any party interested in the future of the market has had to contend with the dramatic rise in AI adoption, innovation and projection. While AI will likely grow in prominence as an investing tool, for now it seems to be in its infancy with most investors simply leveraging AI to create efficiencies in data gathering, if it is impacting their investment strategy at all.

Impact of AI on Investments Analysis

37% — **Don't use AI in investment analysis**

33% — **Slight impact, used to data scrape**

17% — **No impact at all**

11% — **Moderate impact, used to identify**

2% — **High impact, AI feeds directly into valuation models**

N= 63 Investor Respondents

02

Understanding the Regulatory Environment

02

Understanding the Regulatory Environment

Over the last year, the regulatory environment surrounding ESG in the US, UK and European Union (EU) has seen a surge in activity. Broadly, these regulations and directives escalate disclosure requirements for issuers on climate and other ESG impacts. Larger companies, particularly those with a substantial presence in the EU, face a greater number of new requirements, which will also be implemented on a faster timetable; however, expanded disclosure requirements are applicable across various markets and will impact most companies. The most significant developments are listed below.

Corporate Sustainability Reporting Directive (CSRD)

STATUS: ADOPTED

Implementation timeline varies by company size and operational environment.

- EU standard that requires sustainability disclosures for companies with significant presence in the EU market
- Defines industry-agnostic reporting standards across 12 categories, such as climate change and human capital, grounded in 'double materiality'
- Will require limited assurance of sustainability information

SEC Climate Disclosure Rule

STATUS: PROPOSED

Pending adoption by the Securities and Exchange Commission (SEC).

Would require registrants to provide climate-related information such as:

- Greenhouse gas (GHG) emissions
- Climate-related risks
- Impact line items in financial statements
- Discussion of oversight and governance
- Climate-related metrics and goals

CALIFORNIA

Climate Corporate Data Accountability Act (SB 253)

STATUS: ADOPTED

Reporting required in 2026 for Scope 1 and 2, and 2027 for Scope 3.

- Requires Scope 1, Scope 2 and Scope 3 emissions disclosure
- Phased assurance requirements starting with limited assurance
- Applies to companies with annual revenue over $1 billion doing business in California

CALIFORNIA

Greenhouse Gases: Climate-related Financial Risk (SB 261)

STATUS: ADOPTED

Reporting required by January 1, 2026 and then biennially after.

- Requires companies to disclose climate-related financial risks aligned with the Task Force on Climate-Related Financial Disclosures (TCFD) framework and the corresponding measures adopted to mitigate and adapt to those risks
- Applies to companies with annual revenue over $500 million doing business in California

CALIFORNIA

Voluntary Carbon Market Disclosures Act (AB 1305)

STATUS: ADOPTED

Goes into effect January 1, 2024.

- Requires documentation of how climate goals are measured and accomplished
- Applies to any companies doing business in California that have a net-zero or carbon-neutral target, significant emissions reduction claims, and/or buy or sell offsets

Although investors and issuers have not seen significant engagement impacts in 2023, preparations to meet regulatory requirements are ramping up. Over one-third of issuer respondents report that their companies have begun preparing for EU CSRD compliance, implementing a variety of approaches based on existing processes and structures.

34% of North American issuer respondents report that their companies have begun preparing for CSRD compliance. Of these companies:

32%	29%	23%	23%	23%
Have worked to understand the regulations and implications	Are forming a compliance strategy	Plan to or are currently conducting a gap assessment	Are engaging an external advisor	Have established cross-functional working groups

The slow-moving and varied issuer response to regulation demonstrates a reluctance to be an early actor, given the associated high costs and legal risks. Until the expected applications and legal implications are better understood, we can expect only precautionary responses as companies seek to avoid unnecessary risk and expense.

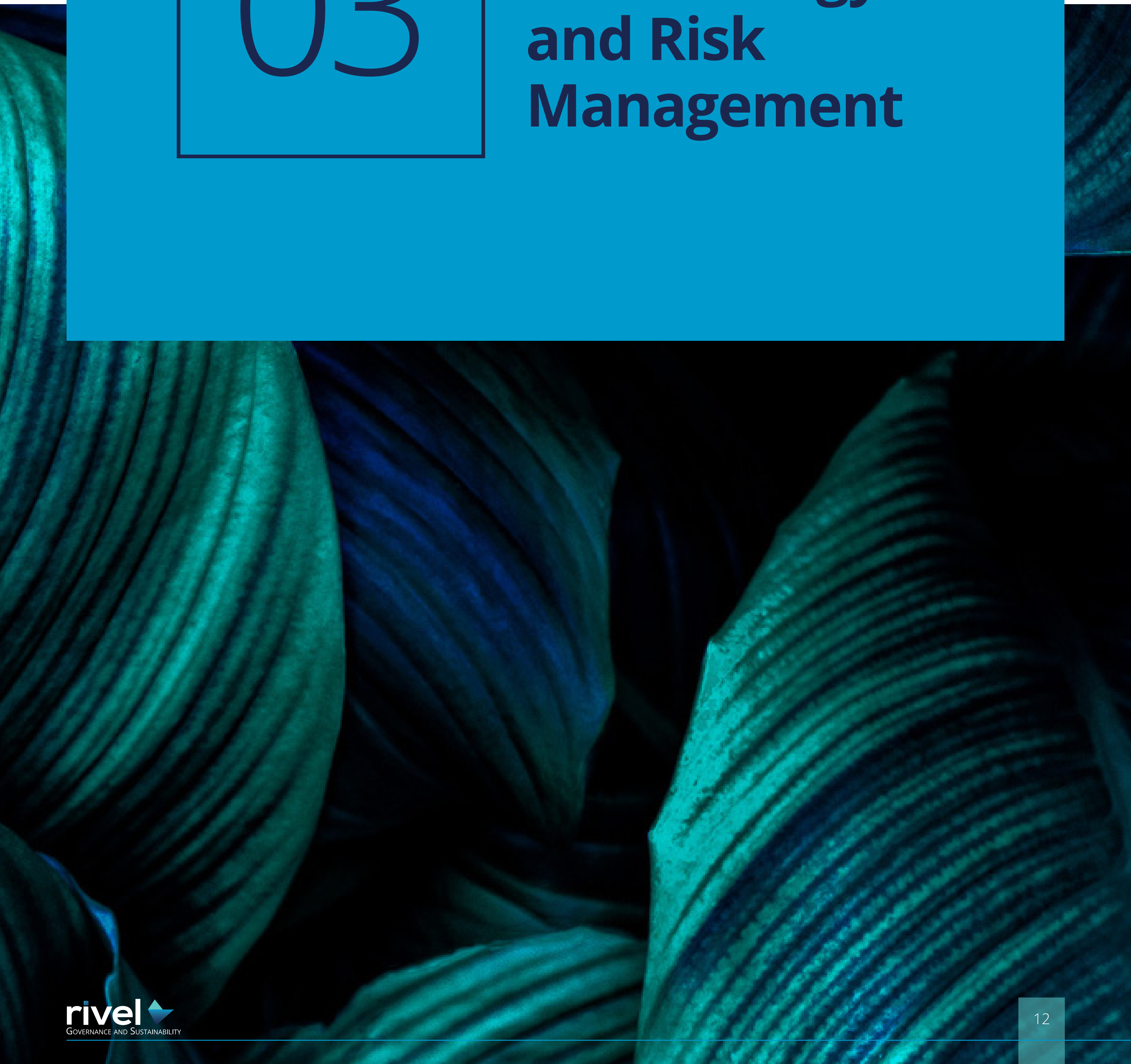
While not all companies will feel the direct impact of these regulations, their effects ripple throughout the capital markets, increasing the expectations of baseline disclosures. Companies risk falling behind market norms, peers, and stakeholder expectations if they fail to incorporate elements of global regulation into their external messaging and disclosures. A rising sea of disclosure floats all ships.

"We have begun assessing how to modify our current disclosures to comply with the CSRD, included compliance with the CSRD in our strategic plan, and added staff to assist in the identification of requirements and preparation of those requirements."

–Head of Investor Relations, Small-cap

03

Optimizing ESG Strategy and Risk Management



03

Optimizing ESG Strategy and Risk Management

Taken at face value, sustainability considerations, such as developing an engaged workforce, reducing energy use, and upholding strong ethics and governance practices, build efficiencies, reduce costs, enhance productivity, and conserve resources—all of which directly impact traditional financial and operational drivers. Despite this connection to business fundamentals, many corporate issuers struggle to meaningfully link their ESG strategy to their broader company strategy. Not surprisingly, investors appear to be in a similar quandary.

Thirty percent (30%) of corporate respondents believe their company effectively integrates ESG into their long-term strategy while a mere 11% of investors shared the same sentiment.

"I believe our ESG Report is strong, but [we] could do a better job within normal communications on how ESG correlates with our strategy."

–Sustainability Manager, Mid-cap

Effectiveness at Integrating ESG into Long-term Strategy

	EFFECTIVE	NEUTRAL	INEFFECTIVE
Corporate Respondent View	30%	50%	17%
Investor View	11%	71%	16%

N=158 Corporate Respondents Uncertain not shown, N=63 Investor Respondents

This uncertainty between corporate and investor views is likely due to the lack of comparable and comprehensive ESG disclosures—an area that regulators and standard setters aim to address. Similar to traditional information used by capital markets, when it comes to ESG, investors want to see quantifiable metrics and targets, their impact on financial performance and company outlook, and a roadmap to achieve long-term targets.

Areas Companies Fail to Communicate about ESG Practices

Quantifiable metrics and targets	19%
Human capital	16%
Impact to financial performance/outlook	11%
Roadmap to achieve long-term targets	10%
Carbon emissions	8%

N=63 Investor Respondents

Despite the old adage, "what's measured gets managed," measuring ESG metrics without an accompanying strategy deprives companies of the opportunity to demonstrate how ESG drives resiliency and fosters long-term financial performance.

Materiality assessments can be an effective tool to pressure test the external understanding and effectiveness of a company's ESG strategy and to help ensure that a strategy is attuned to stakeholder expectations. Investors recognize the importance of assessing ESG strategy with almost one in two (48%) agreeing that conducting a materiality assessment is important.

48%

of investor respondents say it is important for companies to conduct a materiality assessment.

The majority of ESG strategies that I see are generally very big, broad statements and include mission statements and all that sort of stuff. In reality, there's often very little discussion about how it works on a practical basis and how it's actually woven in the workplace.

–Portfolio Manager, Europe

Quantitative measurements. A lot of ESG reports have a lot of fluff stuff and while it's good that they're putting stuff out there, in order for us to judge how well they're doing, it would be helpful to have more qualitative measurements.

–Buy-side analyst, North America

The Evolution of ESG and ERM

As ESG is further ingrained in organizations, it is becoming standard practice to incorporate ESG risks much like other enterprise risks. In fact, 72% of issuer respondents note that ESG risks are considered in their companies' enterprise risk management (ERM) framework. The majority of issuer respondents integrate ESG into risks that are already managed through their routine ERM process. This could take the form of weather-related impacts in assessing operational resiliency or turnover rate when discussing strategic risks. The approach enables companies to clearly connect ESG to business risk, translating ESG risks into strategic initiatives and resiliency.

While ESG's integration into ERM is becoming the norm, there is a lack of consensus around how the ERM team effectively collects this information. Almost one-third of issuer respondents noted they use internal committees or cross-functional collaboration to identify and collect ESG risks, while even fewer used internal stakeholder surveys or interviews. Nearly one in five relied on their sustainability or ESG team to identify risks. Regardless of the method used, companies should ensure ESG is considered within their ERM framework.

HOW ESG IS INTEGRATED INTO A COMPANY'S ERM PROGRAM

43%

Considered as a driver of various individual risks that are managed throughout the organization

17%

Each component of ESG is considered as a standalone risk (e.g., a risk for E, S & G)

9%

ESG is categorized as a standalone risk

13%

We don't have a formal ERM process

N= 158 Corporate Issuer Respondents

Each enterprise risk has a risk owner who has oversight of the areas of the company impacted by that specific risk. The ERM team collects updated information on these risks from each risk owner and levels of risk are assessed by a corporate risk committee.

–Vice President, Investor Relations and Communications, Large-cap

The ESG team is considered an independent risk owner team in the ERM process, and the ESG team also collaborates with other risk owner teams across the business to integrate ESG manifestations and mitigations into other teams' risks.

–Senior Associate General Counsel, Mega-cap

The Rise and Impact of Audit on ESG Disclosure

Regulatory statutes reinforce the need for companies to develop sound procedures and controls for non-financial reporting. Just under half of issuer respondents (48%) admitted to managing their ESG data internally—likely by Excel spreadsheet—while only 25% use an external platform.

As companies establish more sophisticated controls around ESG metrics, many are turning to internal audit to help improve data accuracy and increase reporting confidence. Almost 50% of issuer respondents confirmed internal auditing of their publicly disclosed ESG metrics, with large-cap companies three times more likely to have internal audit involved than small-cap companies.

HOW COMPANIES MANAGE ESG DATA

48%
Internally manage (e.g., Excel)

25%
Use an external platform

13%
Internally built, non-Excel management tool

N=158 Corporate Issuer Respondents

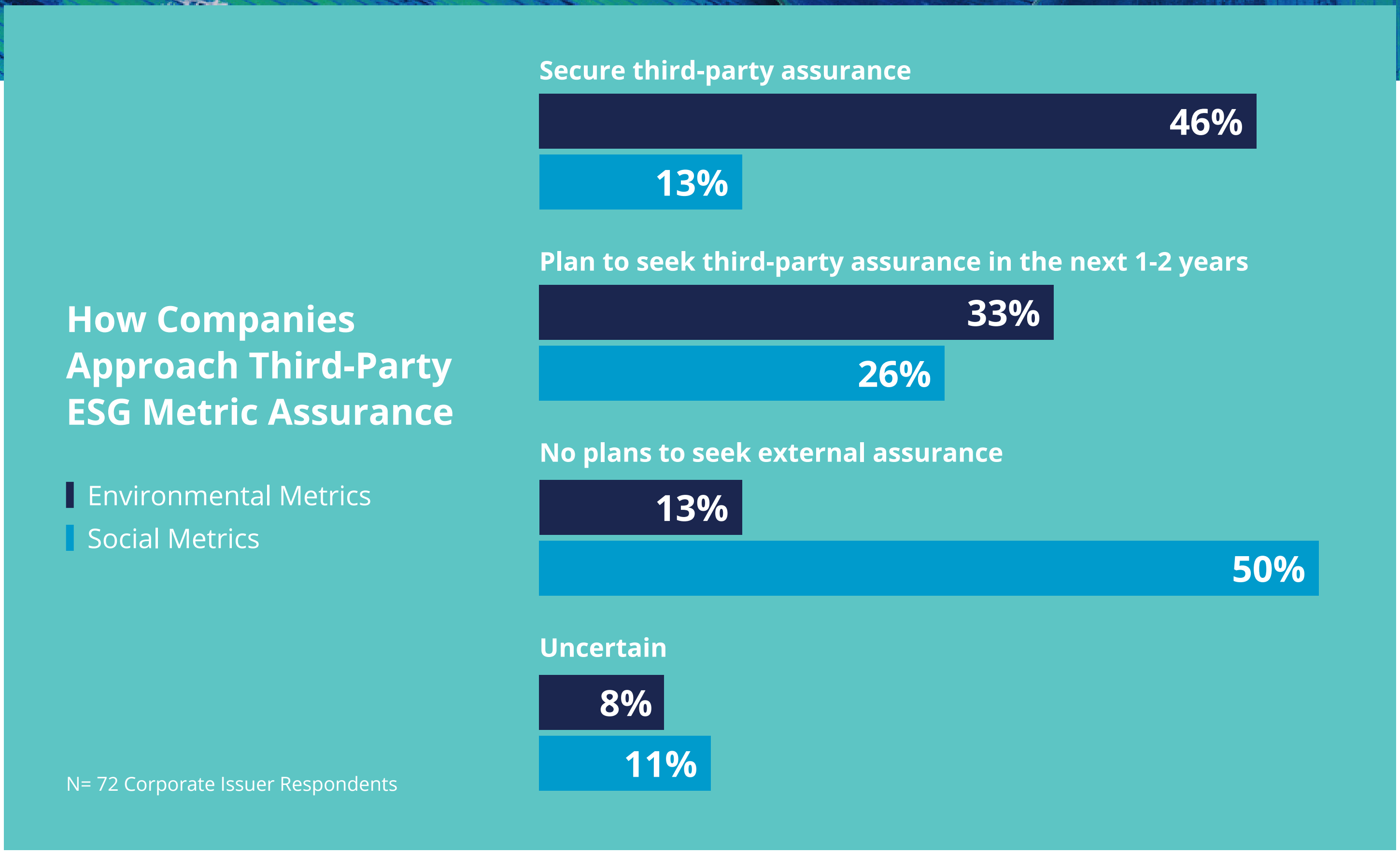
Internal Audit of ESG Metrics

15%	Yes, all ESG metrics
31%	Yes, some ESG metrics
22%	No, but we plan to in the next 1-2 years
21%	No

N=158 Corporate Issuer Respondents

The involvement of internal audit varies, with 42% of issuer respondents that involve internal audit stating their team verifies calculations. Even fewer respondents noted that their audit teams evaluate data sources, with others reviewing the data collection process, and some merely spot-checking data. The inclusion of these core components of a financial audit are critical as companies prepare for external assurance, which many impending global regulations require.

Among companies indicated as disclosing ESG metrics that have been internally audited, additional third-party assurance is secured far more often for environmental (46%) than social (13%) metrics such as human capital and turnover. Large-cap companies are three times as likely to have their environmental metrics assured than mid- or small-cap companies.



While external assurance is and will continue to be important from a regulatory perspective, one in three (33%) investor respondents state that external assurance of ESG metrics is important to their investment decisions. European investors (50%) are almost twice as likely to find external assurance important to their investment decisions than their North American (29%) counterparts.

> *It's meaningful. It's not the most important thing, but it is always very useful in the sense that it sets context.*
>
> –Buy-side analyst, North America

One in three investors find external assurance of ESG metrics important to their investment decision.

Allocating Resources to ESG Data Requests

In 2023, an increased investment focus on ESG factors led to a proliferation of ESG data requests. These requests come to issuers in all formats, from large Excel spreadsheets to long third-party questionnaires.

While ESG rating agencies are the most common request received by issuer respondents, over half (54%) note they dedicate time to completing individual investor surveys. Small-cap company respondents (30%) were half as likely to respond to ESG indices and investor coalitions as large-cap survey participants' companies (57%).

Data requests also come from customers, with 11% of issuer respondents receiving requests to participate in ESG supplier surveys such as Ecovadis. While this number may be low in 2023, companies should anticipate increased customer demand for ESG information as global regulations go into effect.

> *We determine which ESG data requests to respond to based on how impactful they are with our investors and prospective investors. Our decision is also based on the complexity of the request and the impact on available resources required to respond.*
>
> –Vice President, Investor Relations and Communications, Large-cap

THIRD-PARTY ESG INFORMATION REQUESTS

85%
Rating agencies (e.g., MSCI, ISS)

54%
Investor-specific surveys (e.g., surveys from individual investors)

46%
ESG indices

20%
Investor coalitions (e.g., Workforce Disclosure Initiative, etc.)

16%
Data providers (e.g., ESG Book)

N=158 Issuer Respondents

Given the limited corporate resources dedicated to ESG, issuers need to be prudent about which inquiries they respond to and which they decline. Issuers already think strategically about when and how to respond: Most often, they evaluate the impact and relevance of the data request before responding, with many also noting that the source and time commitment influences their decision to participate.

One mid-cap Senior Board Liaison and Subsidiary Compliance Officer acknowledged their company, *"determine[s] if there is a benefit to us, our shareholders, or our customers by participating."* While another mid-cap Sustainability Manager evaluates, *"It's visibility, which stakeholders are requesting, if our peers are also participating."*

For companies seeking a strategic approach, they should consider developing a hierarchy of responses or employing a classic decision tree to identify which surveys are opportunities for clarity and which are more effort than they are worth.

04

Enhancing Investor ESG Communication and Engagement

04

Bridging the Communications Gap

Investors crave decision-useful, comparable information about a company's sustainability initiatives and performance. More than two-thirds (71%) of investor respondents note they use ESG information throughout the analytic process. This represents a substantial increase from last year's survey, demonstrating a shift from their historic use as a secondary screen after financial fundamentals. As one North American buy-side analyst explained, *"It's part of the initial idea generation and it's throughout our holding we're looking at a company. It's not behind or separate from financial analysis."*

When ESG is Integrated into Company Evaluation

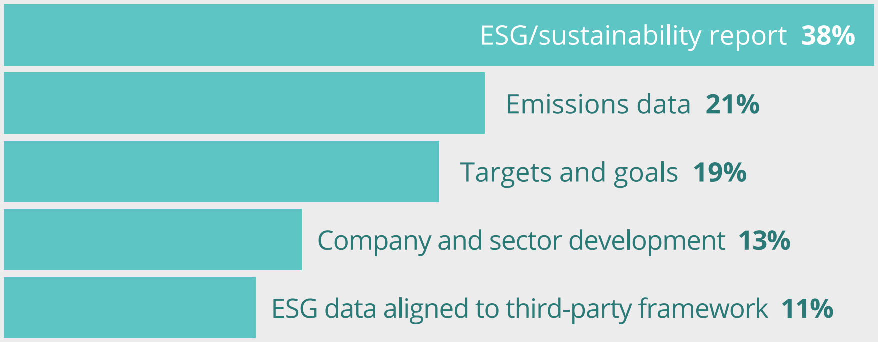
	2023	2022
Throughout the analytic process	71%	57%
During the preliminary company analysis	8%	8%
During the secondary screen after reviewing financial fundamentals	9%	23%

N=63 Investor Respondents, 2022 N=53 Investor Respondents

Investor respondents highlight a company's ESG or sustainability report as the most useful source for evaluating ESG risks and opportunities (38%). Understanding metrics, targets, and goals are also priorities, aligned with sentiment expressed in other areas around strategy and goals. These are important building blocks of a decision-useful narrative for a company's sustainability report.

Inclusion of comparative data, in particular, can support clear communication, as noted by one North American portfolio manager who remarked, *“The ratios, year over year. That's the most effective way for us to track down how they're doing and how they change those metrics. When they present the information on a comparative basis year over year.” Another affirmed, “Explainable paths toward decarbonization, beyond just a number. Actual performance to date since targets have been set. Potential impediments to achieving these. More social impact initiatives at the companies."*

Most Useful Company Provided Information to Evaluate ESG Risks and Opportunities (Unaided)

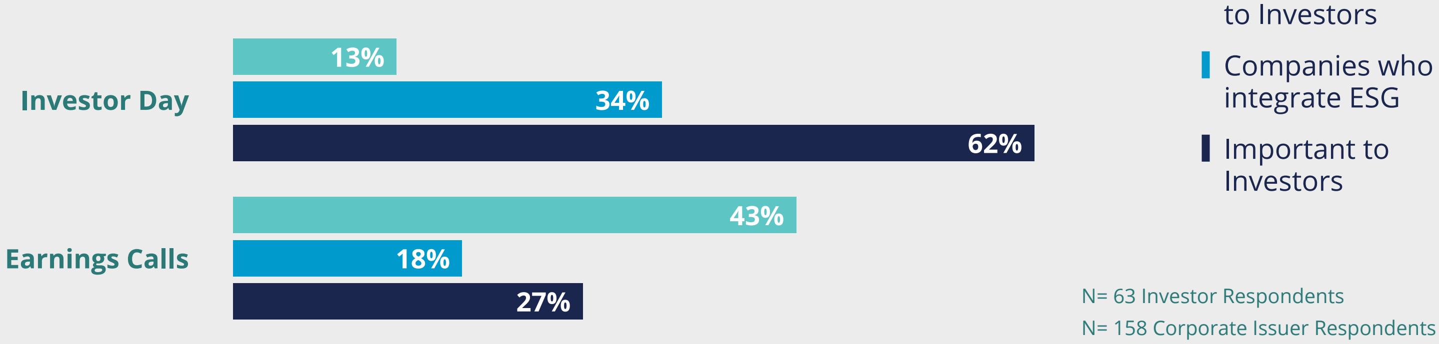


N= 63 Investor Respondents

In addition to insights gathered from an ESG report, a majority of investor respondents (62%) recognize a company’s Investor Day as an important opportunity to discuss ESG. In contrast, only 34% of corporate issuer respondents indicated their companies either fully or mostly integrate ESG into Investor Days. Investors want to hear about ESG strategy, goals and metrics in the context of the long-term operational strategy. As companies prepare for upcoming Investor Days, they should consider embedding elements of their ESG story into an authentic storytelling narrative.

"We're looking for their ESG risks and opportunities to be integrated into their corporate strategy, so we're looking at that in terms of the narrative they provide on calls. We're looking at it in how they integrate it into their overall documents. We're obviously also looking at their corporate sustainability report, and we're looking at other voluntary reports that they create, such as disclosures to carbon disclosure project and others." Stewardship Team Member, North America

ESG in Investor Events



N= 63 Investor Respondents
N= 158 Corporate Issuer Respondents

Effectively communicating an ESG story can make an impact on how risky or how valuable an investment thesis is viewed. Sixty-five percent (65%) of investor respondents said they incorporate climate change risks into all models, even non-ESG funds. Yet only 14% of investors said that climate information currently disclosed by companies is useful to their ability to confidently analyze their climate risk and opportunities. Effectively communicating climate risk resiliency can have a real impact on investment decision-making.

> *Adjusted forecasted cash flow. Just to be clear on the cash flow, it [climate risk] is considered into the cost side of their income statement. It's a little bit more explicit.*
>
> –Buy-side analyst, North America

Climate risk is most commonly considered in qualitative analysis, but it also has implications on traditional financial modeling components, such as impacting forecasted cash flows of the company or influencing its growth rate. Effectively communicating how climate risk is embedded in the company's risk management process should be viewed as a tool to link the impact of climate change to financial drivers.

CLIMATE RISK INTEGRATION INTO FINANCIAL MODELING*

88%
Qualitative competitive analysis

51%
Criteria in weighting/portfolio construction

46%
Adjusts forecasted cash flow

44%
Growth rate modifier

34%
Discount rate modifier

32%
Basis for exclusion

*N = 63 Investor Respondents

Communicating ESG Goals

What gets measured matters. Investors want to understand how companies are managing and performing in operationally important non-financial areas. As one North American buy-side analyst said, *"To narrow down the answer [about what is the most useful company-provided information], quantitative data, forward-looking targets, goals, what the company wants to achieve and how it ties into the overall corporate strategy."*

Companies, in turn, are setting quantitative, timebound ESG goals that are relevant for their organizations. Fifty-seven percent (57%) of corporate issuer respondents have ESG goals, while 18% have yet to establish goals but plan to in the future.

Similar to other company goals, ESG goals should be directly tied to the company's corporate strategy and ESG strategy. While it may be tempting to mirror what is seen in headlines, such as setting a net-zero target, companies should fully understand the implications of their ESG goals before making a public commitment. For example, 56% of investor respondents think it is important for a company to adopt GHG emissions reduction targets, but during interviews, many cautioned that this would be heavily dependent on the company's industry. As one North American buy-side analyst opined, *"It's dependent on the company, what sector they're in. A technology company, it's a little bit less important for them to set the carbonization target versus an energy company, a company in food and agriculture, an industrials company, because their footprint is so much less."*

Timebound, Quantitative ESG Goals

50% of issuer respondents have external ESG goals

7% have only internal goals

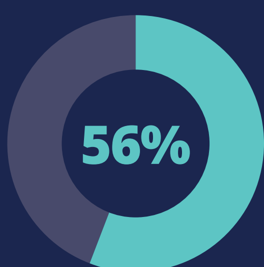
21% of issuer respondents don't have goals or plans to set them

18% don't have goals but plan to set them in the next 6 months

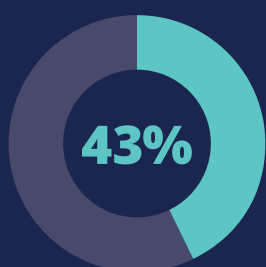
N= 158 Corporate Issuer Respondents

Only 32% of investor respondents believe adopting a net-zero commitment is important for companies to make, further reinforcing the idea that a one-size-fits-most approach does not work for ESG goal setting.

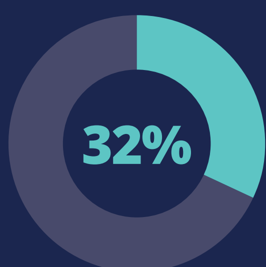
Climate Targets Investors Believe are Important



Adopt greenhouse gas emissions reduction targets



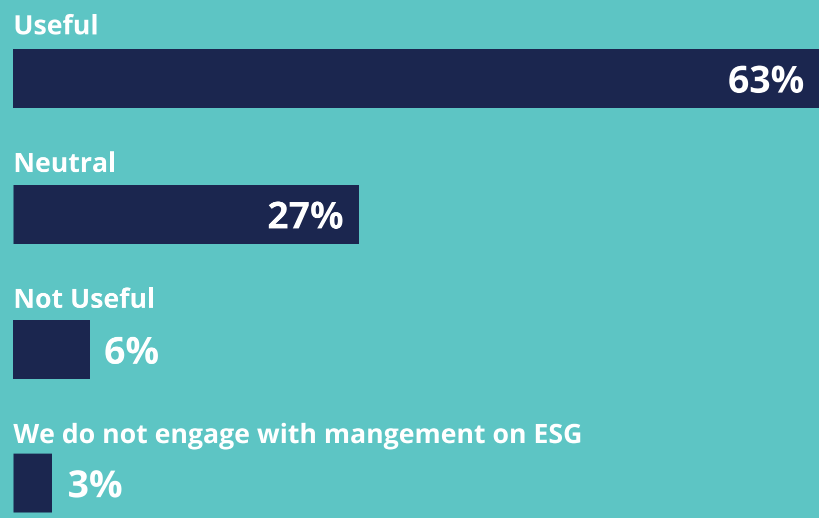
Adopt science-based targets



Net-zero commitment

N= 63 Investor Respondents

Usefulness of Engagements with Management Team to Understand ESG Risks and Opportunities



N= 63 Investor Respondents

Investor Engagement

While direct investor engagement on sustainability topics can feel cumbersome, it is well worth the time. Sixty-three percent (63%) of investor respondents find engagement with the management team useful to help them understand ESG risks and opportunities.

Even though coordinated engagements with the management team can feel daunting, this direct interaction helps investors better understand the company's unique ESG risks and opportunities. Thirty-nine percent (39%) of corporate issuer respondents find a lack of investor knowledge or a focus on immaterial factors to be the biggest pitfall of engagement on ESG on a top-of-mind basis. This was more likely to be cited by mid-caps (52%) then large- (38%) or small-cap (22%) companies. Varying expectations and priorities is another area that issuer respondents view as a common pitfall.

> *The conversations [with management] are almost always more useful than reading the reports. Things aren't always as clear, the presentation of information is fluffier than reality, you can get into some of the more nitty-gritty information in terms of investments that the company is making, things of that nature.*
>
> –Buy-side analyst, North America

BOARD SPOTLIGHT: Directors and ESG Education

Many boards of directors continue to seek ways to enhance their understanding of ESG priorities and their impact on the company's operations. In fact, according to a 2023 National Association of Corporate Directors (NACD) survey, 58% of directors indicated ESG issues have increased in priority with 62% believing ESG programs create long-term value within their organizations.

To keep directors updated on the latest ESG trends and company-relevant areas of risk or opportunity, 62% of corporate issuer respondents say they provide ESG education sessions to the board. Of those, 13% provide sessions to the full board only, while 32% present to the full board and the committee(s) with ESG oversight. The most common committee receiving education sessions is the Nominating and Governance Committee (82%) while the least common board committee is the Compensation Committee (23%). Surprisingly, 30% of issuer respondents providing ESG education sessions to the board provide it to their Audit Committee. This will likely change as audit becomes more involved in ESG regulatory compliance.

Thirty-one percent (31%) of issuer respondents providing ESG education sessions do so at least once per year with the same amount providing them up to three times per year. Only 17% of issuer respondents provide education at each board meeting.

ESG skills among directors have been a topic of focus for many investors as they look to ensure that all relevant risks and opportunities, including those that are non-financial in nature, receive effective board oversight. *"ESG training seems like it would be pretty important. The onus of this falls on the board and I would think that every board member, but especially those that are focused on committees that relate to ESG, would want to go through some type of training just to understand where the industry is at and how it is evolving,"* stated one North American portfolio manager.

SKILLS THAT DEMONSTRATE BOARD MEMBER ESG COMPETENCY TO INVESTORS*

46%
Environmental, Health and Safety experience

46%
sitting on a company board that has an advanced ESG program

35%
ESG board certification or training courses

19%
Educational background

19%
HR experience

*multiple answers accepted

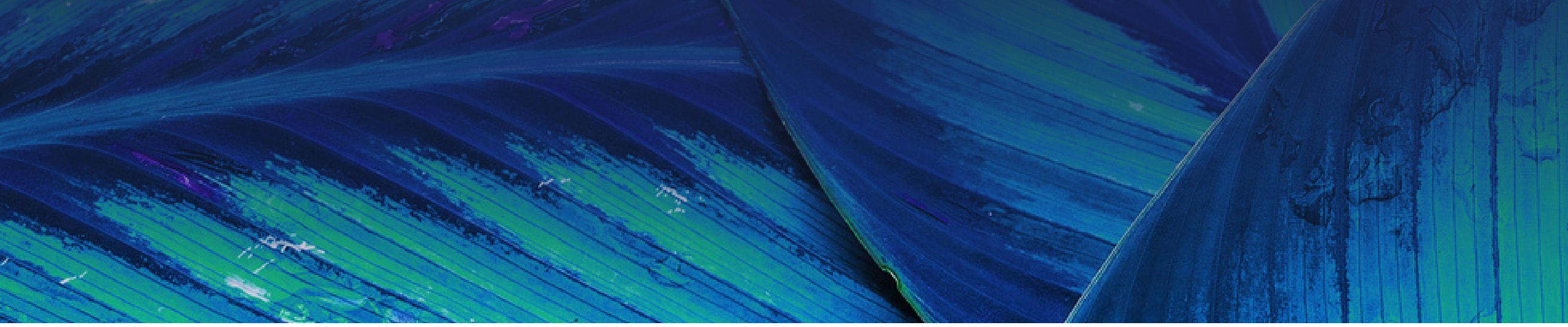
N=63 Investors

CONCLUSION

Amid persisting uncertainty across the ESG landscape, the pressing need for companies to consider and integrate ESG into their corporate strategy has never been more certain. With disclosure requirements entering into effect and investors—among other key stakeholders—calling for informed action, alignment of sustainability and corporate goals is a business imperative.

While the first companies to be regulated are cautiously navigating the transition, the rest of the business community is watching closely. Regardless of polarized political views, the impact of regulatory changes, or the specific ESG implementation strategies, business resiliency hinges on a company's ability to accurately assess and communicate its climate risks and opportunities.

Rivel's third annual study of investor attitudes and corporate issuer practices highlights actionable perspectives for an informed ESG transition. Insights relating to setting effective goals, leveraging internal audits, and educating management and boards to oversee and confidently discuss ESG issues can guide the strategic allocation of resources right now, as the ESG landscape continues to take shape.



Survey Methodology

This paper integrates survey data from two comprehensive studies completed by Rivel during the latter half of 2023. The studies were designed to provide a comparative framework of ESG attitudes and practices between issuers and institutional investors and deliver research-based insight to help guide corporate strategy in this evolving domain.

The first study was conducted online among a representative, randomly selected sample of 158 North American issuers. It is an exhaustive examination of corporate ESG policy, practice and structure. The second study is highly focused on North American and European institutional investors' ESG investment criteria and expectations. It is predicated on 63 in-depth telephone interviews among a broad, purposive sample of buy-side investment professionals of which 95% are predominantly active managers. Telephone interviewing, conducted by Rivel's elite cadre of executive interviewers, was chosen to ensure accuracy of respondent selection as well as to afford investors the opportunity to expound on their views and evaluations in open-ended discussion.

When examining meaningful differences among corporate issuer participants according to the size of their company, they are segmented into three groups by market capitalization: Large-cap ($10B+), Mid-cap ($2B-$9.9B), and Small-cap (<$2B). Due to questions where multiple responses are acceptable and/or computer rounding of data, percentages may not always add to 100%.

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.

RIVEL HAS FIVE AREAS OF FOCUS

TrendLign

Investor perception research conducted within the investment community

StoryLign

Investor presentations and investor day messaging and design

GuideLign Intelligence Council

Investor communications best practices and advisory

Governance and Sustainability

ESG consulting, corporate governance advisory and Board evaluations

CXLign Banking

Research conducted among bank customers and prospects

RIVEL GOVERNANCE AND SUSTAINABILITY

Corporate Governance Intelligence Council

The only program of its kind to combine a 360-degree perspective from all your constituents to provide year-round strategic governance consulting, engagement, benchmarking and research.

Corporate Responsibility Advisory

Corporate sustainability/ESG consulting and support, providing structure, strategy, and full-service ESG reporting (design and copywriting) to successfully navigate the evolving sustainability landscape for the long term.

Board Evaluation

Independent, comprehensive, 360-degree board evaluations. Fully customized approach will provide actionable and measurable insights to meet your board's objectives.

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- Year round ESG consulting
- ESG for Investor Relations
- ESG gap analysis and risk assessment
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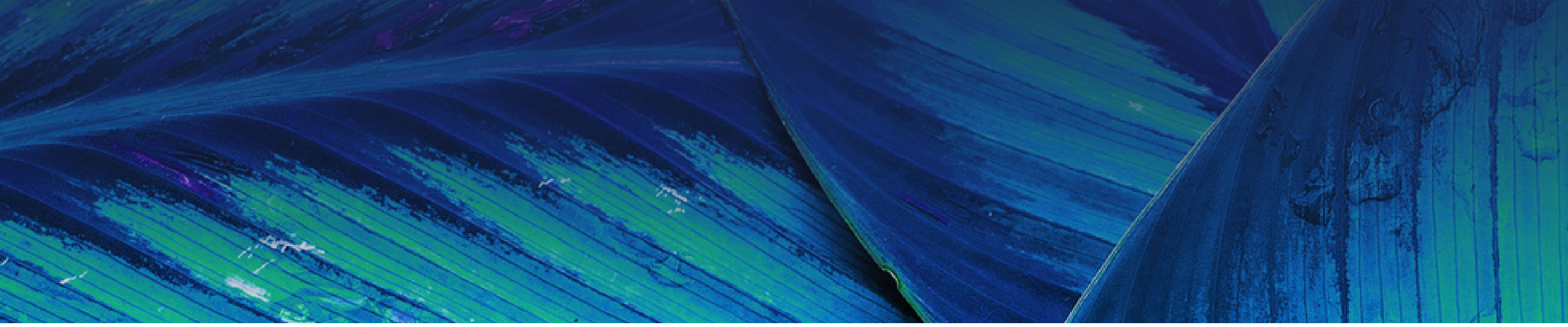
- Materiality and double materiality assessments
- ESG education and awareness training
- Board reporting and education
- ESG communications strategy
- Investor and stakeholder engagement strategies
- Ratings agency analysis and response
- Full suite of design and content copywriting and creation services
- Global regulatory landscape readiness assessment and guidance
- ESG investor perception studies
- TCFD and climate risk mapping



Appendix – Acronyms and Terms

Emissions targets: Measurable goals set by an organization to achieve specific emissions reduction metrics as a commitment to limiting climate change.

Net-zero commitment: When, through its operations, an entity does not add to the concentration of emissions in the atmosphere. Net-zero is achieved through a balance between GHG emissions produced and emissions taken out of the atmosphere.

GHG emissions: Greenhouse gas (GHG) emissions from human/business activities that contribute to climate change.

ISSB (International Sustainability Standards Board): A body founded by the International Financial Reporting Standards (IFRS) that aims to develop a global set of sustainability standards for companies to meet investors' needs.

SASB (Sustainability Accounting Standards Board): A global framework, now overseen by the International Sustainability Standards Board (ISSB), for sustainability disclosures to inform capital markets. The framework is composed of 77 industry-specific standards to communicate financially material and decision-useful information to investors.

Scope 1: Emissions generated directly by the company on-site, such as through a boiler or vehicle fleet.

Scope 2: Emissions created indirectly through the purchase of electricity from a utility.

Scope 3: Emissions created indirectly through the company's value chain, such as business travel, logistics, and purchased goods.

TCFD (Taskforce on Climate-related Financial Disclosures): A framework designed to help companies provide decision-useful information on risks and opportunities presented by climate change.

[i] 2023 NACD Public Company Survey, July 2023

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For more information, please contact the Governance and Sustainability team.