Insights

At Aneuvia, we believe in democratizing financial wellness and investment advice for the betterment of companies, communities and individuals. Here we share our insights, point of view and advice on global impact investing, corporate diversity and inclusion, new financial market trends, impact investment funds and more.

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The Future of ESG Reporting

Posted by Janelle Metzger

Tags: ESG Investing | Sustainable Investing

ESG investing is tethered to the philosophy of 'sustainable investing.' It involves researching and factoring in environmental, social, and governance issues, in addition to the usual financials, when evaluating potential stocks. Until recently, ESG reporting has been more of a niche. Companies are making voluntary disclosures in their annual report or in a standalone sustainability report. In support of this, activist investment firms like Aneuvia, work with clients to reassess their ESG footprint and operations to increase value among investors.

Since ESG metrics are not part of mandatory financial reporting, corporate ESG data has historically been lacking in quality, consistency, and comparability, which makes it difficult for asset managers to determine where to direct investments.

Now, regulators are jumping in to address the lack of common reporting standards in ESG reporting. Our latest whitepaper The US's ESG Regulatory Environment: Past, Present, and Future shares a few trends that are likely to shape the future of

ESG reporting:

Universal and sector disclosures

Forthcoming European proposals are focused on "universal disclosures" which means regulators will pick a subset of the myriad of ESG topics and require all companies to report on them. When it comes to what exactly will comprise the list of universal disclosures, more alignment is needed particularly when it comes to climate change). Climate change has been prioritized so it is safe to forecast that reporting on corporate carbon footprint will become mandatory. In addition to this, the Sustainability Accounting Standards Board (SASB) has also looked into sector standards, which establishes sector-based disclosures.

Redefining materiality

Materiality refers to how companies select the topics that they will report on. This flexibility and the onus placed on a company-by-company basis has also been problematic. Forthcoming European proposals suggest that regulators and standards setters will decide materiality. This will help achieve data comparability.

The SEC's Asset Management Advisory Committee has advocated for mandatory standards that can provide guidance for the current principles-based materiality requirements. The committee urged for a parsimonious, rather than a comprehensive approach, advising to develop a limited set of industry-level materiality metrics, to be monitored by an independent standard-setter such as ?SASB.

Establishing global consistency

A complaint about the ESG reporting world is the lack of consistency. There are several organizations providing overlapping reporting standards, which adds confusion and results in inconsistent disclosures.

IFRSSept2020

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Amidst concerns of fragmentation, reprieve came last September when the International Financial Reporting Standards (IFRS) Foundation announced its plans of creating global sustainability standards by drawing inputs from key ESG reporting frameworks and standards. While the methodologies, definitions, purposes and audiences might vary, these ESG reporting bodies are lending their support to the harmonization drive and making efforts to align with each other.

This article: The Future of ESG Reporting first appeared on http://aneuvia.com.

The Real Cost of Greenwashing to Society

Posted by Janelle Metzger

Tags: Corporate Social Responsibility | ESG Investing | Sustainable Investing

It's no surprise that the demand for corporate responsibility has increased as more people reflect on the long-term impacts of climate change. In fact, in a November 2020 Ipsos poll, roughly 63% of U.S. adults said they believed "purchasing sustainable brands or products makes a difference for our environment," with 57% noting that they felt "better" when buying "sustainable brands or products."

But unfortunately, the same increase can also be seen with greenwashing, a term used when a business presents itself as environmentally friendly to hide its past or present harmful environmental practices.

Oil behemoth Chevron is one example. Just recently, NGOs filed a complaint with the FTC, accusing the firm of "egregiously misleading consumers" after being unconvinced by the company's clean-energy claims. The NGO compiled the results into what it calls 'The Greenwashing Files': a set of profiles of each firm, laying out their advertised climate-friendly claims alongside data points that illustrate the companies' actual climate impacts.

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The true cost of greenwashing is trust. Consumers who prefer sustainable brands and products lose trust in companies who claim they prioritize sustainability, but daily to integrate ESG into all aspects of their business strategy. It then drives consumers to fall back into non-sustainable practices, and question brands that truly live sustainable practices. We cannot reverse the positive intentions of consumers and companies and continue to fall victim to regressive policies or lack of policy.

At Aneuvia, we believe that the key to making progress is elevating ESG reporting to the same standards as financial reporting. When robust metrics and disclosures are established, we as a society are able to better assess the impact of business on key sustainability issues and ultimately, put our people and planet front and center.

Our latest whitepaper The US's ESG Regulatory Environment: Past, Present, and Future provides a brief history of the stops and stars in ESG reporting over the past decade. Despite the lack of binding ESG disclosure regulations, the ESG reporting landscape in the US is growing. According to the Governance & Accountability Institute, over 90% of the S&P 500 companies published corporate sustainability reports in 2019. The proportion of companies reporting has steadily grown from 53% in 2012.

While it is positive that companies are relying on voluntary standards and frameworks in the absence of mandatory ESG reporting metrics and disclosures, we must be aware of greenwashers who speak proudly about sustainability without contributing to a better world.

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