

Roadmap to ESG Leadership

A joint work with leading Food & Agriculture companies to explore the opportunities and challenges that shape leading ESG performance

March 2022

In partnership with



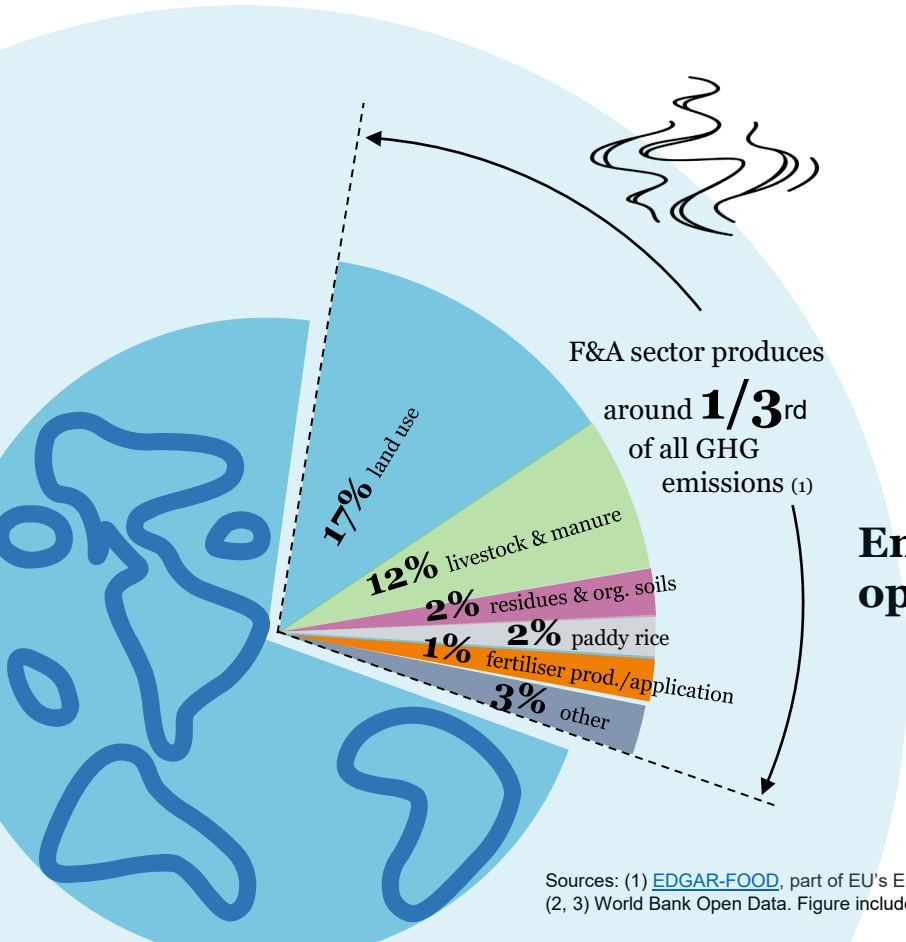
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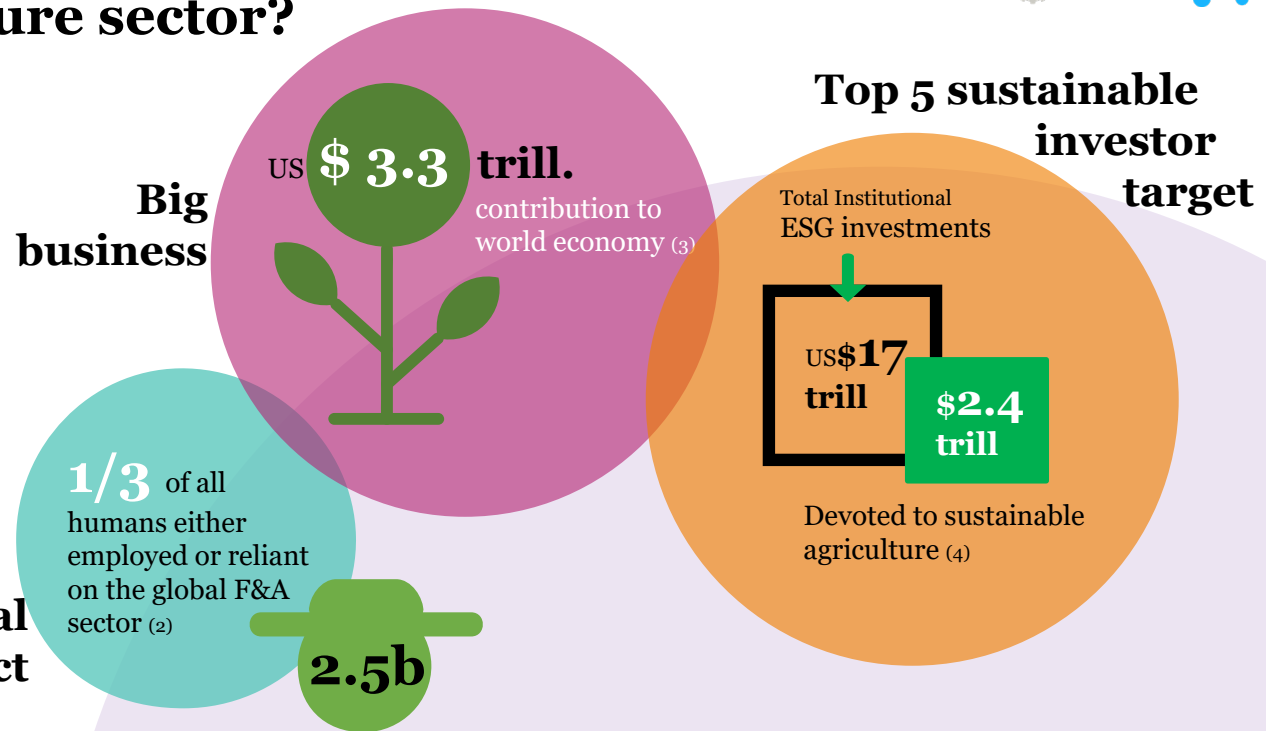
Why focus on ESG in the food & agriculture sector?

The food system faces urgent transformation to meet the needs of the world's growing population and to create healthy, sustainable, equitable and accessible food solutions.

This is a huge opportunity to effect meaningful change at planetary scale. Naturally, ESG investors are increasingly turning their interest to agriculture as a key climate change portfolio lever.



Environmental opportunity



Megatrends

70% more food needed by 2050 produced on just **5%** more arable land (5, 6)

Key megatrends and policy shifts

| | |
|--------------------------------|--|
| Ag & food industry integration | EU Green Deal 2030 ambitions <ul style="list-style-type: none"> Reduce nutrient loss Organic farming & sustainable farming models Food waste reduction & sustainable diets Reduction of chemical pesticides |
| Dietary shifts | |
| Reduce GHG emissions | USDA Ag innovation agenda <ul style="list-style-type: none"> Cutting environmental footprint of US farmers in half by 2050 Increase agricultural production by 40% |
| Zero waste & circular economy | |
| Water scarcity | |
| Improved soil health | |

Sources: (1) [EDGAR-FOOD](#), part of EU's Emissions Database of Global Atmospheric Research (EDGAR), Intergovernmental Panel on Climate Change. (2019), (2, 3) World Bank Open Data. Figure includes Agri activities and the processing of foods, (4) [US SIF Foundation](#), (5) [United Nations assessment](#) (6) [WRI](#)

Purpose of this report

The difference between ESG laggards and leaders increasingly defines the basic conditions for business success. From who gets access to capital and the best talent, to reputational gain and reduced risk of litigation and volatility.

What goes into leading ESG practices matters. This initiative is a joint work with leading Food & Agriculture companies to explore the opportunities and challenges that shape leading ESG performance.

The report aims to provide new ways of thinking around three key ESG issues:

- 1) Defining ESG leadership
- 2) Understanding and aligning on enterprise risk and ESG materiality
- 3) Addressing the ESG data challenge

Report Approach. WBCSD and TSC constituted a forum of participating companies in the Agriculture and Food value chain with a focus on agricultural input suppliers, products and commodities and processor-wholesaler distributors. Participants responded to detailed questionnaires and participated in individual company interviews and group workshops. The results have been compiled by WBCSD and TSC into the following report and insights.

The views and opinions expressed herein are those of WBCSD and TSC, founded on insight shared by interviewee respondents and do not necessarily represent the views and opinions of any individual participating organization or participant.



In collaboration with:



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Roadmap to ESG Leadership

This report sets out to begin defining ESG leadership by identifying the common challenges, opportunities and gaps in ESG management identified over a series of workshops and detailed questionnaires with leading agricultural companies.

This high-level summary is designed to be brief, insightful and bring actionable models and new thinking to the field.

Fundamental questions

1.

What does ESG leadership look like?

1. **Simplicity of focus is key to top ESG performance**
2. **An aligned workflow is the starting point of the ESG journey**
3. **Benchmarking ESG performance requires a common assessment framework**

insights

2.

How aligned is ESG materiality with enterprise risk?

The Food & Ag sector is less aligned between risk and materiality than other sectors

3.

How can we better manage materiality?

1. **ESG materiality needs to be both strategic and operational**
2. **Materiality needs to support peer, industry and standards benchmarking**
3. **The materiality assessment needs to become more dynamic**
4. **The Stakeholder perspective is increasingly important**


4.


How do we address the ESG data challenge?


1. **The ESG data challenge can be broken down into manageable work streams**
2. **Simple, transparent and clear metrics are needed**
3. **ESG leadership increasingly equals data management excellence**

How to use this report

As few words as needed, as actionable as possible.

 Key take-aways

 ESG Leader commentary

 Models

This is a living document and will be regularly updated. It is formatted to be read on screen rather than printed.

1. What does ESG leadership look like?

A simple question, but assessing one's own ESG maturity was considered challenging for three primary reasons:

- 1) The origins of the ESG function vary across companies (e.g., CSR, public affairs or sustainability compliance) leading to inconsistent definitions and approaches
- 2) Alignment is needed on 'standard' parameters to measure ESG maturity vs. 'gut feel'
- 3) These 'standard' parameters to measure maturity should be both inward focused (e.g., coordination, processes and governance) and outward focused (e.g., thought leadership, sectorial benchmarks, partnerships and peer to peer collaboration)

How do you assess the maturity of your ESG management approach?

% responses

Leading 50%

Optimizing 30%

Progressing 15%

Starting 15%

50% considered their companies leaders in ESG management, but with many caveats.



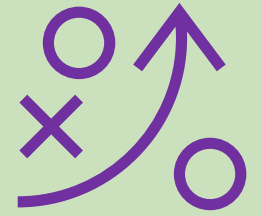
"We're leading relative to what I see generally in our industry, but ESG management still lacks maturity relative to financial management."

What does ESG leadership look like?

Insight. Simplicity of focus is key to top ESG performance



While data types are myriad and there are over 1490 possible ESG metrics to report against, ESG leaders stressed simplicity of focus as a key ESG design criteria vs. boiling the ocean.



Overview of key executive ESG focus areas and KPIs. (Disguised participant example)

Challenge: focus the organization on a few, simple metrics across the ESG initiative.

Solution: CEO set out the key factors and KPIs that mattered to the Board and asked the team for laser focus on these.

Result: with this top-level mandate, the company was able to quickly gain the buy-in from identified functions and focus the program reporting to < 20 metrics.

Note from the CEO.

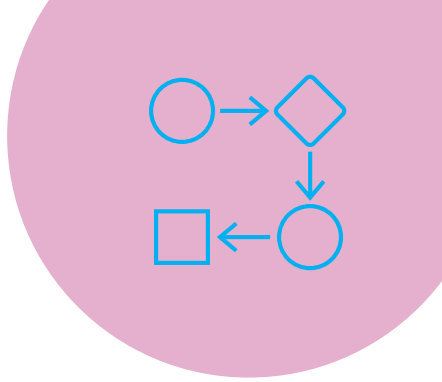
Team let's focus on a few key things that will move the needle please.


Some thoughts below...

| | Most relevant dimensions | Ambition |
|--|---------------------------------|--|
| | Operational eco-efficiency | Reach +XX% eco-efficiency and -XX% in direct emissions by 20XX, carbon neutrality by 20XX |
| | Environmental reporting | Maintain distinctiveness |
| | Climate strategy | Complete new climate change strategy also through offset projects Endorse circular economy from disposable plastic elimination to 100% eco-friendly products |
| | Human capital | Move from XX% to XX% in employee engagement score by 20XX |
| | Talent attraction and retention | Target <XX% churn of younger employees by 20XX |
| | Labor practice | Maintain distinctiveness |
| | Supply chain management | Integrate ESG objectives in supply chain strategy |
| | Human rights | Maintain distinctiveness |
| | Corporate citizenship | Maintain distinctiveness through nation-wide digital empowerment |
| | Corporate governance | Integrate ESG targets in corporate remuneration policies and improve BoD policy |
| | Privacy protection | Maintain distinctiveness |
| | Risk and crisis management | Further complement sensitivity analysis with risk indicators |
| | Security | Reinforce cybersecurity practices |
| | Innovation management | Expand offering portfolio with new ESG services and scale-up start-up funding and incubation |


What does ESG leadership look like?

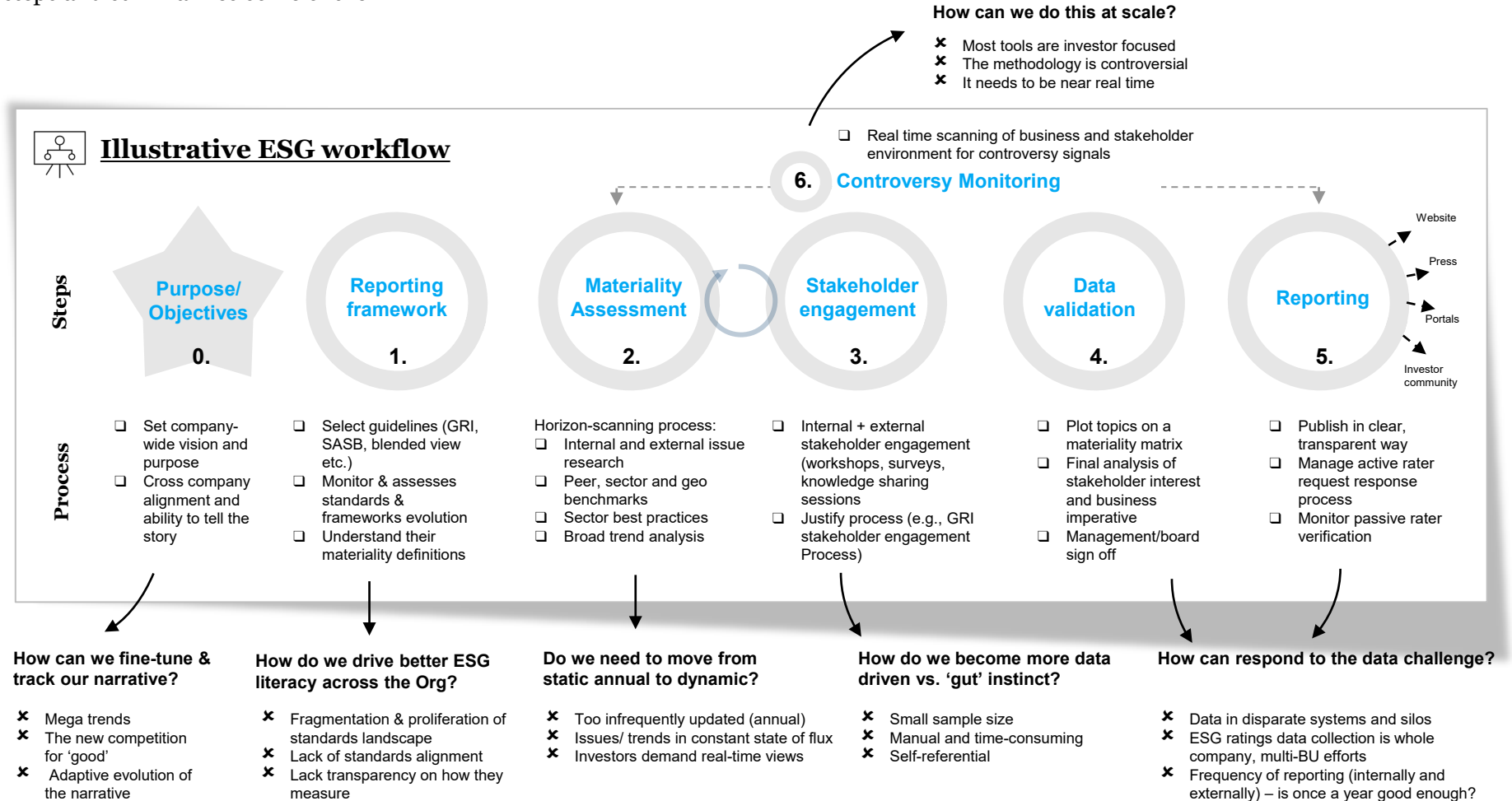
Insight. An aligned workflow is the starting point of the ESG journey



 An aligned workflow across the organization was considered critical. This illustrative workflow covers the six main steps and summarizes some of the processes within each.

However, there were familiar challenges and open questions across each step of the workflow.

 “A clear and aligned workflow allows us to effectively design, plan and execute a coordinated ESG agenda.”



What does ESG leadership look like?

Insight. Benchmarking ESG performance requires a common assessment framework



Participants agreed that a common framework to perform an ESG maturity self-assessment was necessary.

Findings were then extrapolated into an ESG Maturity Assessment Framework for a more objective set of comparable measures and progress.



ESG Maturity Assessment Framework

Minimum practice

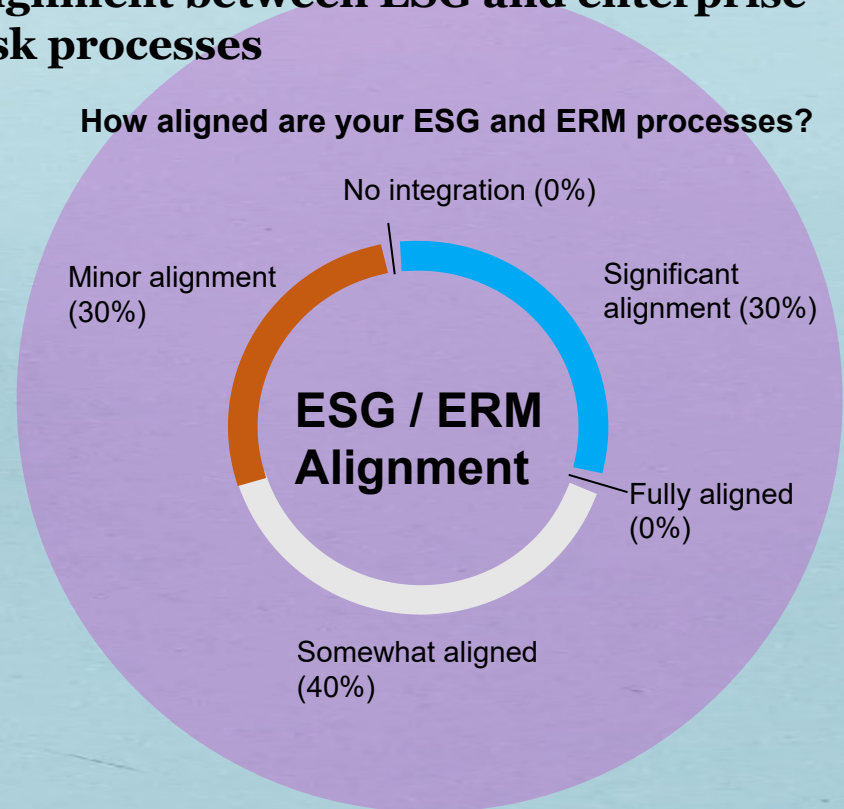
Common practice

'Next' practice

| ESG purpose & Objective | 1 Compliance Risk-mitigation measures & "do no harm" | 2 Social Responsibility CSR Pgm evolution | 3 Risk focused Risk management focus (value at risk) | 4 Integrated Integrated view of Risk management + value growth | 5 Value creation Full integration of ESG purpose within organizational DNA |
|---------------------------------------|--|---|--|--|--|
| Governance & Organization | None, or ESG champion | Plug on' to core business | ESG integrated with risk function | Formalized cross-functional ESG team. Cross-department mechanisms at Executive level (e.g., monthly Executive Committee led by the CEO) for target setting, progress review, issue resolution, and knowledge sharing | Fully business aligned agenda with structured reinforcing mechanisms to embed ESG metrics embedded into operational processes and operational KPIs set for each initiative, with progress reported monthly |
| Materiality assessment | Infrequent. Linked to enterprise risk factors only (2-3 year cycle) | Static. Led by reporting team (semi-annual) | Semi-static. Value-at-risk assessment conducted organization wide (semi-annual with periodic updates) | Responsive. Value-at-stake calculated for most issues related to current strategy (annual updates) | Shifting to dynamic. Internal and external dynamic materiality assessment from megatrend, to topical, to stakeholder to geo level (frequent monthly, QTLY updates) |
| Stakeholder engagement process | Shareholder only vs. stakeholder focus | Limited. Contribution to external stakeholders (e.g., communities, NGOs, governments) clear in some countries but no systematic alignment at Group level | Manual. Internal stakeholder landscaping (who we know) + 3rd party stakeholder engagement support (who we don't know but should ask). Typically, small sample size, time consuming and expensive (face-to-face, focus groups, interview, calls, townhalls, online, phone and App surveys) | Semi-automated. Moving towards dynamic mapping of Influencers/ challengers and ecosystems that meets GRI inclusiveness requirements, supported by function wide stakeholder data set and tools | Automated global 'pulse'. Dynamic/ real-time heatmaps and virtual polling of stakeholder landscape for: 1) benchmarking of peer group and sector narratives and initiatives, and 2) an adaptive/ dynamic mapping of key themes, narratives and stakeholder category perceptions and sentiment. Automated process referenced against traditional stakeholder manual processes. |
| Data strategy | Reactive data | Hindsight. Existing data usage (emails, production units, F&A, HR, HSE systems), spreadsheets and manual data | Dynamic. Standard ESG reporting tools, BI/Analytics dashboards, detailed supply chain reporting and some third-party data | Forward looking. Connected infrastructure and systems, dedicated ESG solutions (AI, data science, data management, data visualization, intelligence and dashboard solutions, advanced ESG forecasting and scenario analysis. Wide data sourcing (media, social, Gov't, NGO, Web, 3rd party, Co. Reports, etc) | |
| Metrics & KPIs | Compliance led | Qualitative (activities & outputs) | Quantitative and qualitative metrics linked to risk mitigation | Metrics linkage to internal and external impact | |
| Third party assurance | None | Informal | Selective | Comprehensive over all material metrics. Limited to reasonable level of Assurance | Systematic over entire ESG data and alignment with external frameworks. Reasonable level of Assurance |
| Controversy management | None | Reactive to negative signals | Active monitoring of risk | Proactive dedicated horizon scanning solutions | Real-time horizon scanning of all materiality issues across company and sector with robust research and dialogue process |

2. How aligned is ESG materiality with enterprise risk?

70% have some to significant alignment between ESG and enterprise risk processes



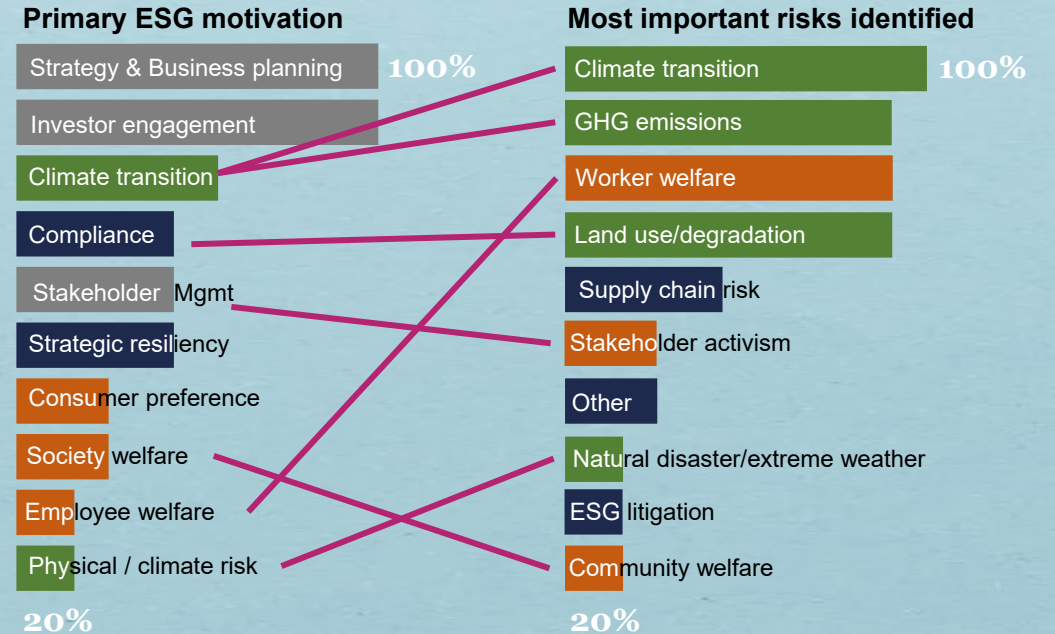
“The original focus on sustainability and ESG was compliance. Now we have realized compliance is not enough because we cannot tell the whole perspective of our story. ESG starts to be much more of a concern for the business as a whole.”

But finding a clear line between the primary motivations for ESG and the most important risk areas is difficult

ESG motivations ≠ the most important company risks

Environmental **S**ocial **G**overnance **F**unctional

Responses contain a mix of activities and focus areas and have been loosely grouped by their primary ESG relation.



How aligned is ESG materiality with enterprise risk?

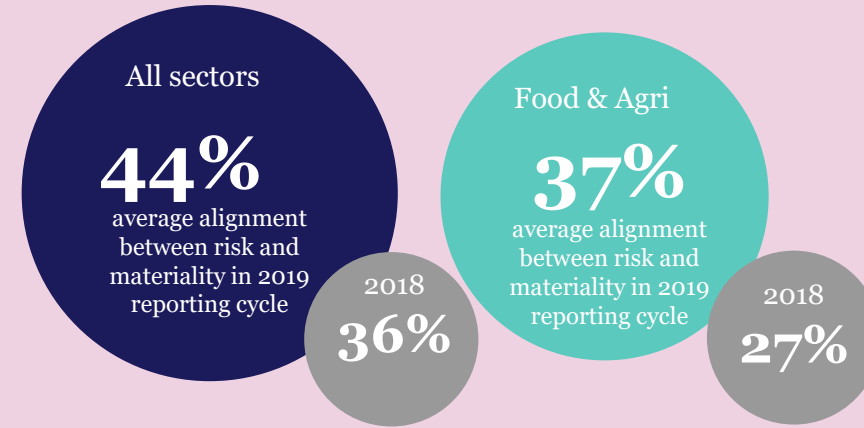
Insight. The Food & Agri sector is less aligned between risk and materiality than other sectors

Despite some progress from 2018, the Food & Agri sector continues to lag behind other sectors in alignment between enterprise risk and ESG factors, limiting effective cross-functional alignment.

Reasons include the challenges associated with different assessment time frames; the lack of common language and standards; and challenges to understand the dynamics and complexity of the Food & Agri system.

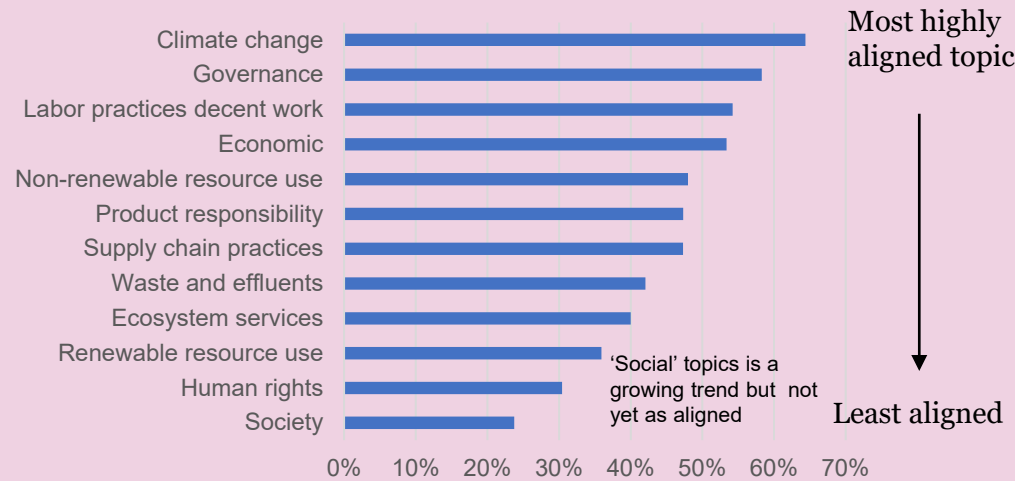
“We don’t yet have a sector agreed methodology to evaluate ESG risk from a financial perspective.”

“For us the big difference is that ESG materiality assessment builds in the stakeholder perspective. Risk and ESG processes need not be 100% aligned, but should be set up in such a way that they inform each other.”

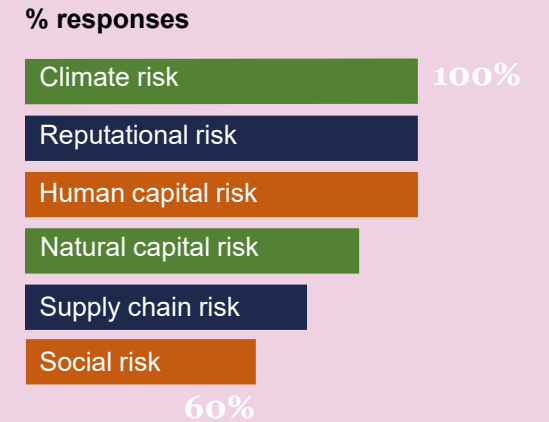


Climate change is the great aligner between risk and sustainability; everything else, not so much

Material topics mentioned in companies’ sustainability disclosures and risk disclosures (2020 reporting schedule).



Which ESG related risks are included in management approach?

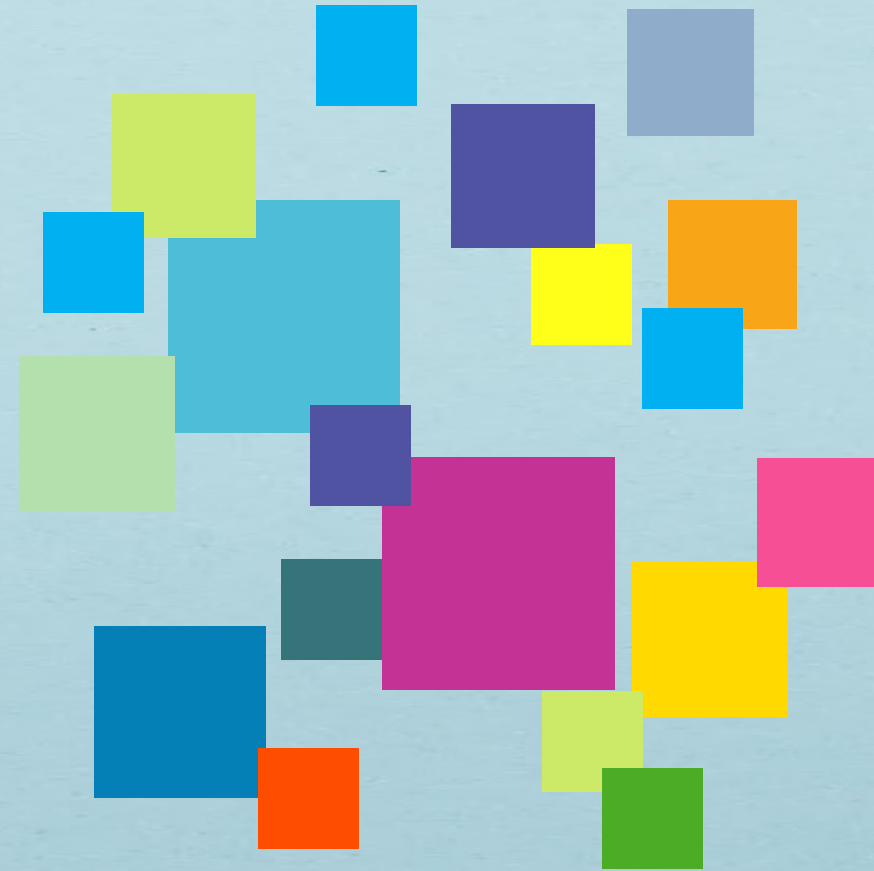
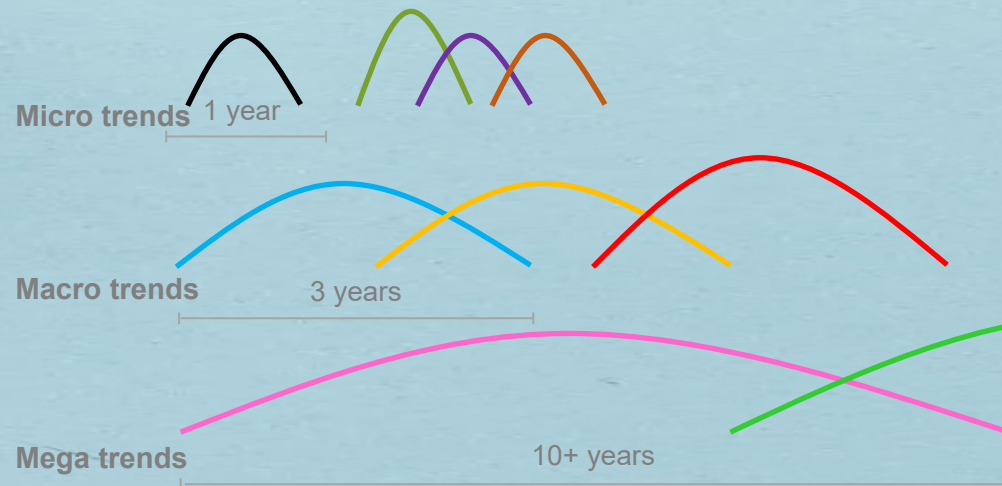


Source: WBCSD - Material topics mentioned in company’s sustainability disclosures and risk disclosures in 2020 reporting schedule ([Managing global risks: six lessons on enterprise risk management from over 250 companies](#), January 2022).

3. How can we better manage materiality?




“There needs to be a balance between being dynamic at an operational level and setting a clear, stable purpose at a strategic level.”



How can we better manage materiality?

Insight. ESG materiality needs to be both strategic and operational

 The time horizon is a critical factor in the approach to ESG materiality. Materiality assessments are historically performed at a point in time and naturally reflect perspectives of that moment. This works well for strategic target setting but makes it difficult to stay on top of the many volatile and unpredictable factors that shape and impact those materiality topics. As an example, few materiality Q4 2019 assessments included the impact of a global pandemic.

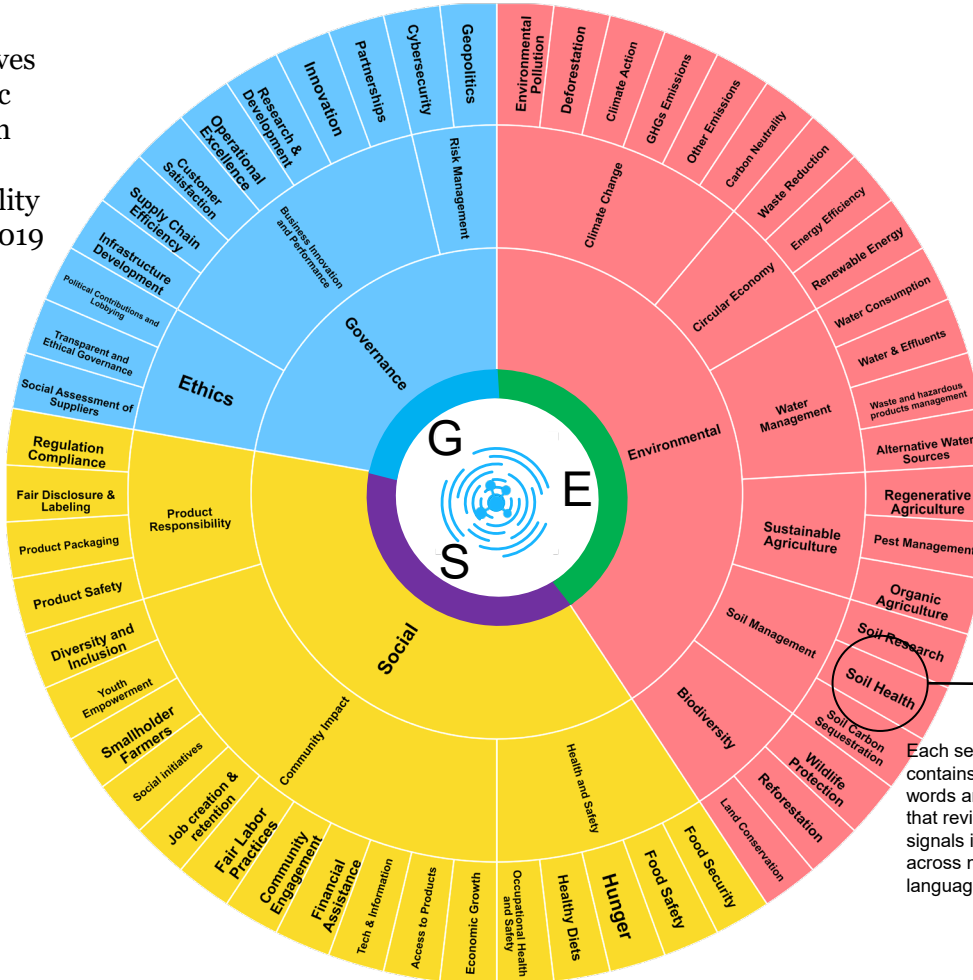
The key is to strike a balance and clear connections between:

- 1. Strategic materiality:** set a clear, stable targets that guide the business for the materiality period
- 2. Operational materiality:** enable an agile, proactive and more real-time assessment of trends and events across topics and stakeholders shifting within the materiality update period



ESG Horizon scanning

Illustrative dynamic ESG horizon scanning model (TSC ESG system)

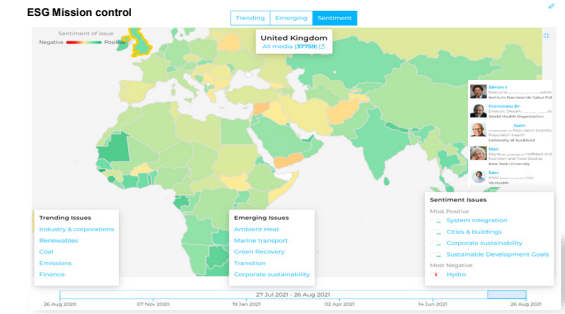


“We need to focus on the things that materially make the biggest difference, and then be agile enough to respond to these new insights that come through. To have this 360 24/7 view of our landscape and ecosystem, we need to have the right systems and data in place.”



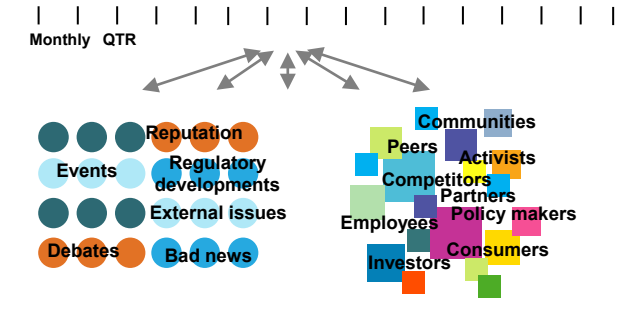
“Watching the trend is important, but we should be careful not to rapidly change our materiality topics – a stable view on these enables you to build impact over time.”

Strategic materiality compass



- Social
- News
- Expert data
- Gov't data
- Web
- 3rd party data
- Co. Reports
- NGO/ activist sources

Operational materiality review



Each segment contains 100's of key words and synonyms that review all source signals in real time across multiple languages

How can we better manage materiality?

Insight. Materiality needs to support peer, industry and standards benchmarking

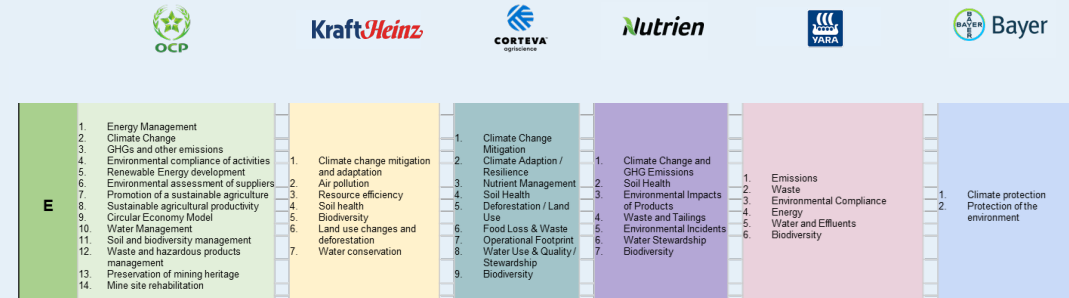
ESG leaders agreed that every company has a unique materiality signature that evolves over time, but stressed that there were many commonalities across companies in the same sector. Hence the focus is to maintain a wide materiality lens that maps: universal standards to sector, common themes, categories and topical focus, or, in the words of one participant, “An apples to oranges comparison”.

Map the selected standards to identify overlaps and complementary aspects - then organize "one view" to inform your materiality landscape and drive alignment and coordination across the organization

Materiality Benchmark



Benchmarking a peer group and sector for topics chosen, emphasis given, changes in position or new inclusions allows an external ‘sense check’ of the materiality assessment.



Harmonized standards taxonomy

Peer materiality benchmarking

| Theme | Category | GRI | SASB | Sustainable Development Goals | World Economic Forum | TCFD | OCP | Kraft Heinz | Corveva | Nutrien | Yara | Bayer |
|-------------|-------------------------------------|---|---|--|----------------------|------|-----|-------------|---------|---------|------|-------|
| Environment | 1.1 Climate Change | 1.1.1 Air Quality, 1.1.2 Compliance with Environmental Regulations, 1.1.3 Energy Management, 1.1.4 Fuel Management, 1.1.5 GHG Emissions | 305. Emissions, 302. Energy, 307. Environmental Compliance, 301. Materials | Air Quality, Energy Management, Fuel Management, GHG Emissions | | | | | | | | |
| | 1.2 Sustainability | 1.2.1 Environmental Impacts on Assets and Operz, 1.2.2 Supplier Environmental Assessment, 1.2.3 Environmental Business Development, 1.2.4 Evaluation of Environmental KPI, 1.2.5 Lifecycle Impacts of Products and Services, 1.2.6 Product Packaging, 1.2.7 Product Quality and Safety, 1.2.8 Responsible Consumption and Production | 308. Supplier Environmental Assessment | Environmental Impacts on Assets and Operations, Lifecycle Impacts of Products and Services, Materials Sourcing, Product Packaging, Product Quality & Safety, Supply Chain Management | | | | | | | | |
| | 1.3 Biodiversity and Water | 1.3.1 Biodiversity Impacts, 1.3.2 Water and Wastewater Management, 1.3.3 Waste and Hazardous Materials Management | 304. Biodiversity, 306. Effluents & Wastes, 303. Water and Effluents | Biodiversity Impacts, Waste & Hazardous Materials Management, Water & Wastewater Management | | | | | | | | |
| Social | 2.1 Health & Safety | 2.1.1 Health & Safety, 2.2.1 Fair Labour Practices | 403. Occupational Health and Safety, 405. Diversity and Equal Opportunity | Employee Health, Safety, and Wellbeing, Compensation and Benefits, Diversity and Inclusion | | | | | | | | |
| | 2.2 Employee Standards | 2.2.2 Labour Management Relations, 2.2.3 Training and Education, 2.2.4 Diversity and Equal Opportunity, 2.2.5 Compensation and Benefits, 2.2.6 Recruitment, Development, and Retention | 401. Employment, 408. Forced Labour or Compulsory Labour, 402. Labour/Management Relations, 404. Training & Education | Fair Labour Practices, Labour Relations, Recruitment, Development, and Retention | | | | | | | | |
| | 2.3 Community Responsibility | 2.3.1 Access & Affordability, 2.3.2 Customer Health and Safety, 2.3.3 Customer Privacy, 2.3.4 Fair Disclosure and Labeling, 2.3.5 Fair Marketing and Advertising, 2.3.6 Local Communities, 2.3.7 Social Impacts on Assets and Operations, 2.4.1 Child Labour, 2.4.2 Freedom of Association and Collective Bargain, 2.4.3 Human Rights, 2.4.4 Non-Discrimination, 2.4.5 Rights of Vulnerable Peoples | 416. Customer Health and Safety, 418. Customer Privacy, 413. Local Communities, 417. Marketing and Labeling, 419. Socioeconomic Compliance | Data Security & Customer Privacy, Fair Disclosure & Labeling, Fair Marketing & Advertising, Social Impacts On Assets and Operations | | | | | | | | |
| | 2.4 Human Rights | 2.4.6 Rights of Vulnerable Peoples | 408. Child Labour, 407. Freedom of Association and Collective Bargain, 412. Human Rights Assessment, 406. Non-Discrimination, 411. Rights of Vulnerable Peoples | Human Rights and Community Relations | | | | | | | | |
| Governance | 1 Leadership & Management Strucrs | 3.1.1 Audit, Integrity and Internal Control/Risk, 3.1.2 Board Leadership, 3.1.3 Protection of Shareholder Rights, 3.1.4 Systemic Risk Management | 410. Security Practices | Accident & Safety Management, Systemic Risk Management | | | | | | | | |
| | 2 Business Innovation & Performance | 3.2.1 Economic Performance, 3.2.2 Industry, Innovation & Infrastructure, 3.2.3 Market Presence | 201. Economic Performance, 202. Market Presence | | | | | | | | | |
| | 3.3 Outside Activities | 3.3.1 Partnerships, 3.3.2 Peace, Justice, and Strong Institutions, 3.3.4 Transparency | 203. Indirect Economic Impacts, 415. Public Policy | | | | | | | | | |
| | 3.4 Business Ethics | 3.4.1 Anti-Corruption Policies, 3.4.2 Anti-Competitive Behaviour, 3.4.3 Business Ethics and Transparency of Payme, 3.4.4 Regulatory Capture and Political Influence | 206. Anti-Corruption, 205. Anti-Competitive Behaviour, 204. Procurement Practices, 414. Supplier Social Assessment | Business Ethics & Transparency of Payments, Competitive Behaviour, Regulatory Capture & Political Influence | | | | | | | | |

“We map across peers regularly. Besides financial and investor information regarding direct competitors in the upstream, and track where downstream players are moving, which will impact our customers and ultimately our business as well.”

How can we better manage materiality?

Insight. The materiality assessment needs to become more dynamic

Linked to the strategic vs. operational materiality distinction previously discussed, ESG leaders stressed the importance of maintaining an active watch over operational and events-driven materiality topics. This might be government policy shifts, key customer scandals, or topic convergence (i.e. climate + environmental justice + social issues).

While every company and industry has a unique materiality signature that evolves over time, the refresh latency of the materiality assessment (i.e. semi-annual) is considered an obstacle to this.

ESG Leaders challenged the practicality of conducting materiality assessments at a greater frequency (cost + time + management distraction) but acknowledged external stakeholders' increasing appetite for this, particularly within the investment community. The trend will be towards more automated horizon scanning technology to dynamically map materiality topics and the stakeholder sentiment at scale.

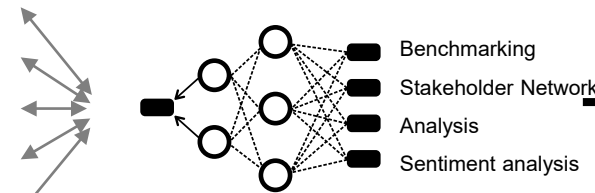
A model dynamic materiality schema

ESG Topic Universe



- Social
- News
- Expert data
- Creative data collection
- Gov't data
- Web
- 3rd party data
- Co. Reports
- NGO/ activist sources

Horizon scanning



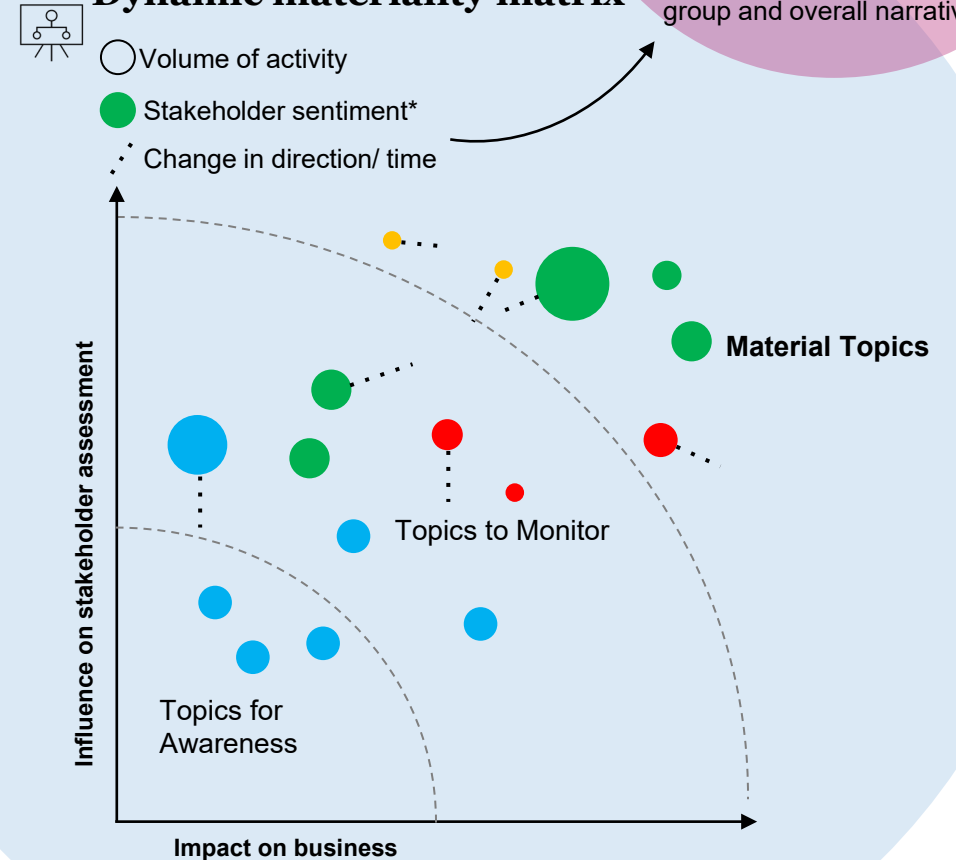
"It's key to consolidate horizon scanning and external stakeholder discussions. Only then can we be sure to get the right info and see what is coming up in the near future."

Frequent stakeholder assessment

| Cat. | Material topic | Co. Value at stake | Avg. | Gov't | NGOs | Community | Etc. |
|------|--------------------------|--------------------|------|-------|------|-----------|------|
| E | Climate change | 78 | 37 | 22 | 21 | 28 | ... |
| | Environmental Resilience | 25 | 21 | 17 | 13 | 11 | ... |
| | Transparency | 55 | 45 | 37 | 44 | 42 | ... |
| S | Human rights | 30 | 24 | 10 | 28 | 18 | ... |
| | Labour practices | 15 | 17 | 17 | 21 | 13 | ... |
| G | Diversity | 18 | 18 | 24 | 11 | 9 | ... |
| | Privacy | 10 | 22 | 14 | 14 | 13 | ... |
| | etc. | ... | ... | ... | ... | ... | ... |

* Stakeholder sentiment: by topic, geography and stakeholder category towards company, peer group and overall narrative

Dynamic materiality matrix



How can we better manage materiality?

Insight. The stakeholder perspective is increasingly important

💡 Stakeholder capitalism is the buzz word, pushed by The Business Roundtable Statement on the Purpose of a Corporation. [“We commit to [...] deliver value to all of stakeholders”], The World Economic Forum in Davos. [Urging the move to the model of “stakeholder capitalism”], and of course Larry Fink, head of BlackRock, the world’s largest asset manager [“committed to embracing purpose and serving all stakeholders.”].

However, ESG leaders generally agree their existing processes needed to involve more stakeholders, more frequently, both to align the company strategy to stakeholder expectations and as a key requirement in preparing the sustainability report.

This will be a tech-driven change and fortunately solutions are emerging.

💬 *“Stakeholder engagement should be less art and a lot more science.”*

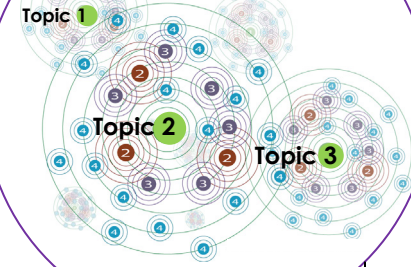
💬 *“To understand what and how much of a story to tell to investors, looking at (framework) materiality metrics is not enough. To really understand the ESG factors that impact the organisation, we need to hear from our stakeholders which topics are relevant to them.”*

Global stakeholder pulse

| Cat. | Material topic | Co. Value at stake | Avg. | Gov't | NGOs | Community | Etc. |
|------|----------------------------|--------------------|------|-------|------|-----------|------|
| E | Climate strategy | 2 | 27 | 37 | 21 | 43 | ... |
| | Environmental transparency | 43 | 43 | 37 | 43 | 43 | ... |
| | Transparency | 38 | 33 | 37 | 32 | 32 | ... |
| S | Human rights | 33 | 34 | 35 | 28 | 18 | ... |
| | Labour practices | 45 | 27 | 47 | 21 | 43 | ... |
| G | Diversity | 25 | 19 | 24 | 21 | 5 | ... |
| | Privacy | 10 | 22 | 36 | 43 | 12 | ... |
| | Etc. | ... | ... | ... | ... | ... | ... |

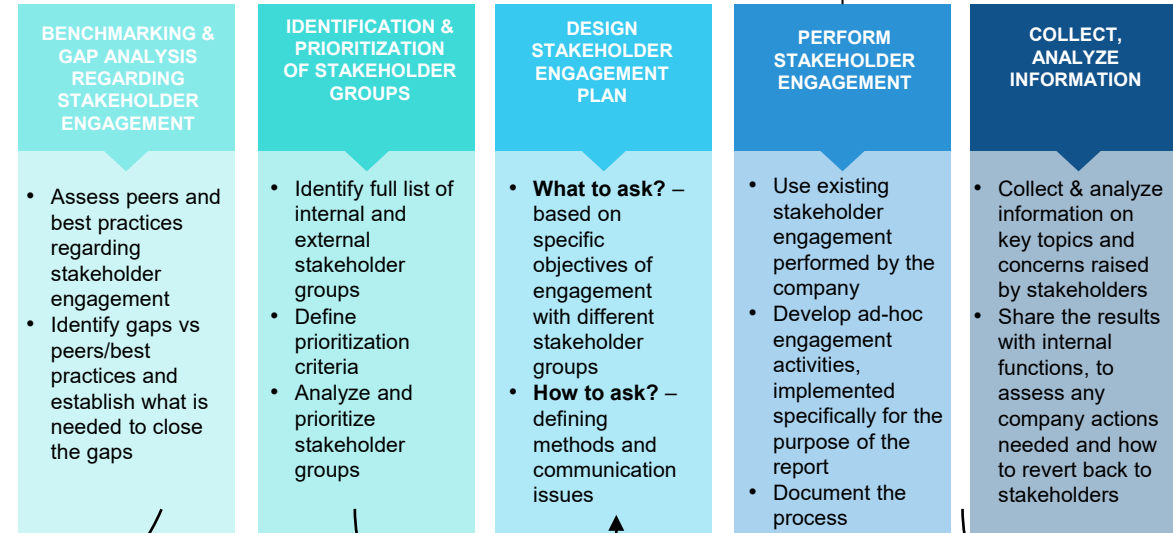
Stakeholder sentiment*: by topic, geography and stakeholder category towards company, peer group and overall narrative

Material topic pulse



GRI Process and common challenges

GRI 102-40. Sustainability Reporting Process for Stakeholder Engagement



- ✗ Typically, a 'black box' process so difficult to benchmark the number, breadth and process of engagement over top peer group
- ✗ Small sample size
- ✗ Selection bias - speaking to those you know and those that will speak to you back
- ✗ A very data and consultation driven process which many companies struggle with and need to outsource
- ✗ Very manual, time consuming and expensive (face-to-face, focus groups, interview, calls, townhalls, online, phone and App surveys)
- ✗ Many companies lack robust stakeholder management systems and default to CRM systems, often inadequate for the task.

Challenges & considerations

- Benchmarking Industry trends
- Stakeholder network analysis
- Topical & stakeholder sentiment analysis

4. How do we solve the ESG data challenge?

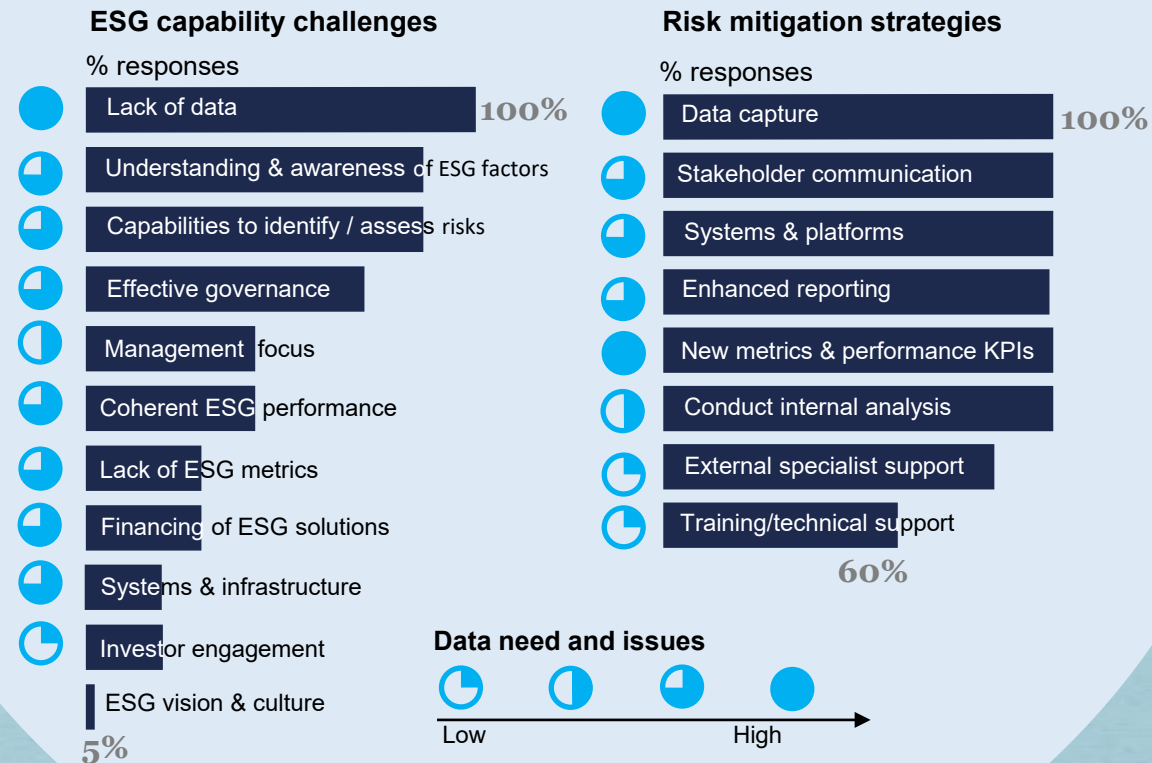
The lack of and need to capture ESG data ranks #1 in capability building challenges and risk mitigation strategies.

“As an input company, our biggest data struggle is to understand how many farmers got access to our products and, once our products have been applied, what the impact of our product has been on soil, both positively and negatively.”

“As a food producer, our biggest data struggle is to understand the nutritional performance of our products.”

Data needs and issues permeate nearly every aspect of effective ESG management.

ESG capabilities and risk strategies comparison



How do we solve the ESG data challenge?

Insight. The ESG data challenge can be broken down into manageable work streams



Across the principal ESG capability challenges and risk mitigation strategies reviewed, nearly all linked to issues with the definition, capture and harmonization of data into meaningful internal reporting and external disclosure.

Reasoning from first-principles thinking, 'data' can be broken down into four sub challenges: 1) data and data flow, 2) metrics, 3) tools and systems and 4) digital skill sets.



“Without data and performance standards it is hard to know what to pinpoint and what to track. KPIs are all over the place.”



“To capture real understanding on something that is constantly shifting, it takes a lot of old legacy systems to pull together the data, to manage it and measure it through different lenses.”

Data challenges across ESG and risk can be separated into four main focus areas

ESG capability challenges



• • • Other linkages

Risk mitigation strategies



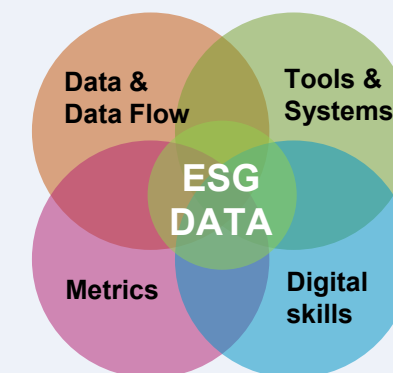
Data focus

Data & Data Flow

Metrics

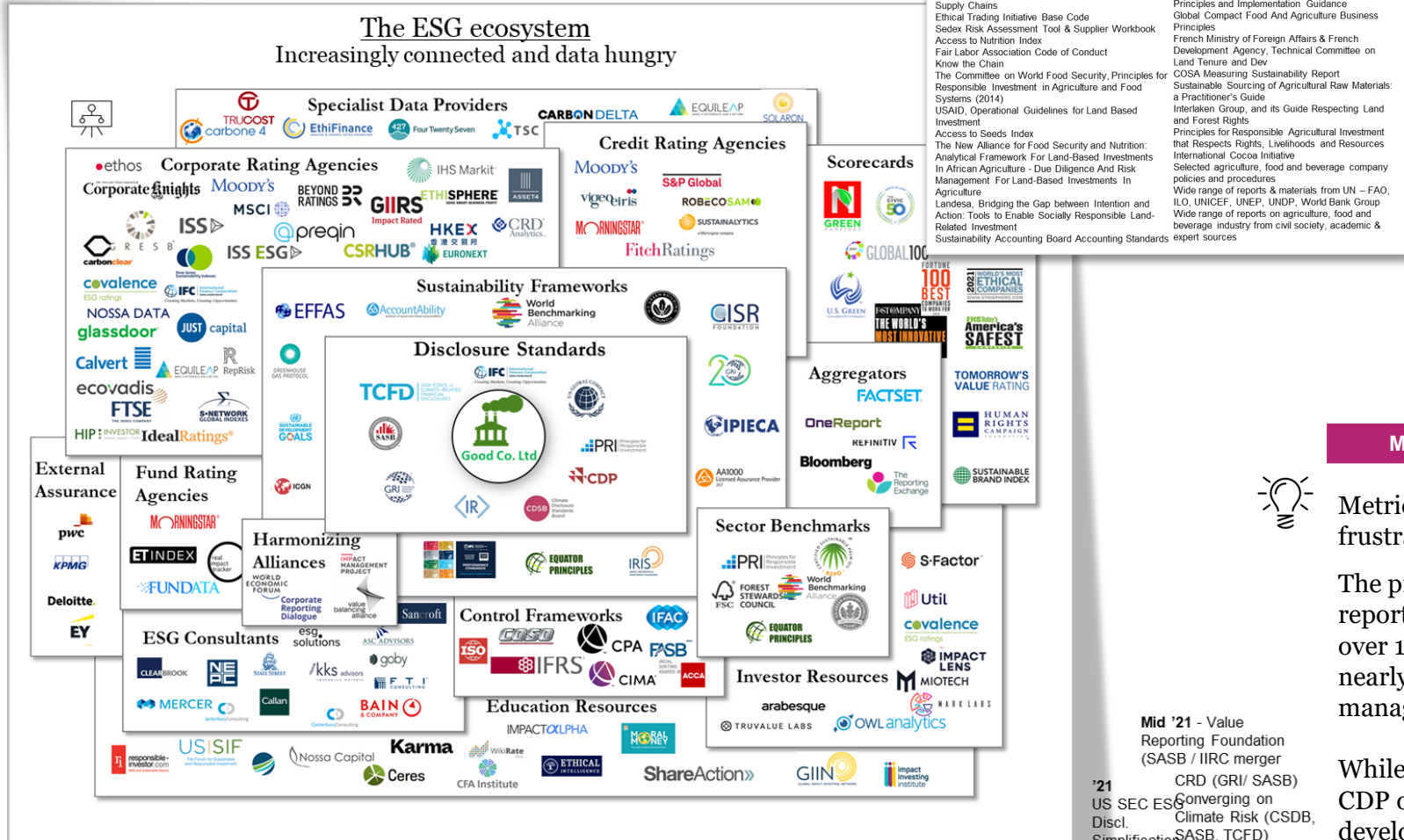
Tools & Systems

Digital skills



How do we solve the ESG data challenge?

Insight. Simple, transparent and clear metrics are needed... But don't expect this any time soon



Metrics madness!

Metrics are a common area of frustration and an area that requires more work.

The proliferation and lack of alignment between more than 2,000+ reporting frameworks, requirements, methodologies and protocols with over 1,424 potential ESG performance indicators were considered nearly unworkable. In addition, participants were further challenged to manage 32+ sector specific standards.

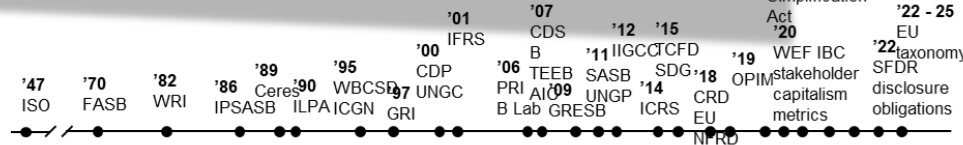
While most manage ESG disclosure under GRI, SASB, IIRC, TCFD, and CDP or a blended approach which may be facilitated by the development of the International Sustainability Standards Board (ISSB), the nuance of materiality, the lack of clarity and transparency on methodologies and metrics used were common sources of frustration.

Primary ESG capability challenges



Acronym soup!

Reporting frameworks, requirements, methodologies and protocols



How do we solve the ESG data challenge?

Insight. ESG leadership increasingly equals data management excellence

A number of factors drive the data challenge including disparate systems and silos of data that complicate robust ESG data collection across the organization.

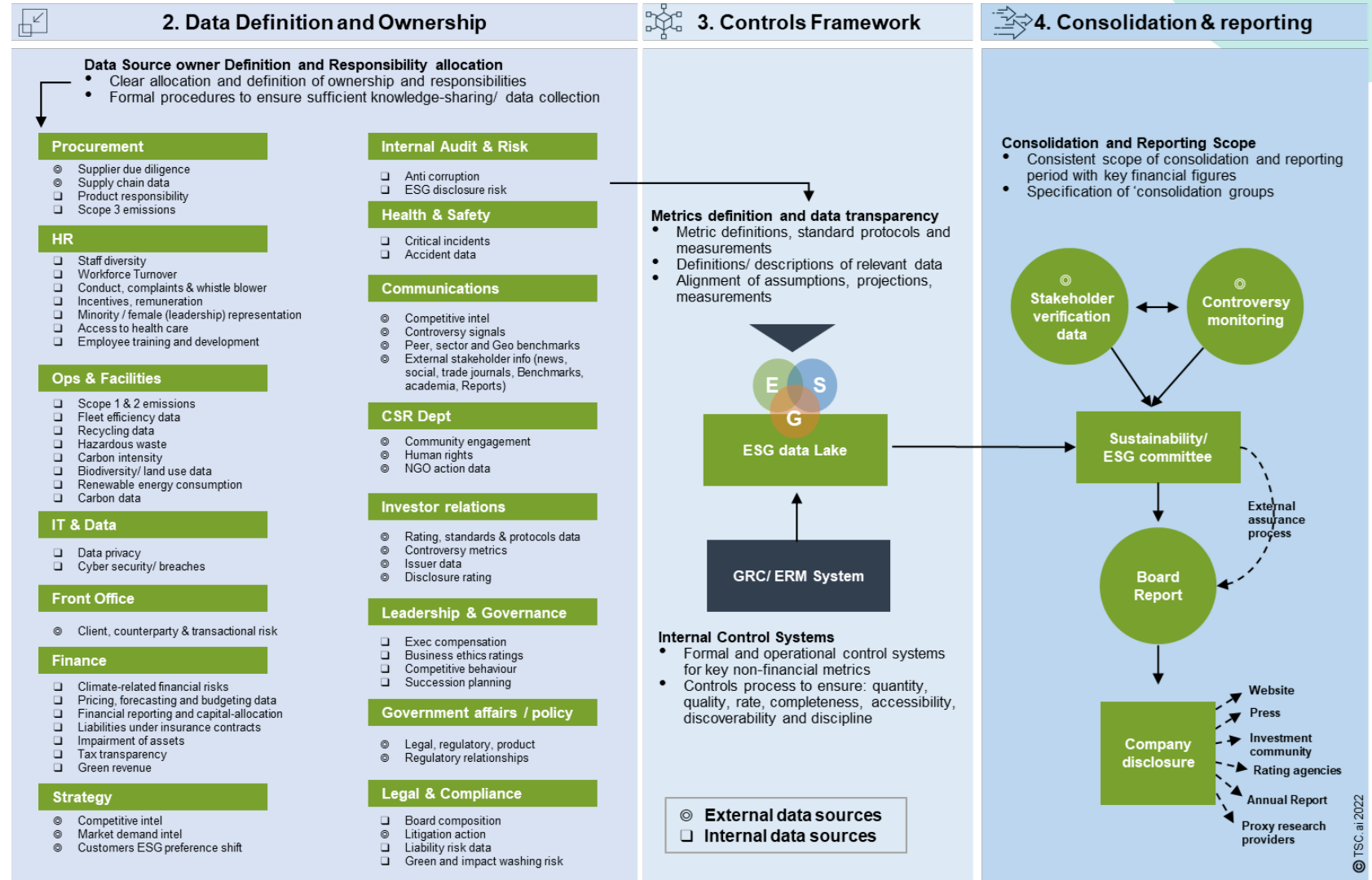


With the high external demand for different data points and types, the challenge is to build a robust yet simple enough data workflow able to answer 4 questions: 1) what data and why? 2) who owns it?, 3) how do we control it?, and 4) how should it flow into reporting?



Anatomy of an ESG data flow

Findings were extrapolated into a good practice ESG data flow framework.



Where to now?



Key take aways

Organizations need to be ready to respond to rapid change across market and consumer behaviors, the risk landscape, regulatory demands and stakeholder expectations.

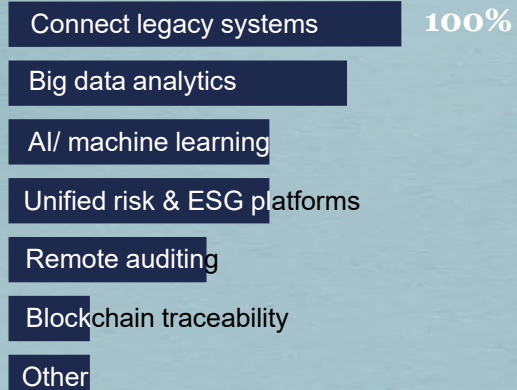
Organizations should be prepared to demonstrate improving ESG leadership and agile performance management by:

- 1) Driving support for a common ESG Maturity Assessment Framework**
- 2) Defining clear ESG workflows and management process**
- 3) Building greater alignment between sustainability and risk management activities through strategic objective setting and risk assessment**
- 4) Shifting to more frequent materiality assessments that support consistent strategy and also agile operational performance**
- 5) Embracing technology and data across the ESG work flow and the performance metrics**

The fundamentals

What critical tech developments do you need to support future ESG management?

% responses



About WBCSD

WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT
www.wbcd.org

WBCSD is the premier global, CEO-led community of over 200 of the world's leading sustainable businesses working collectively to accelerate the system transformations needed for a net zero, nature positive, and more equitable future.

We do this by engaging executives and sustainability leaders from business and elsewhere to share practical insights on the obstacles and opportunities we currently face in tackling the integrated climate, nature and inequality sustainability challenge; by co-developing “how-to” CEO-guides from these insights; by providing science-based target guidance including standards and protocols; and by developing tools and platforms to help leading businesses in sustainability drive integrated actions to tackle climate, nature and inequality challenges across sectors and geographical regions.

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe. Since 1995, WBCSD has been uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues. Together, we are the leading voice of business for sustainability, united by our vision of a world in which 9+ billion people are living well, within planetary boundaries, by mid-century.

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Related programs projects and support:

- Guidance for Applying Enterprise Risk Management (ERM) to Environmental, Social and Governance (ESG)-related Risks: <https://www.wbcd.org/bn68>
- An enhanced assessment of risks impacting the food and agriculture sector: <https://www.wbcd.org/DRAFoodAg>
- WBCSD Redefining Value: <https://www.wbcd.org/Programs/Redefining-Value>
- WBCSD Food & Nature: <https://www.wbcd.org/Programs/Food-and-Nature>

About TSC.ai

THE STAKEHOLDER COMPANY
www.tsc.ai

TSC is a global leader in AI driven ESG software and data. We work with many of the largest corporations on the planet in more than 104 countries.

Our 4th generation AI systems focus on providing the big picture mapping of ESG materiality factors and the complex networks of stakeholders and their positions and influence to map who and what matters, where and most importantly why.

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Related resources:

- The ESG Playbook: <https://tsc.ai/esg-playbook/>
- Or for high resolution images of these models or to assess your own ESG Maturity, email esg@tsc.ai

Disclaimer

The views and opinions expressed herein are those of WBCSD and TSC, founded on insight shared by interviewee respondents. They do not necessarily represent the views and opinions of any individual participating organization or participant.

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