

The ESG Controller's Emerging Role

In the wake of the SEC's recent finalization of climate disclosure rules on March 6 and the proliferation of ESG regulations globally, the demand for accurate, audit-ready ESG data has never been more pressing. Join us for a comprehensive webinar where we'll explore the emerging responsibilities of ESG controllers and the challenges they face in ensuring compliance and transparency amidst evolving regulatory landscapes.

We'll provide insights into the intricacies of this evolving role, shedding light on the regulations driving the need for precise ESG data and the implications for organizations worldwide. We'll delve into the role of internal controls in improving data quality and preparing companies for assurance processes, equipping attendees with practical strategies to enhance compliance and mitigate risks.

The webinar will also examine the collaborative dynamics between internal audit, finance, risk, and sustainability teams, emphasizing the importance of cohesive teamwork in navigating the complexities of ESG reporting. Attendees will gain a deeper understanding of team structures where an ESG controller serves as an individual role or shares responsibilities within a committee, along with the common background and expertise ideal for this pivotal role.

LEARNING OBJECTIVES:

By attending this session, you will learn:

- The regulatory drivers necessitating accurate, audit-ready ESG data
- Strategies for implementing effective internal controls to enhance data quality and compliance
- The collaborative dynamics between internal audit, finance, risk, and sustainability teams in ESG reporting
- Insights into team structures and ideal backgrounds for ESG controllers, whether as individuals or part of a committee

The ESG Controller's Emerging Role

Agenda

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SEC: Final Climate-Related Disclosure Rule

Controls & Governance

The ESG Controller

Keys to Success

Q&A

The ESG Landscape

Evolving Stakeholder Expectations



83% of consumers think companies should be **actively shaping ESG best practices**.

New Requirements for Audit-Ready ESG Reporting




57% of executives report that **data availability** (access) and **data quality** (accuracy or completeness) remain their **greatest challenges** with respect to **ESG data**.

ESG Emerging as a Key Part of Risk Management



Regarding top strategic business priorities for this year, boards report a **100% increase** in prioritizing for “ESG, Health, and Sustainability”



SEC: Final Climate-Related Disclosure Rule



“The rules will provide investors with consistent, comparable, and decision-useful information, and issuers with clear reporting requirements.”

Gary Gensler
SEC Chair

The Enhancement and Standardization of Climate-Related Disclosures for Investors

APPLIES TO

Public companies (and in public offerings)

REPORTING

Regulation S-K climate-related disclosures

Regulation S-X financial statement footnote disclosures

DATES FOR COMPLIANCE

Earliest reporting required pertains only to large accelerated filers (LAFs) for fiscal years beginning (FYB) in calendar year 2025

What's Required?



Climate-Related Risks

Risk Management

Governance & Oversight

Financial Disclosures

Goals & Targets

GHG Emissions **+Assurance**

Compliance Dates under the Final Rules¹

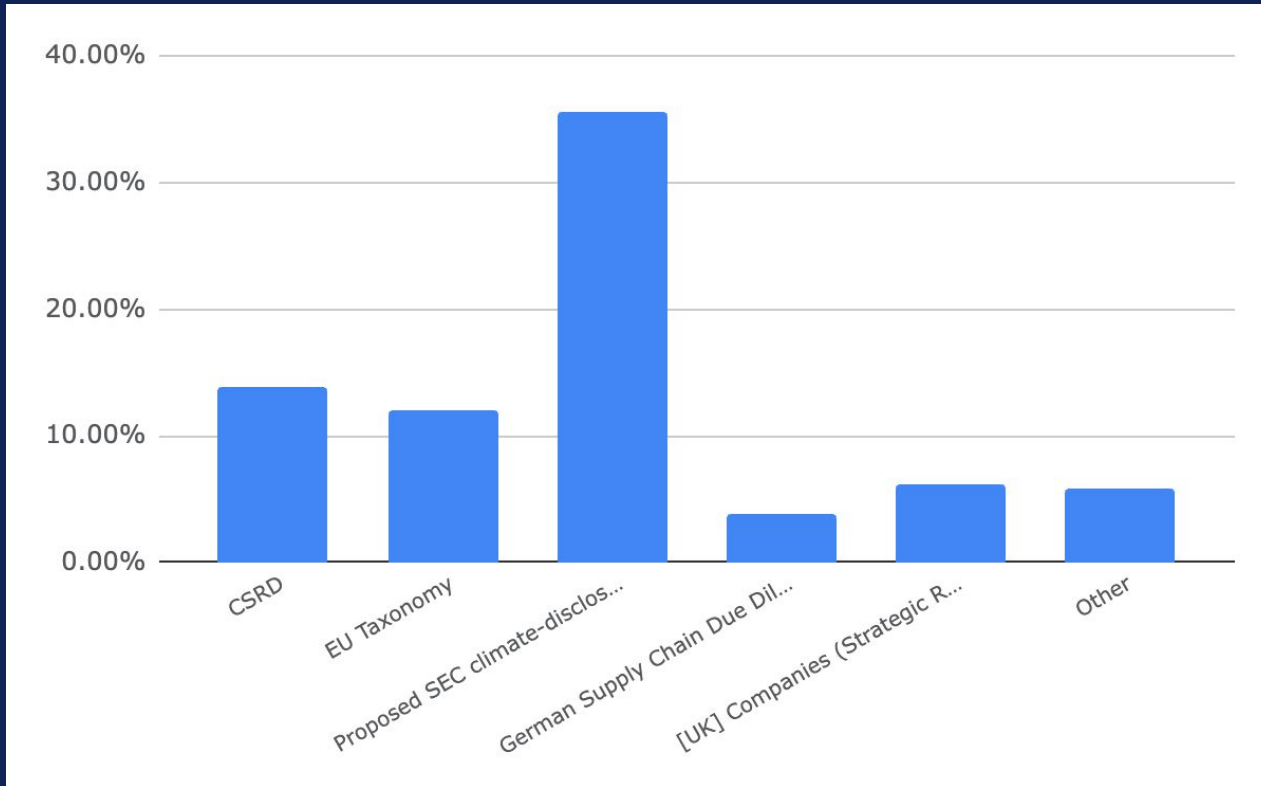
Registrant Type	Disclosure and Financial Statement Effects Audit		GHG Emissions/Assurance			Electronic Tagging
	<i>All Reg. S-K and S-X disclosures, other than as noted in this table</i>	<i>Item 1502(d)(2), Item 1502(e)(2), and Item 1504(c)(2)</i>	<i>Item 1505 (Scopes 1 and 2 GHG emissions)</i>	<i>Item 1506 - Limited Assurance</i>	<i>Item 1506 - Reasonable Assurance</i>	<i>Item 1508 - Inline XBRL tagging for subpart 1500²</i>
LAFs	FYB 2025	FYB 2026	FYB 2026	FYB 2029	FYB 2033	FYB 2026
AFs (other than SRCs and EGCs)	FYB 2026	FYB 2027	FYB 2028	FYB 2031	N/A	FYB 2026
SRCs, EGCs, and NAFs	FYB 2027	FYB 2028	N/A	N/A	N/A	FYB 2027
<p>¹ As used in this chart, "FYB" refers to any fiscal year beginning in the calendar year listed.</p> <p>² Financial statement disclosures under Article 14 will be required to be tagged in accordance with existing rules pertaining to the tagging of financial statements. See Rule 405(b)(1)(i) of Regulation S-T.</p>						

Source: [SEC Fact Sheet](#), *The Enhancement and Standardization of Climate-Related Disclosures: Final Rules*.

Poll Question #1

How prepared is your organization to comply with the new SEC climate disclosure rules?

- a. We don't think they will apply to us
- b. We are not prepared at all to comply with the new rules
- c. We are working on compliance with the new rules and hope to be ready when they take effect
- d. We already have a program in place and will have no problem complying with the new rules



Which of the following laws/regulations do you comply with (or will comply with when enacted)?



○ **Controls & Governance**

“Sustainability and ESG reporting now seem to have become a permanent expansion of corporate reporting all over the world to better meet the needs of multiple stakeholders in understanding the sources of enterprise value.”

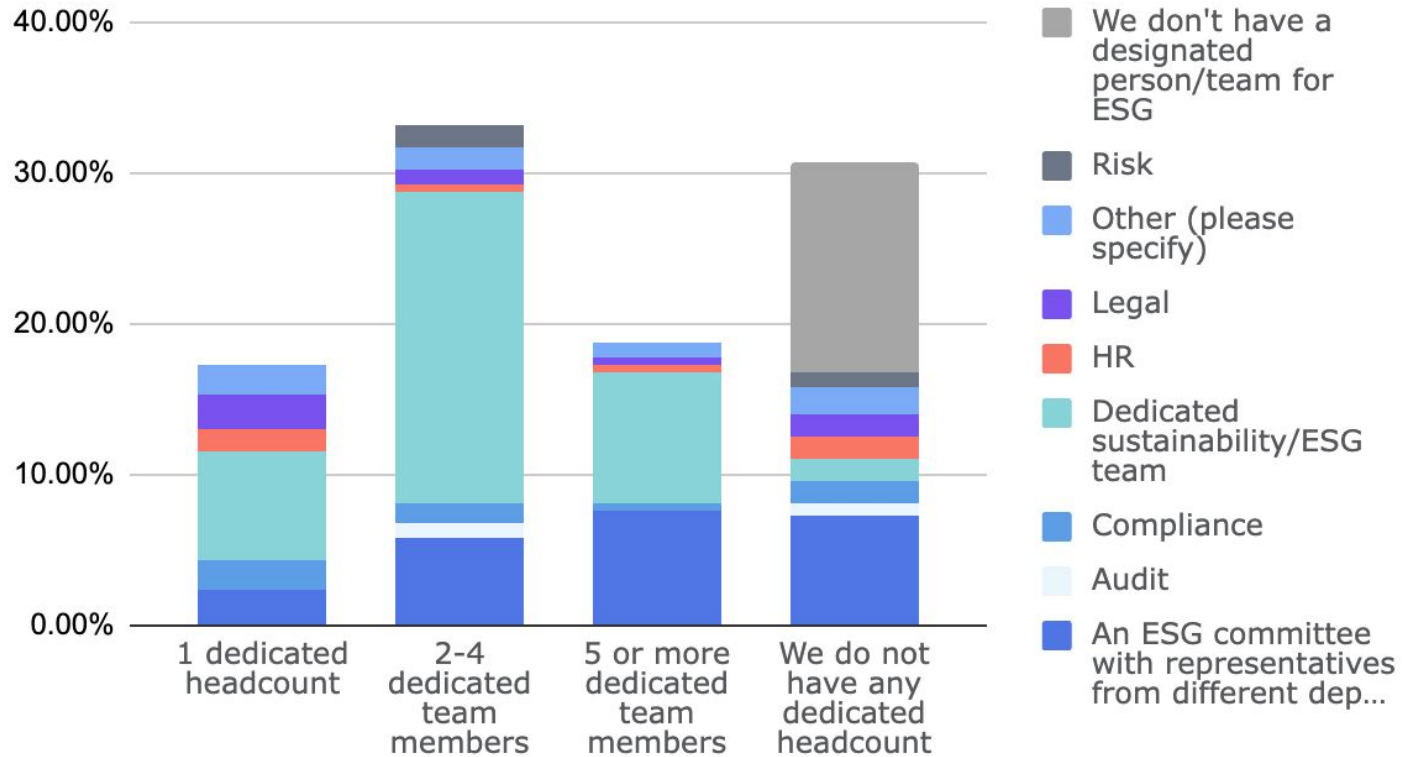
*ACHIEVING EFFECTIVE INTERNAL CONTROL OVER SUSTAINABILITY REPORTING (ICSR):
Building Trust and Confidence through the COSO Internal Control—Integrated Framework*

98%

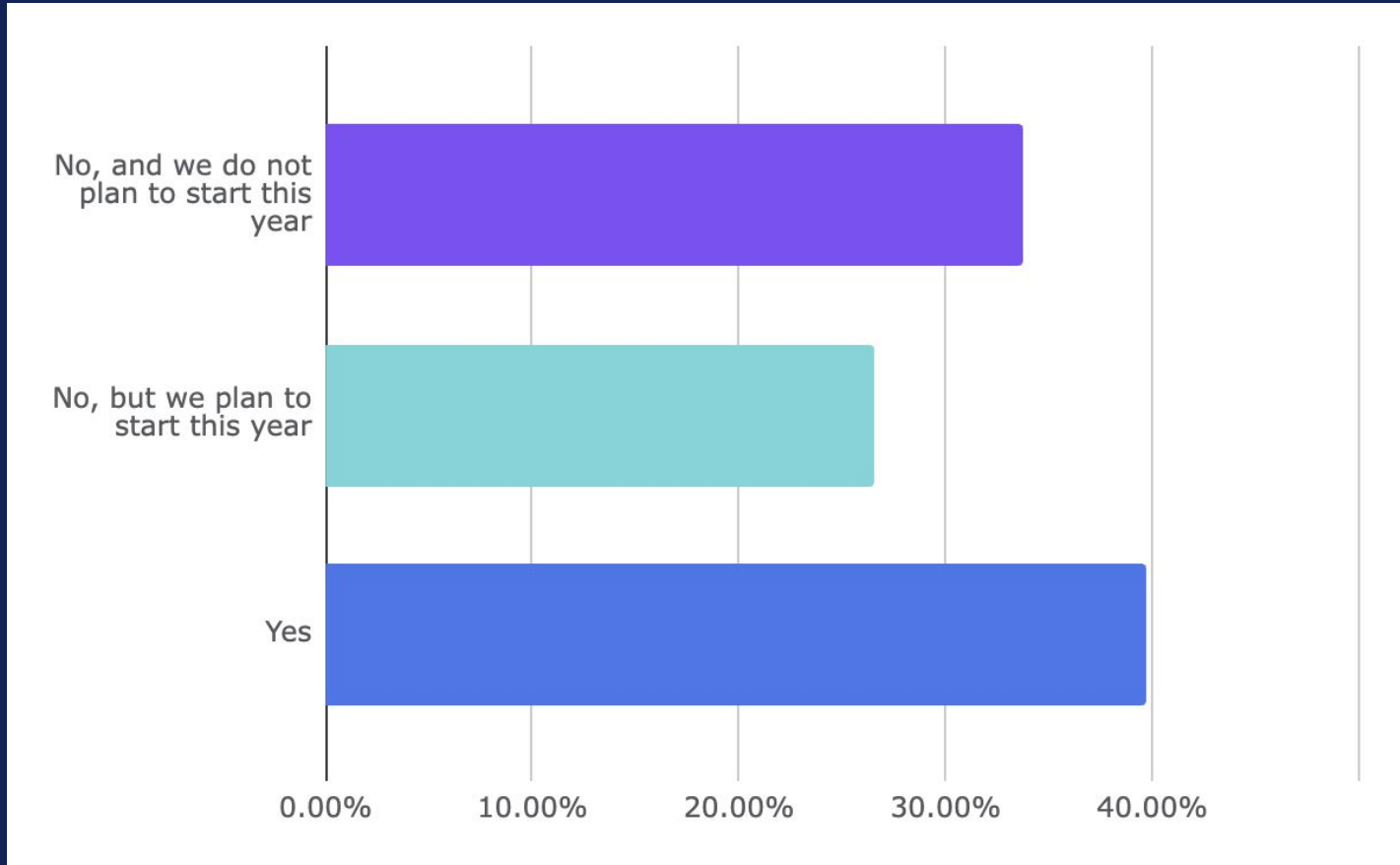
of the S&P 500 issued sustainability reports in 2022.

Internal Control Over Sustainability Reporting (ICSR): Expansion of Audit Committee examples

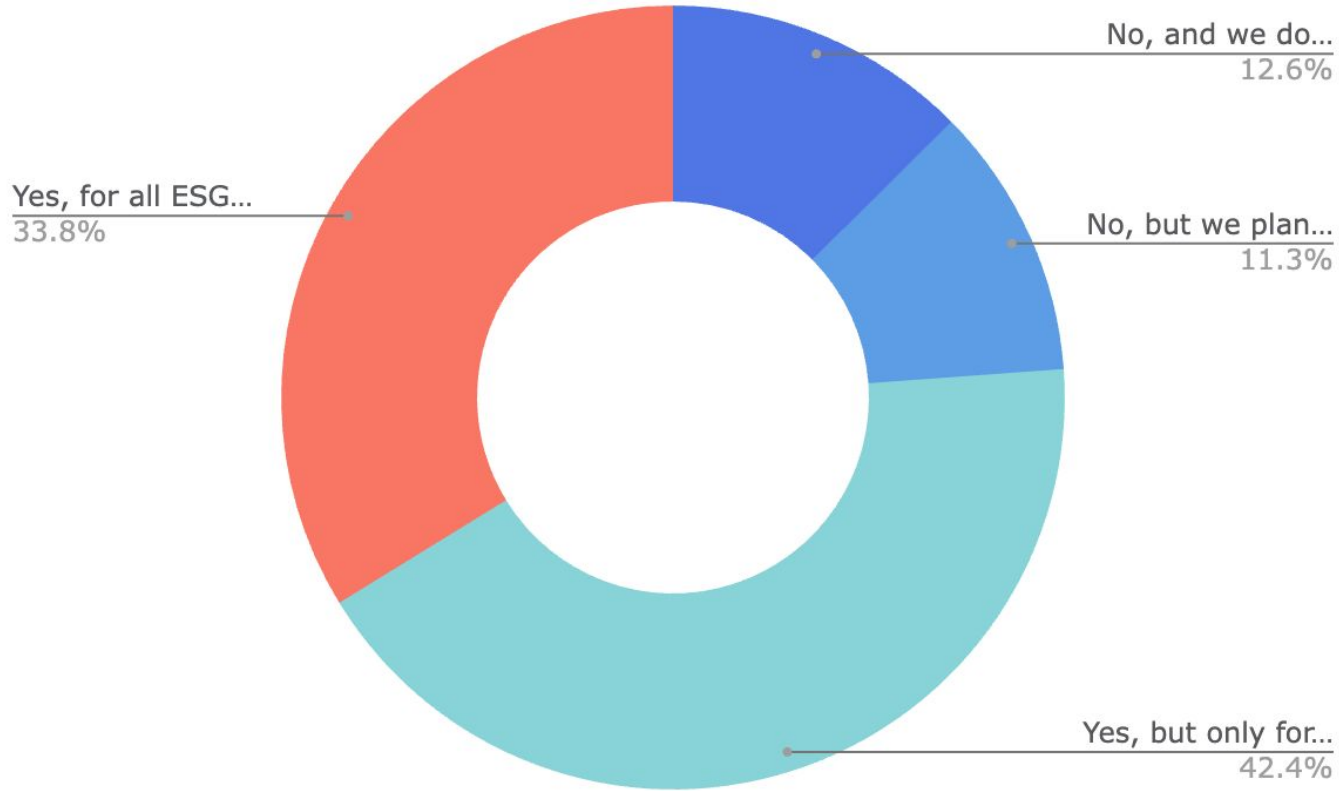
- Revising charters to include oversight of external reporting of sustainability information.
- Revising charters to include oversight of disclosures regarding the effectiveness of the organization's system of ICSR.
- Conducting educational sessions on recent developments regarding sustainable business.
- **Overseeing the internal audit function and review of sustainable business information.**
- Developing processes to operationalize oversight of external reporting, such as determining:
 - The frameworks, standards, and guidelines to follow for external ESG reporting.
 - The means for delivering ESG information externally.
 - A proposed timeline for review and delivery of ESG reports.
 - The person(s) who will be responsible for the process.
 - **Processes that will be utilized to review disclosure prior to release.**
- Evaluating the effectiveness of the reporting process as designed.
- Reviewing external ESG reports before issuance.
- Determining the extent to which ESG information is subject to independent assurance or verification.
- **Determining the appropriate outside firm to perform independent assurance or verification.**



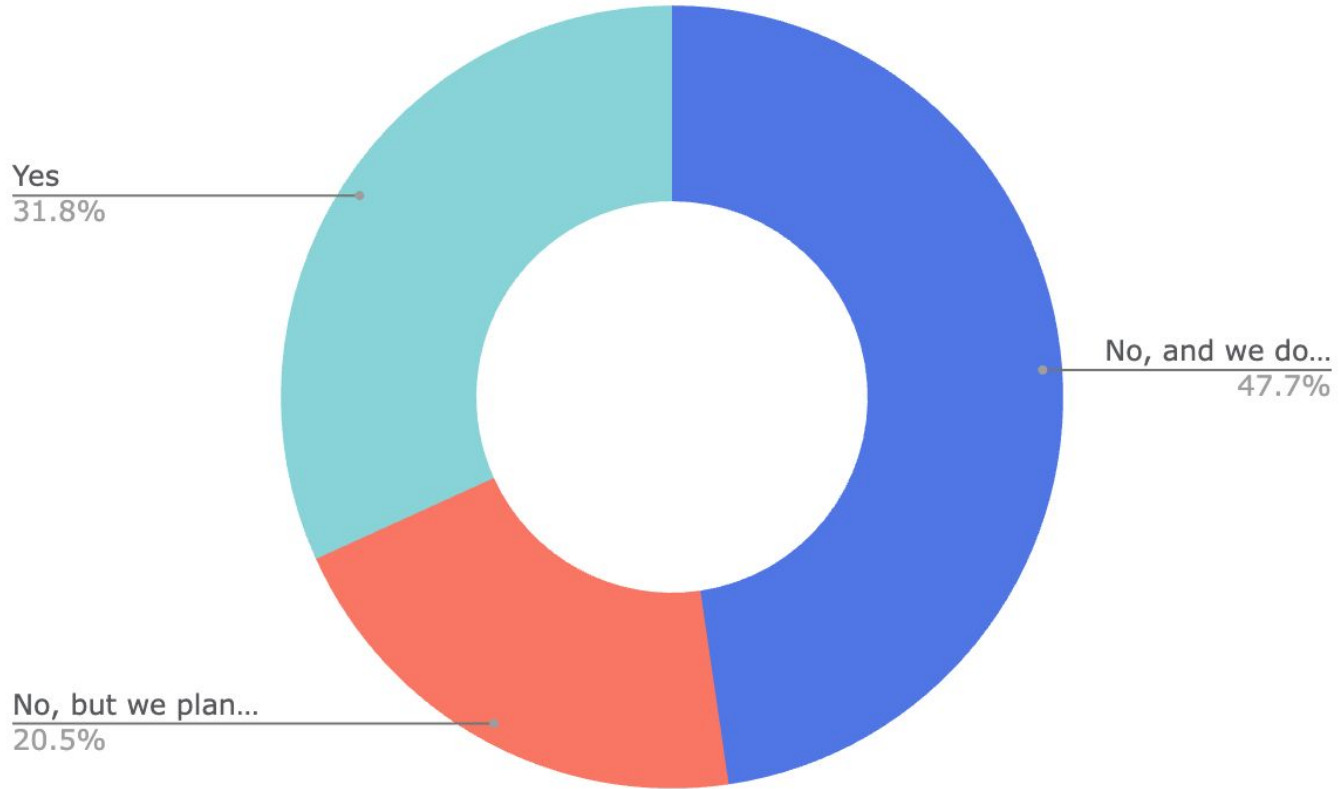
How large is the team responsible for ESG? Which team or group is responsible for ESG at your organization?



Do you perform internal ESG audits?



Do you collect evidence to support your data metrics?

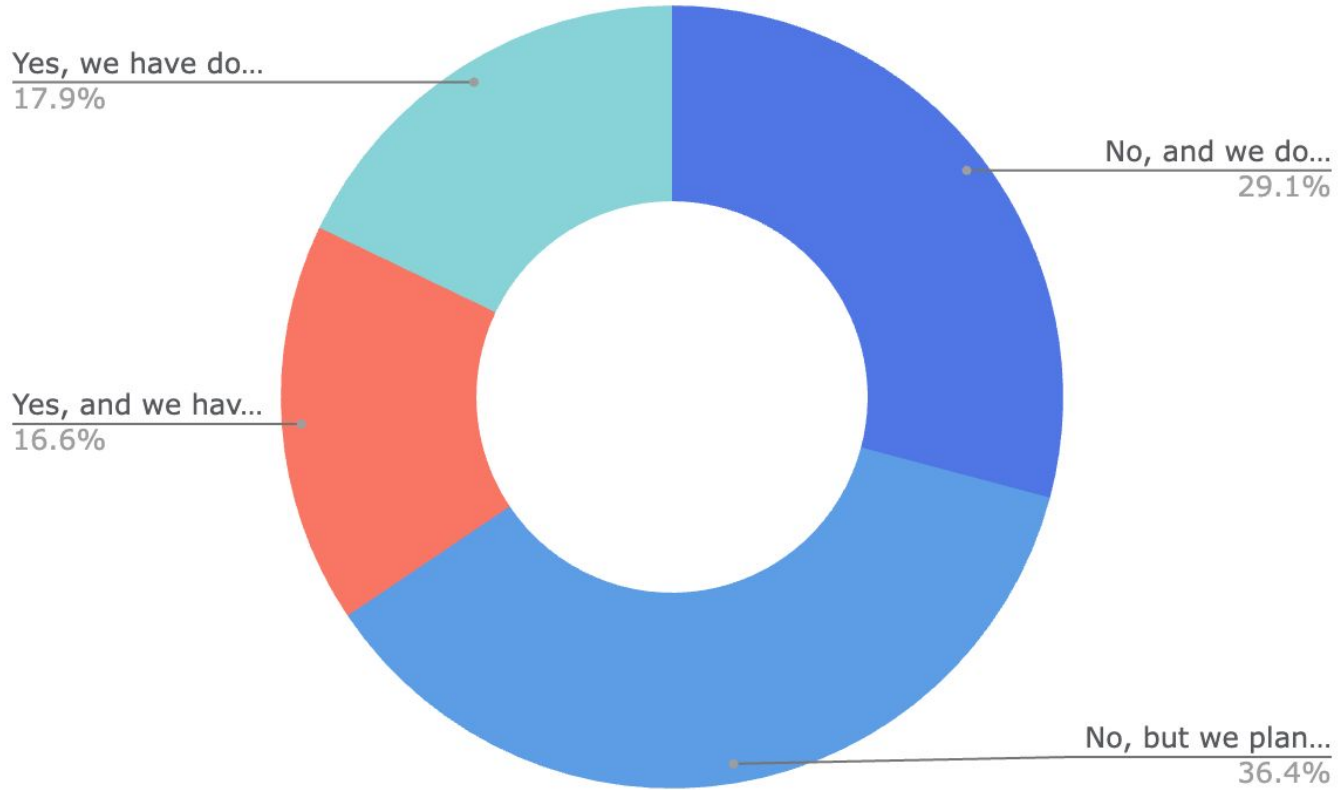


Do you have third-party assurance for any of your ESG data?

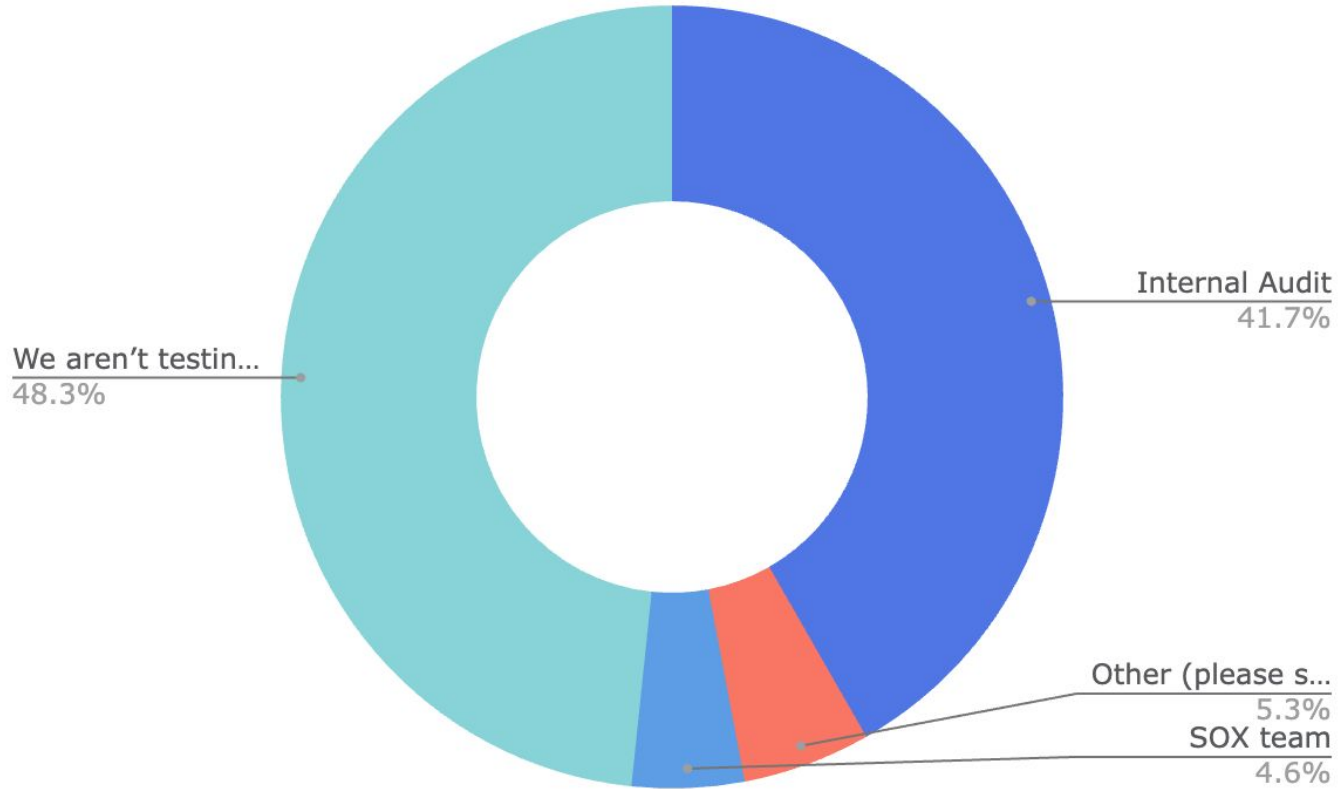
Poll Question #2

How mature would you say your organization's ESG program is?

- a. We have not started an ESG program of any kind
- b. We are just getting started on building an ESG program
- c. We have a moderately robust ESG program
- d. We have a very robust ESG program



Have you implemented any controls for ESG?



If applicable, who is testing controls for ESG?



○ The ESG Controller

“The sustainability controller is a job title that is increasingly being requested and filled. A greenhouse gas account is a specific skill set, and that’s not a financial accountant. That’s somebody who knows how to account for greenhouse gasses...”

*Christopher Wright
Global Leader, Business Performance Improvement
Protiviti*

What is an ESG Controller?

Oversee sustainable business information processes, manage sustainable business activities, and produce external ESG reporting

Source: COSO; ACHIEVING EFFECTIVE INTERNAL CONTROL OVER SUSTAINABILITY REPORTING (ICSR): Building Trust and Confidence through the COSO Internal Control—Integrated Framework

in United States



ESG Controller

Foot Locker
Camp Hill, PA (Hybrid)
\$145K/yr - \$155K/yr
 2 school alumni work here
Viewed • Promoted • 7 applicants



ESG Reporting Specialist

Trinseo
Wayne, PA (Hybrid)
6 benefits
Promoted



ESG Controller

Polaris Inc.
Medina, MN (Hybrid)
Vision benefit
 1 school alum works here
Promoted • 7 applicants

ESG Controller Responsibilities

Lead the development of implementation and readiness plans for various global ESG reporting-related initiatives, such as the CSRD, SEC, state, and other global requirements

Maintain strong relationships with internal and external auditors to coordinate their roles in the review, oversight, and assurance to certain aspects of ESG reporting

Ensure reliable data and supporting work processes, policies, etc.

Manages annual materiality assessments

Present information to the Executive Leadership Team, and the Board of Directors, as appropriate, around all ESG items

Co-own and lead the Company's ESG data and technology strategy, in collaboration with IT

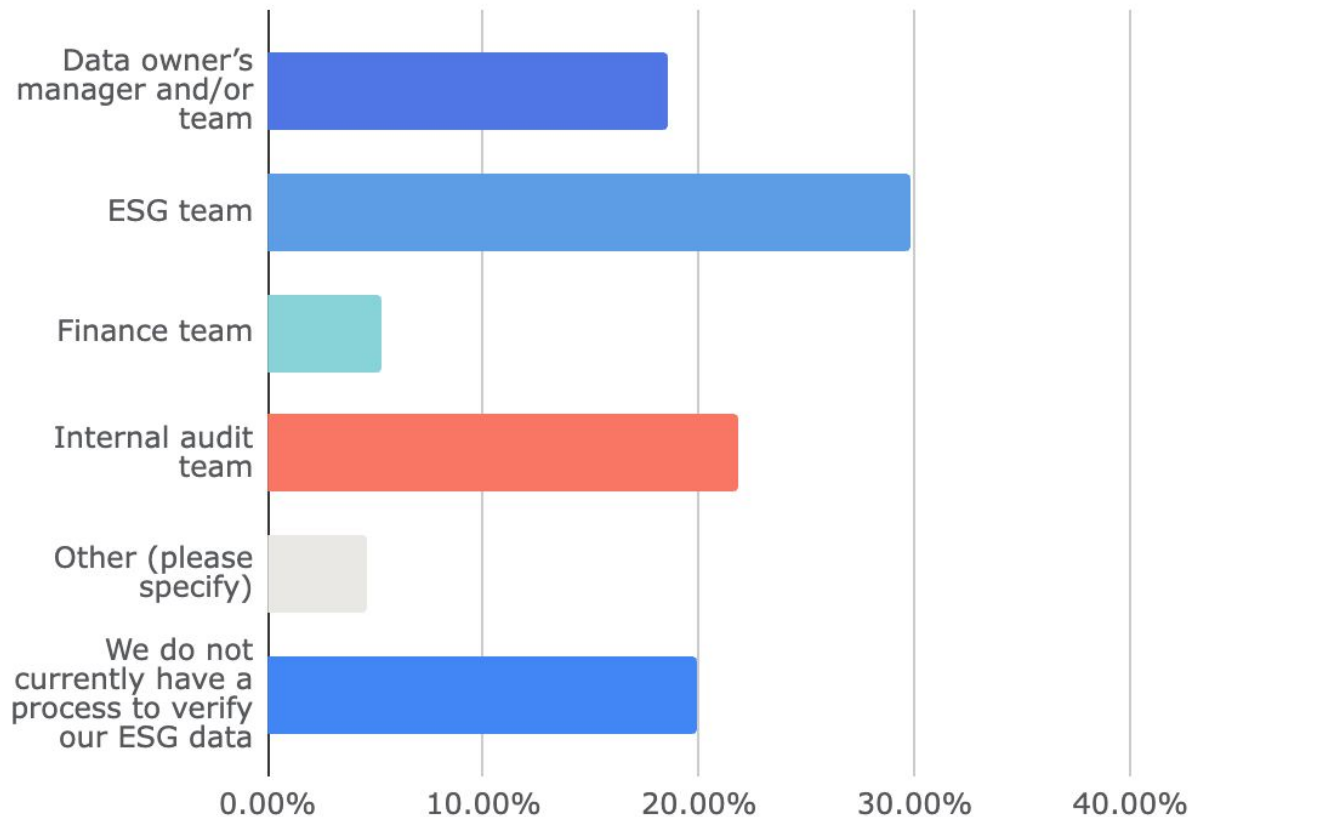
ESG Controller Qualifications

- Minimum of 10 years of progressive accounting/finance AND ESG experience.
- Experience with, and knowledge of, U.S. GAAP and SEC reporting, corporate governance, internal controls, and other statutory requirements, including Sarbanes-Oxley compliance
- Strong grasp of the ESG regulatory and data landscape
- Knowledgeable in ESG-related disclosures and industry trends
- Familiarity with key sustainability frameworks and disclosures, including CSRD, TCFD, SASB, CDP, GRI, and the UN Sustainable Development Goals
- Experience with sustainability software implementations and solutions preferred
- Experience with multinational, public companies preferred
- Experience working with cross-functional teams and engaging with diverse stakeholders
- Chemicals/Manufacturing industry experience a plus (*and other industry-specific preferences*)

Poll Question #3

How involved is Internal Audit in verifying your organization's ESG data?

- a. Not involved at all
- b. Somewhat involved
- c. Moderately involved
- d. Very involved



Which team is responsible for ESG data verification?



Team Collaboration for Success

“The greater integration of climate and financial information and their supporting processes and systems under the stewardship of finance teams and accountants should lead to better reporting in the years to come.”

*Kevin Dancey
CEO, International Federation of Accountants*

Climate-Related Risks

Climate-related risks and their actual or likely material impacts on the registrant's business strategy, results of operations, financial condition, business model, and outlook.

Recommendations

- Determine where relevant climate-related risk and financial data reside within the organization.
- Conduct a climate-focused SWOT analysis to assess potential impacts and vulnerabilities.
- Align business objectives with established climate resilience and sustainability targets.
- Incorporate identified climate-related risks into existing financial models, focusing on potential short-, medium-, and long-term impacts.
- AND MORE...

Risk Management

The registrant's governance of climate-related risks and relevant risk management processes, as well as whether and how those processes are integrated into the registrant's overall risk management system or processes.

Recommendations

- Perform comprehensive climate-related risk assessments.
- Integrate climate-related risks into broader risk management programs and enterprise risk assessments.
- Develop actionable Mitigation Plans with specific ownership, timelines, and completion criteria.
- Develop climate-related and other ESG-specific key risk indicators that align with financial KRIs.
- AND MORE...

Governance & Oversight

Oversight by the board of directors of climate-related risks and any role by management in assessing and managing the registrant's material climate-related risks

Recommendations

- Establish or refine board-level ESG committees.
- Review current governance structures to integrate climate-related risk.
- Form a cross-functional committee to oversee ESG integration. Include finance, compliance, risk management, and sustainability.
- Assign ESG champions, designating individuals in each department responsible for ESG data collection/reporting.
- Develop an ESG strategy that aligns with the organization's financial objectives and meets key stakeholder expectations.

Financial Disclosures

The capitalized costs, expenditures expensed, or losses related to carbon offsets and renewable energy credits or certificates (RECs) if material to achieving climate-related targets and goals.

Recommendations

- Ensure finance and accounting collaborate to document and assess the climate impact of a complete population of all estimates and relevant expenses.
- Implement enabling technology to adequately document all risk events or climate events to ensure appropriate documentation is easily accessible throughout the year.
- Engage an external auditor to provide independent third-party limited and/or reasonable assurance.
- AND MORE...

Goals and Targets

Certain disclosures about such target or goal, including material expenditures and material impacts on financial estimates

Recommendations

- Leverage Board of Directors, peer working groups, and key stakeholder feedback to identify relevant and appropriate targets.
- Invest in an ESG program management solution to give you a single system of record to manage all of your material ESG metrics and targets, including tracking progress towards those targets.
- Identify which targets should be public vs. internal, and build reporting timelines to provide regular updates on progress.
- AND MORE...

GHG Emissions

Scope 1 and Scope 2 GHG emissions metrics (if deemed material)

Recommendations

- Implement robust data collection, analysis, and verification procedures, integrating with existing systems if possible. To simplify analysis and reporting, ensure collected data adheres to a standardized format. Consider implementing technology that centralizes financial and ESG data.
- Align with reporting frameworks (e.g., TCFD, SASB, GRI, CDP) appropriate for Scope 1 and Scope 2 reporting.
- Create climate-related risk disclosure report templates that align with financial reporting structures.
- AND MORE...

GHG Emissions – Assurance

Disclosed material Scope 1 and Scope 2 GHG emissions for LAFs and AFs will be subject to mandatory limited assurance followed by mandatory reasonable assurance.

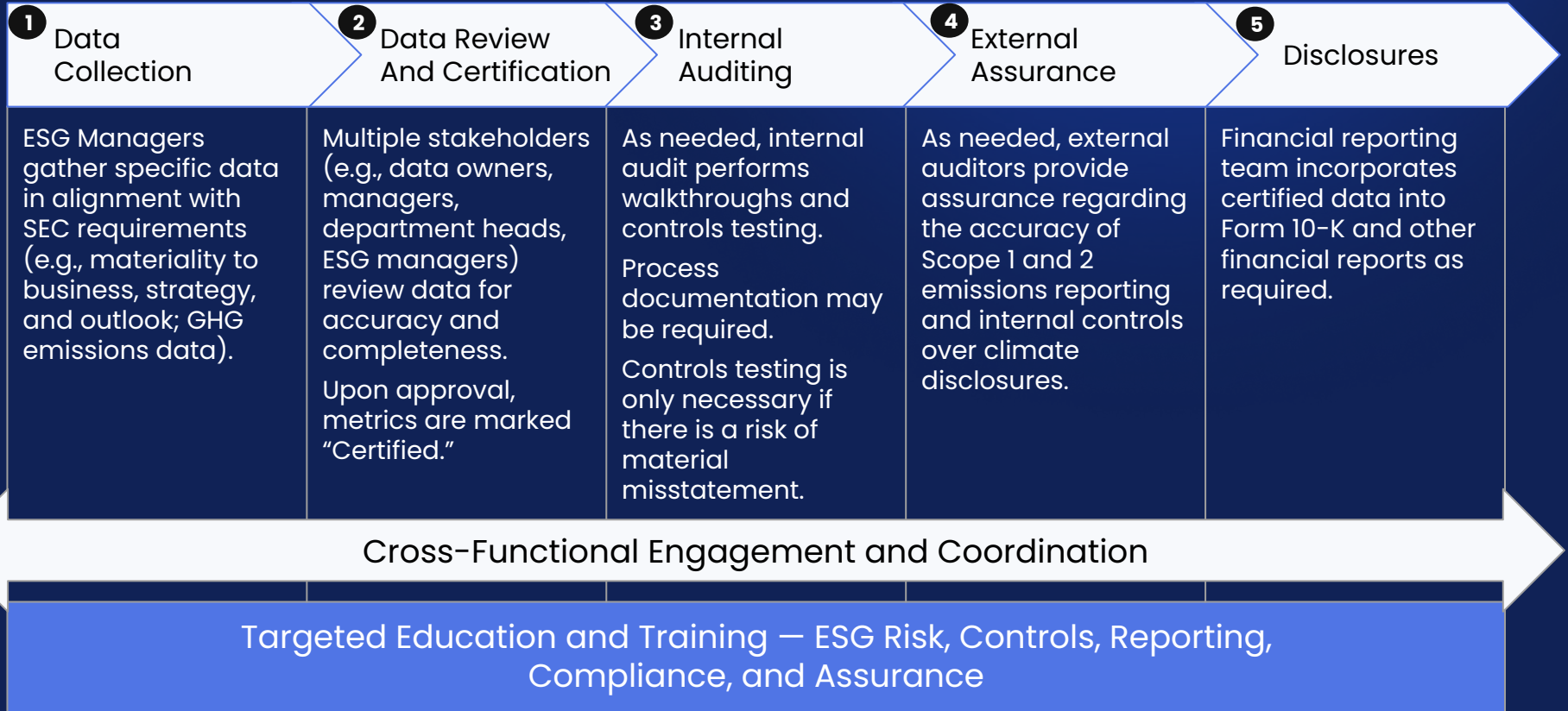
Recommendations

- Conduct a comprehensive emissions audit.
- Ensure audit readiness by having internal audit review financial, climate-related risk, and ESG reporting, document findings, and offer recommendations for upgrading processes/reporting. Make sure you have evidentiary support for all claims.
- Engage an external auditor to provide independent third-party limited and/or reasonable assurance.
- AND MORE...

Poll Question #4

How well would you say various departments in your org. collaborate on ESG issues?

- a. Not very well: We have siloed programs
- b. Somewhat well: We have some collaboration but not enough
- c. Moderately well: We are finding some success collaborating on ESG
- d. Very well: We have an integrated ESG program





Q&A

Learn More

EBOOK

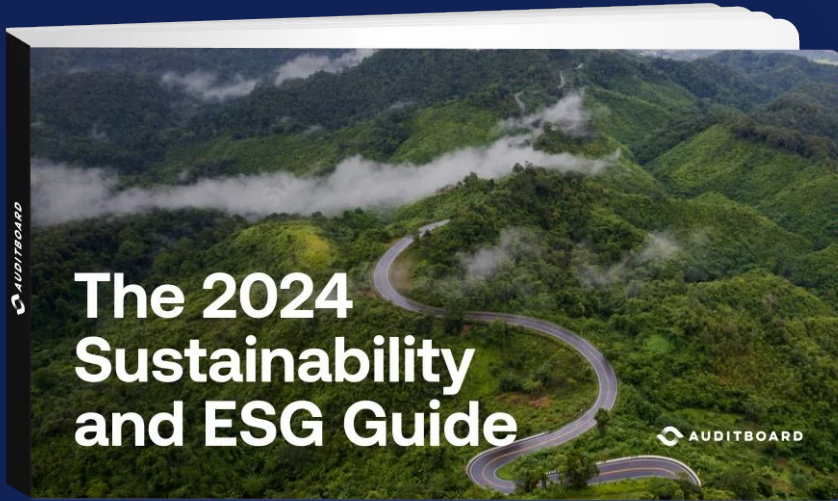
The 2024 Sustainability and ESG Guide

BLOG

Five Initiatives to Advance Your ESG Maturity for Compliance With the SEC ESG Final Rule

CUSTOMER STORY

How Berkadia Collaborates Across Functions to Manage Risk



The Modern Connected Risk Platform

Audit

Elevate your impact with risk-based auditing and SOX assurance

- Audit Management
- Internal Controls Management

InfoSec

Automate across each area of IT risk and compliance management

- IT Compliance Management
- Third-Party Risk Management
- IT Risk Management

Risk

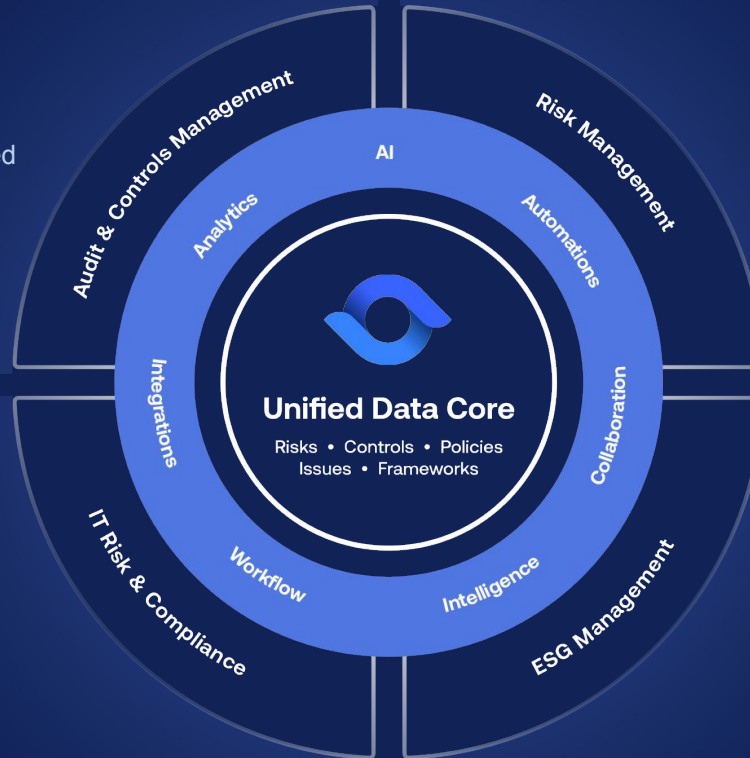
Visualize and address every risk across your organization

- Enterprise Risk Management
- Operational Risk Management

ESG

Streamline your ESG program and ensure audit-ready data

- ESG Program Management
- ESG Controls Management



Thank You

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Trends

SOX comparisons

ICFR for financial reporting

Carbon acct / financial reporting

Materiality

Where does **AuditBoard** fit?



Carbon
Accounting
Solutions



ESG Program
Management
Solutions



Energy
Management
Solutions

