

Investment-Grade ESG Performance Data: Critical to Sustainable Business

The 2021 Benchmark ESG Survey: Investor Attitudes on Company ESG Data

Determining Why and How Companies Should Collect, Use, and Report High-Quality ESG Data



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BENCHMARK **DIGITAL** **PARTNERS LLC**

Benchmark Digital Partners (Benchmark), the brand owner and service provider for Benchmark ESG | Gensuite®, enables companies to address the environmental and social challenges facing global communities and help drive a more sustainable global economy through digital transformation of ESG data management and reporting processes. With the cloud-based tools needed to produce data-driven insights into enterprise sustainability performance, Benchmark’s subscribers—350+ organizations and nearly 3 million users worldwide—can generate cost-saving, revenue-driving, risk-reducing outcomes and report investment-grade data to their investors, customers, employees, and other stakeholders.



INTRODUCTION

The uptake of Environmental, Social, and Governance (ESG) considerations by global business leaders and investment decision-makers over the last couple of years has occurred at a breakneck pace. And it shows no signs of slowing any time soon.

Consensus among corporate boards and C-suite executives is that incorporating financially relevant ESG factors into corporate governance, capital allocation, and capital raise decisions is part of surefire cost savings, risk management, value-add, and investor relations strategies with potential to drive continuous results.

Investors, too, are increasingly applying intense scrutiny to the management and disclosure of companies' financially relevant or "material" ESG issues—scrutiny that they've historically reserved for strictly financial matters.

There are compelling reasons for the intensified scrutiny:

- **Customers, suppliers, and employees** prefer to transact with transparent businesses committed to climate action, environmental stewardship, and social justice
- **Policymakers** are legislating, mandating, and enforcing their intent to have businesses positively contribute to governmental sustainability goals
- **Investors** (largely at the behest of their clients) and other capital providers are prioritizing investment opportunities that not only present minimal sustainability risks, but also create positive environmental and social outcomes

But as these multi-stakeholder expectations grow more entrenched and mature, it's clear that accommodating them will require more than lip service. For business leaders to effectively capture the cost savings, risk mitigation, value-add, and investor relations potential of both their corporate sustainability commitments and their efforts to achieve them, they will need to collect, use, and report "investment grade" (IG) ESG performance data.

This much and more is confirmed by the findings of the **2021 Benchmark ESG Survey: Investor Attitudes on Company ESG Data**.

About the Survey

Benchmark’s sweeping survey of investment decision-makers sought to identify the kinks in the ESG information pipeline that connects reporting entities with the investors for whom their ESG performance reports are intended.

This survey, through a series of multiple-choice, rating-scale, and open-ended questions, was conducted to ascertain investors’ perspectives regarding:

- The importance of useful and reliable company ESG performance data
- The quality of the ESG performance data that companies report
- Where company ESG performance data needs improvement
- The causes of the shortcomings in companies’ self-reported ESG performance data
- How business leaders might produce and report the **investment-grade ESG performance data** that investors increasingly expect

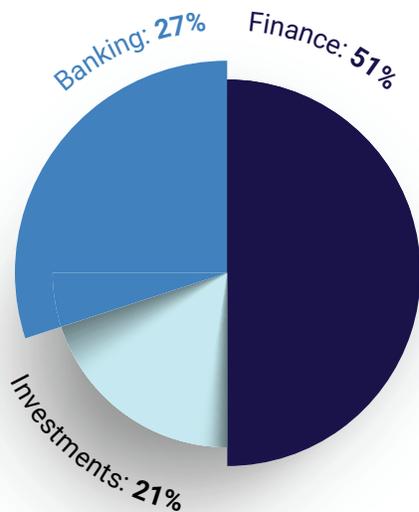
The following pages include the topline findings of Benchmark’s inaugural investor survey, which was fielded online with the help of public opinion research consultancy **ClearPath Strategies** over a two-week period in November 2021.

The survey sample featured 770 respondents who self-identified as “Investment Decision-Makers,” hereafter referred to as Investors (n=770) and Institutional Investors (n=225). As shown below, respondents to Benchmark’s survey represented a range of industries and financial market firms; and they possessed a mix of cumulative experiences and roles at the time they completed the survey.*

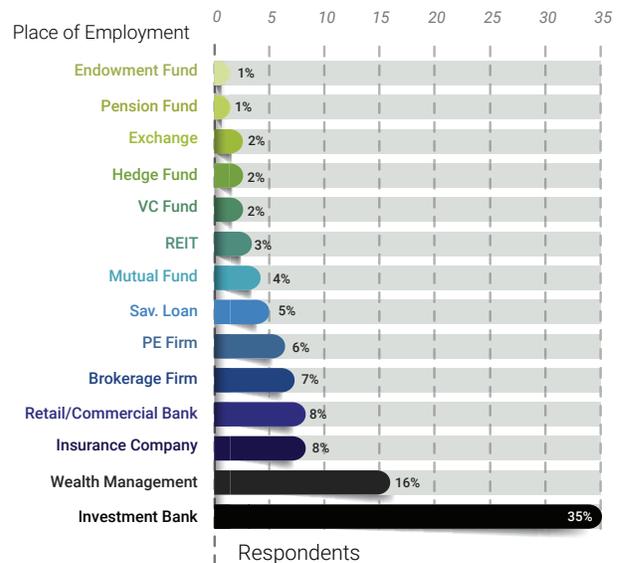
Note: Percentages may not add up to 100% due to rounding.



Industry Represented

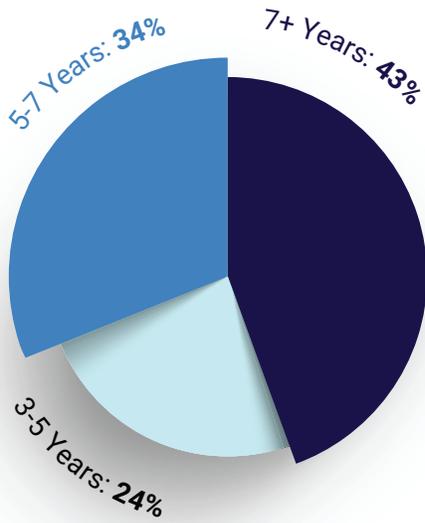


Organization

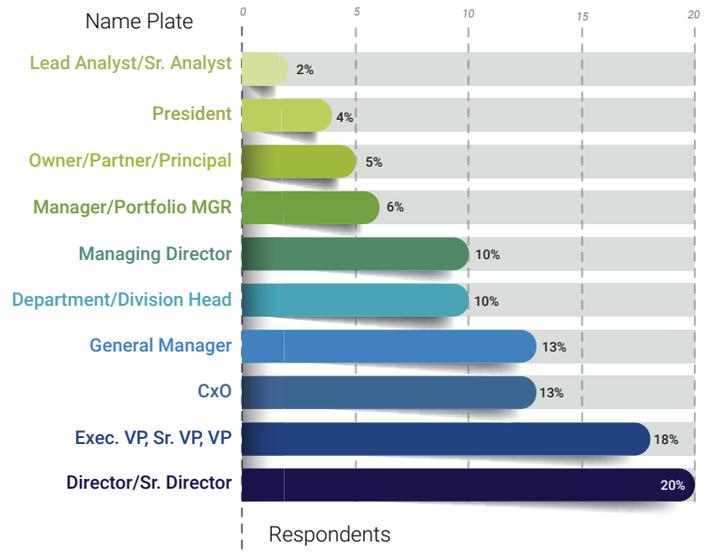


Demographics of Survey Respondents

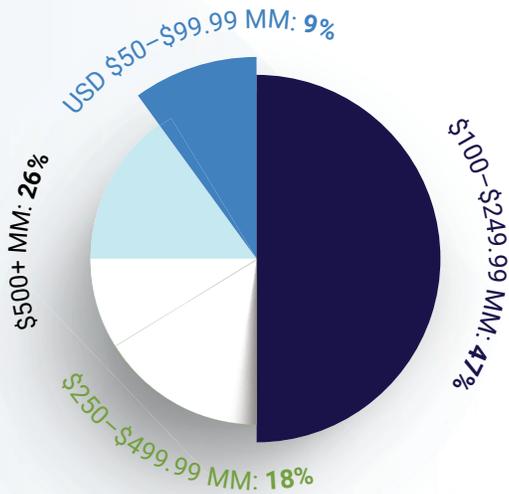
Years of Experience



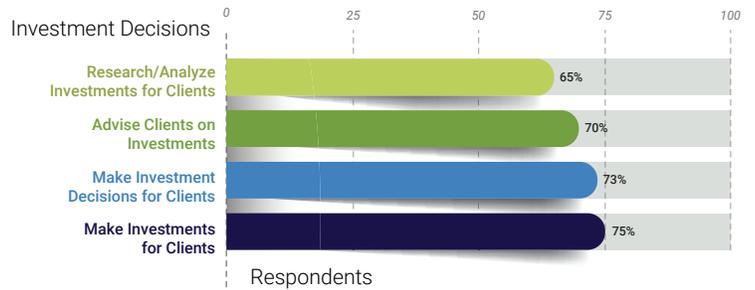
Job Titles



Total AUM



Investment Decisions



Key Survey Findings

Without universal, mandatory standards governing the measurement and disclosure of corporate ESG performance, the onus of figuring out which ESG issues are financially relevant, as well as determining how to measure and report company performance against those issues, largely lies with business leaders. In other words, the challenge of collecting and reporting “investment grade” ESG performance data prevails in today’s market.

To help companies meet this challenge, the dedicated professionals at Benchmark treat every subscriber as a partner, rather than a customer. And we have the decades-long track record of helping business leaders achieve operational excellence to prove it.

Benchmark partners with companies of all sizes, industries, and circumstances to advance their cost savings, financial returns, risk avoidance and mitigation, and reputational equity. Benchmark accomplishes this by leveraging a mix of proprietary methods and cloud-based enterprise software solutions to help our partners identify and address weaknesses in their ESG performance management and reporting processes.



- 1. Investors Agree on What Makes Companies’ ESG Performance Data Truly “Investment Grade”:** Investors are highly aware and well-educated on the attributes of investment-grade (IG) ESG data, with 69% of respondents saying companies’ ESG data must be timely, accurate, complete, auditable, and reliable.



- 2. And They’re Not Completely Satisfied With the Data Companies Make Available:** 66% of respondents said the collection and usage of ESG data by Fortune 100 companies is credible. And even though 39% of respondents said the “E” of ESG is the most important for their investment decisions, 80% said the quality of companies’ environmental data needs at least “moderate improvement.”



- 3. Investors Say Producing, Using, and Disclosing “Investment Grade” ESG Data Is a Worthwhile Endeavor:** Strong majorities of respondents said companies’ collection and usage of IG ESG data helps to reduce corporate risk (87%) and improve their bottom line (85%). Unsurprisingly, 97% of respondents said it’s important for companies to collect and use this data.



- 4. And They Have Some Ideas on How Companies Can Produce the Data Investors Are Looking For:** Queried investors pointed to a variety of reasons for the shortcomings of companies’ ESG data. But a plurality of respondents (32%) indicated a “lack of digital technology and tools” is the main barrier, with only 50% saying that companies are making “very good” use of the ESG performance measurement, management, and reporting tools available to them.



What Makes ESG Performance Data “Investment Grade”?

Neither Corporate Sustainability Reports (CSR) nor Environment, Health and Safety (EHS) compliance is sufficient

Investors Want Standardized, Comparable, and Ultimately Decision-Useful Reports of Companies' Sustainability Performance

Compliance and conformance are facts of life for any business leader. Whether it's ensuring compliance with government regulations, satisfying the procurement criteria of B2B customers, or accommodating the expectations of employees and investors, companies' success has much to do with how well they play by the rules—both mandatory and voluntary.

But compliance and conformance with rules, regulations, and stakeholder expectations regarding companies' management and reporting of ESG risks and impacts is more difficult for business leaders than, say, filing corporate tax returns or preparing financial statements. The key difference, of course, is the lack of universal, mandatory standards regarding the measurement and reporting of companies' performance against financially relevant ESG issues.

But that hasn't stopped CxOs from giving it a shot. Oftentimes, business leaders pursue one of two pathways. They resort to repackaging evidence of their EHS compliance which, while comparable across companies, doesn't offer investors the depth they're looking for. Or they periodically prepare and promulgate CSR reports that are mostly qualitative, with their contents largely left up to the discretion of company management. As a result, CSR reports are egregiously incomparable across companies—even within the same industry.

The findings from the **2021 Benchmark ESG Survey: Investor Attitudes on Company ESG Data** suggest that business leaders, despite their efforts, are failing to produce the ESG performance data that 74% of Investors and 82% of Institutional Investors say is "very important" for companies to collect and use.



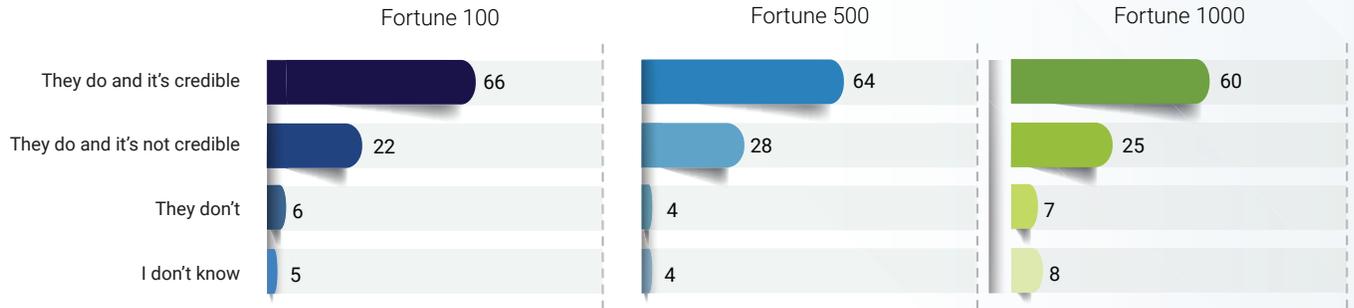
Investors Want Companies To Collect and Use ESG Performance Data



This is true even among the companies that are presumably the most capable of producing investment-grade ESG data. Across the survey sample, 66% of Investors said Fortune 100 companies' collection and usage of IG ESG performance data is credible. And 64% and 60% of respondents said the same of Fortune 500 and Fortune 1000 companies, respectively.

A Significant Number of Investors Are Dissatisfied with Companies' ESG Data

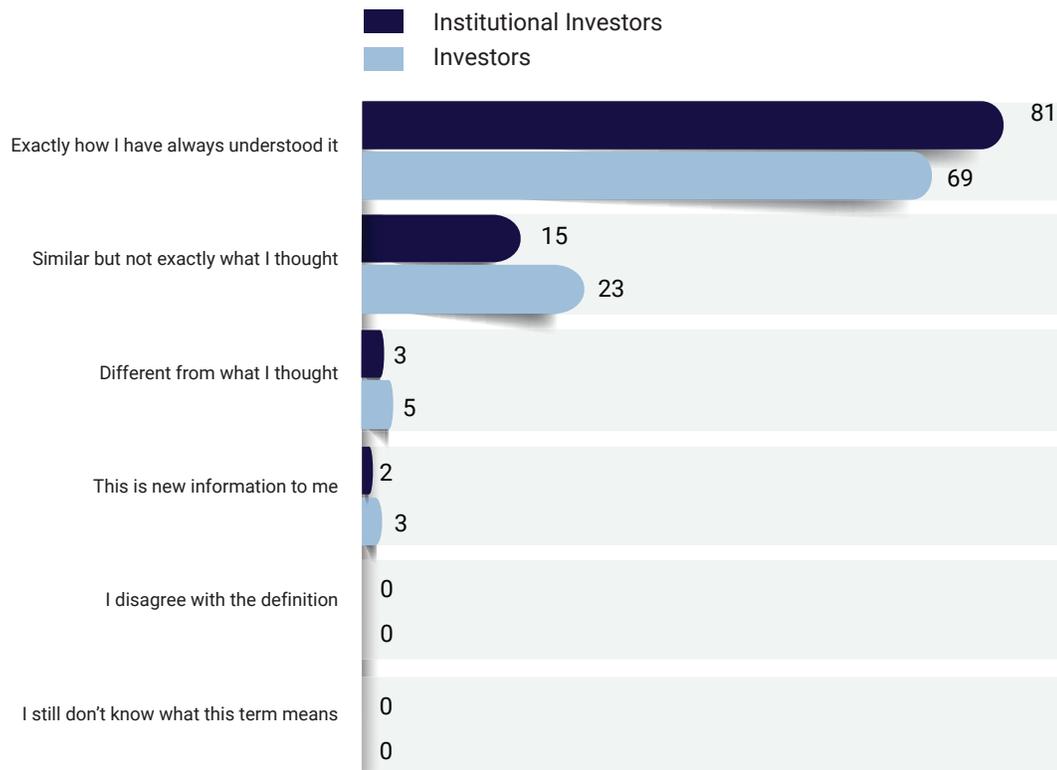
Do each of the following types of companies collect and use investment-grade ESG data?



Fortunately, our respondents offered clarity regarding the attributes of what they consider IG ESG data, with 69% of Investors and 81% of Institutional Investors saying this information must be “timely, accurate, complete, auditable, and reliable.” Therefore, to satisfy the expectations of the investor community, business leaders will need to apply rigor to their ESG performance measurement, management, and reporting processes.

Investors Agree on Attributes of IG ESG Data

Investment-grade ESG data is data for environmental, social, and corporate governance that meets a high level of quality. It is timely, accurate, complete, auditable, and reliable.
Does this description of investment-grade ESG data change how well you understand the term?





The Value of Investment-Grade ESG Performance Data

Advance enterprise resilience and earn stakeholder trust in the process

What Gets Measured Gets Managed. And Better Management Gets Rewarded.

Business leaders hold the power on ESG. Whether a company runs afoul of shifting regulations and market dynamics for ESG depends upon whether leaders can identify and address their weaknesses.

Fortunately, the metrics and methods companies use to measure and report their financial performance have long been standardized—both formally and informally. The trouble, however, is that ostensibly “non-financial” ESG matters have yet to be integrated, let alone standardized, into the processes that capital market participants use to determine either the financial risk exposure or value of companies and assets.

The results are confusion and as the business ramifications of a changing climate, environmental degradation, political polarization and social unrest, and a persistent global public health emergency have shown additional risk.

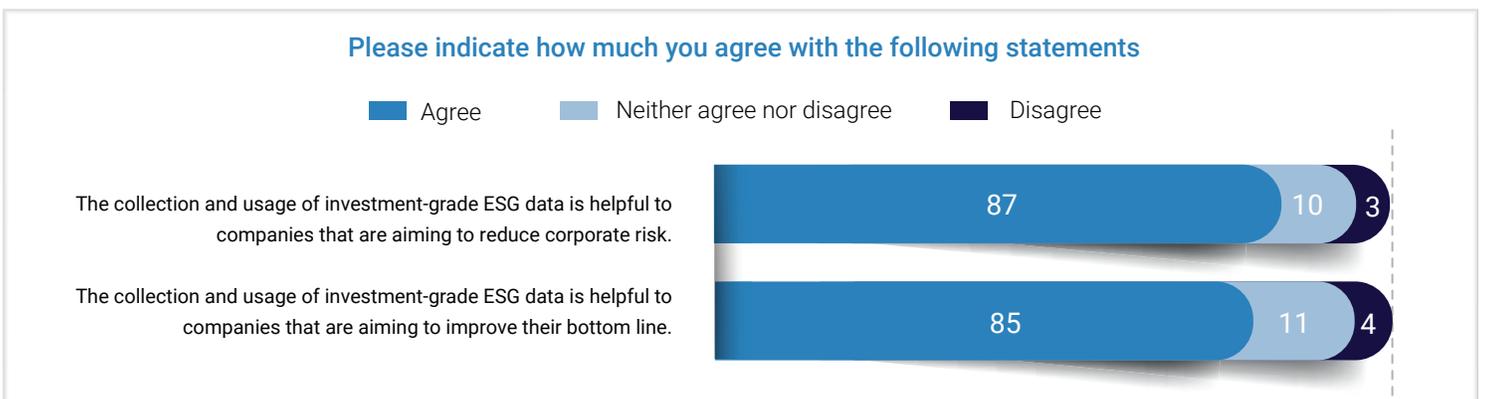
But business leaders can mitigate their risks, reduce operational costs, and secure long-term growth with a better understanding of how their companies perform against the ESG issues that they may have previously written off as immaterial. What’s needed, however, are insights into their performance that are appropriately accurate, timely, complete, and otherwise useful.

These advantages notwithstanding, the [2021 Benchmark ESG Survey: Investor Attitudes on Company ESG Data](#) sought to shed light on the advantages business leaders can expect to gain from reporting investment-grade ESG performance data to their investors.

What’s clear is that investors see collection and usage of IG ESG data as a responsible, effective means for business leaders to reduce enterprise risk and improve their bottom lines.

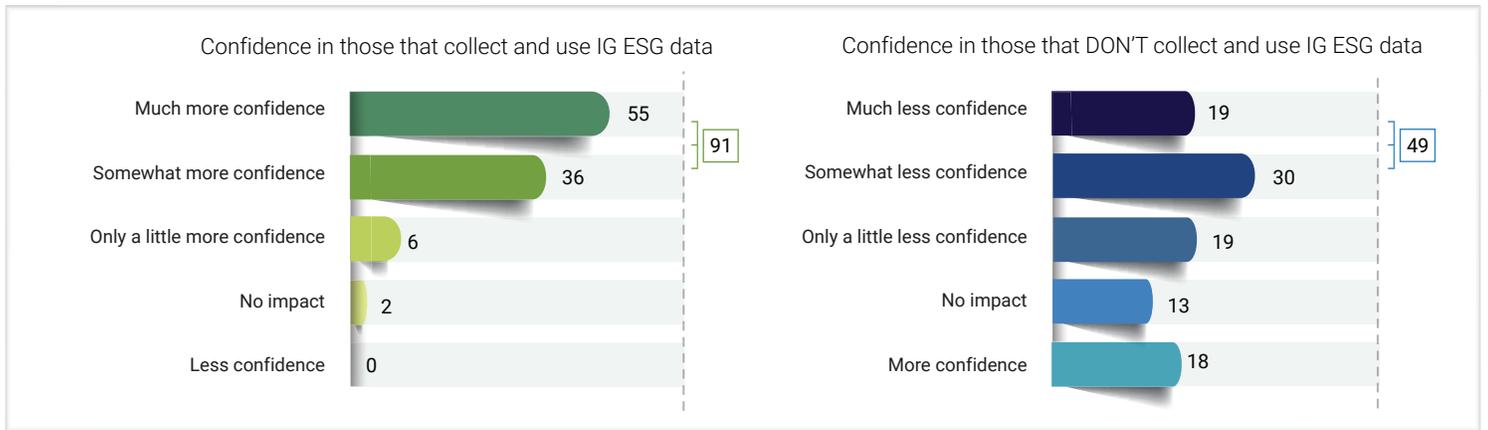


Investors Consider Companies’ Collection and Usage of IG ESG Data a Part of Good Management



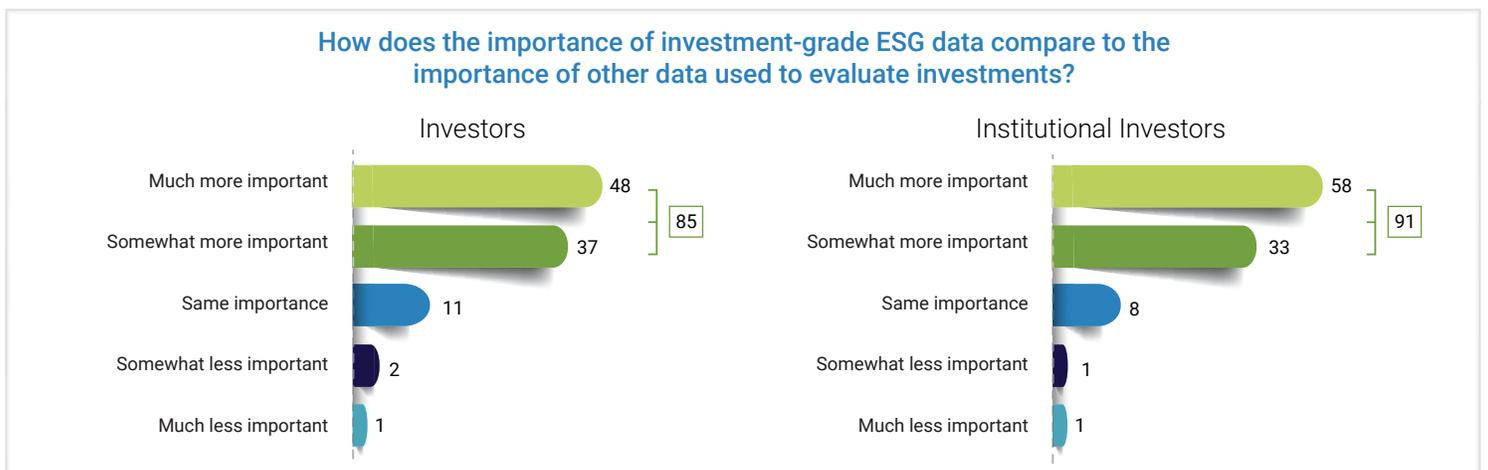
Accordingly, more than two-thirds of respondents to this survey said they would have “less confidence” in the senior leadership of a company that does not credibly collect and use IG ESG data. On the other hand, 97% of respondents said they would have “more confidence” in the senior leadership of firms that do credibly collect and use IG ESG data

Investors Trust Business Leaders That Credibly Collect and Use IG ESG Data

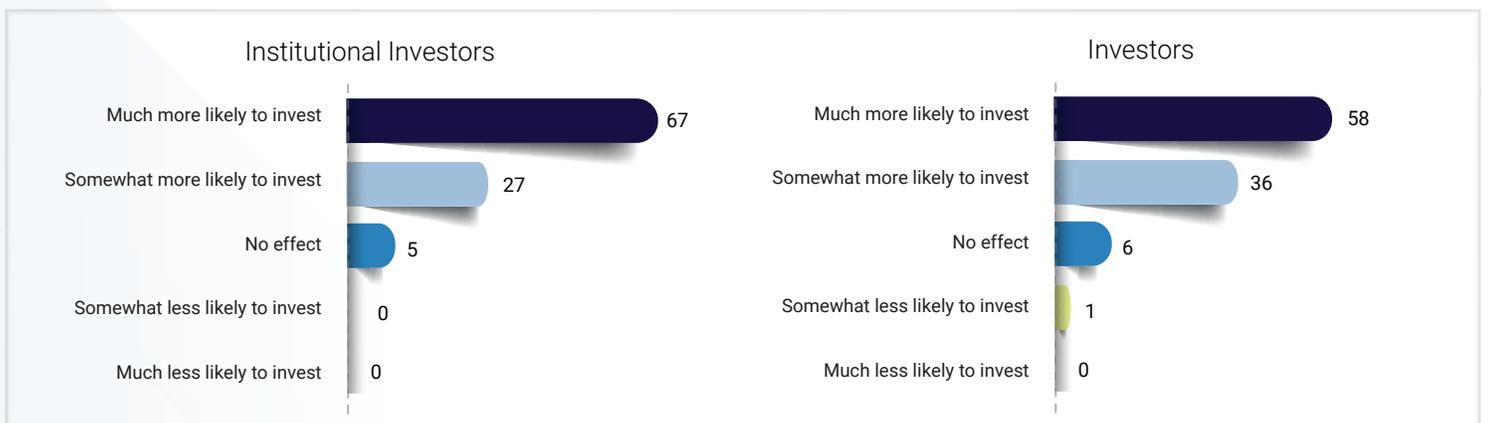


And respondents to our survey said they would be willing to reward business leaders that credibly collect and use IG ESG data with more than just their confidence. When it comes to informing their investment decisions, 48% of Investors and 58% of Institutional Investors say companies' IG ESG data is "much more important" than companies' conventional financial data. Unsurprisingly, 58% of Institutional Investors and 67% of all Investors said they would be "much more likely to invest" in a company that collects and uses IG ESG data.

Investors Want IG Company ESG Data to Inform Their Investment Approaches



How would a company's collection and usage of IG ESG data impact your likelihood to invest in that company?



This speaks to the dual advantages of collecting and using IG ESG data. Companies that have a better understanding of their sustainability risks and their management of them will be able to make better-informed business decisions, lower costs, and maintain compliance. And the companies that do this successfully can expect investors to not only take notice, but reward them for their efforts.



Where Investors Are & How To Meet Them There

In investors' eyes, it's "E" first.

And they want business leaders to adopt the technological systems necessary to collect, use, and report the IG ESG data investors need to act with confidence

Leverage Enterprise ESG Data Management and Reporting Solutions To Satisfy Investors, Shore Up Resilience, and Unlock Your Full Potential

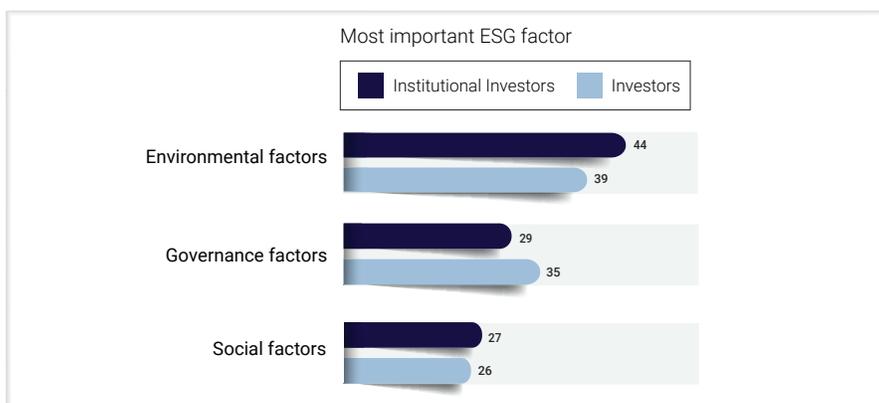
When it comes to collecting, using, and reporting investment-grade ESG data, understanding both its attributes and lasting value are, together, only the first stage in a company’s sustainability journey. The next and more difficult stage is taking action.

To take appropriate, effective action, companies must complete two key processes. **First**, they must develop a deeper understanding of their investors’ distinct expectations. **Second**, they must implement an enterprise ESG measurement, management, and reporting process capable of yielding continuous results that, above all, is adaptable to changing risk profiles, evolving stakeholder expectations, and emerging mandatory disclosure requirements.

As respondents to the **2021 Benchmark ESG Survey: Investor Attitudes on Company ESG Data** made clear, there is considerable variation in the priority ESG data among investment decision-makers.

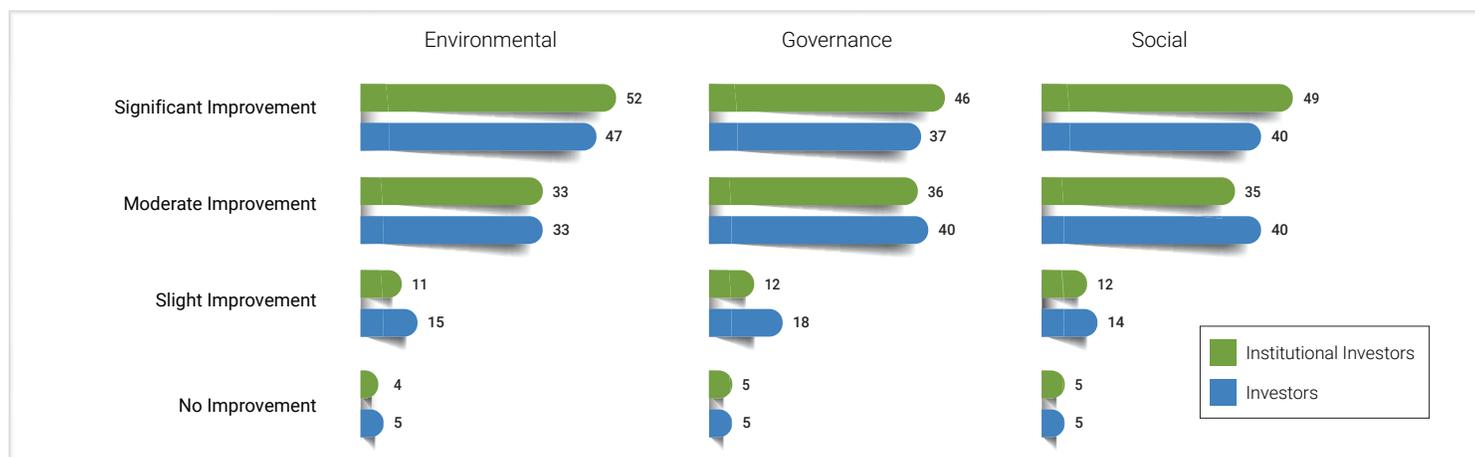
Across the full sample, 39% of Investors said data describing companies’ performance against “Environmental factors” is the most important for their investment decision-making, with 35% saying the same for “Governance factors” and 26% for “Social factors.” Notably, the share of Institutional Investors who deemed “Environmental factors” as most important (44%) was far greater than the wider sample. This suggests that Institutional Investors consider a company’s management of its climate-related financial risks and climate and environmental impacts more important than do investment decision-makers from other institutions.

Investors’ Priorities for Company ESG Data Are Varied. But “E” Comes Out on Top



However, while our respondents’ priorities are evidently varied, business leaders must take note of the consensus over the need for improvement in the quality of their ESG data—across all three pillars. On companies’ Environment-related ESG data, 52% of Institutional Investors and 47% of Investors say there’s a need for “significant improvement,” a clear priority over Governance-related data (46% and 37%, respectively) and Social-related data (49% and 40%, respectively).

Investors Say the Quality of Company ESG Data Needs Improving—Across All Three Pillars

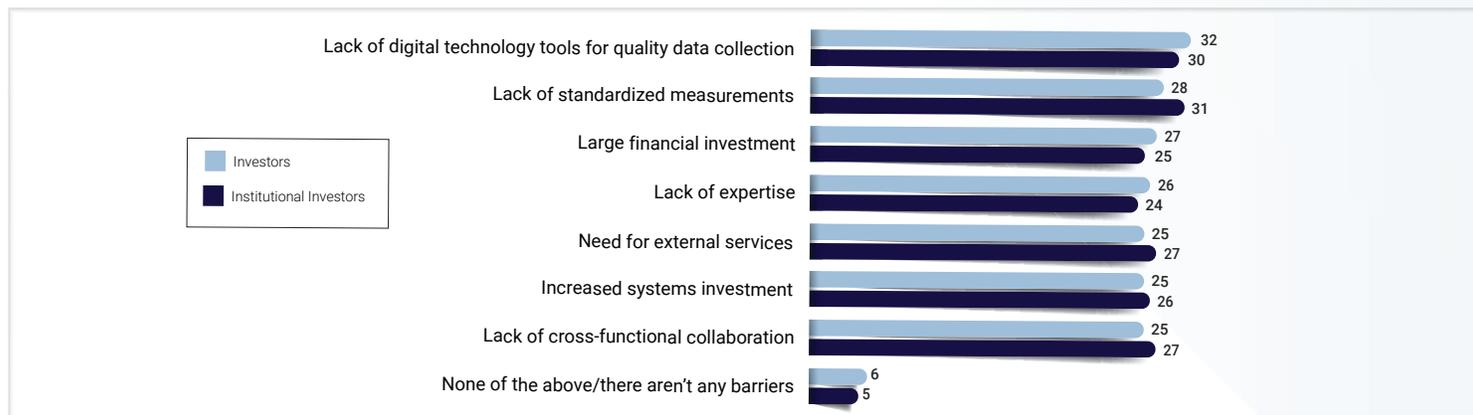


The most instructive findings of this survey, however, are investors’ perceptions of the challenges companies face in collecting, using, and reporting the IG ESG data the investment community expects, as well as their supposed remedies.

To be sure, the range of barriers respondents blamed for companies’ failures to credibly produce IG ESG data is extensive. There are, however, pluralities—both in the obstacles cited and in the recommended solutions.

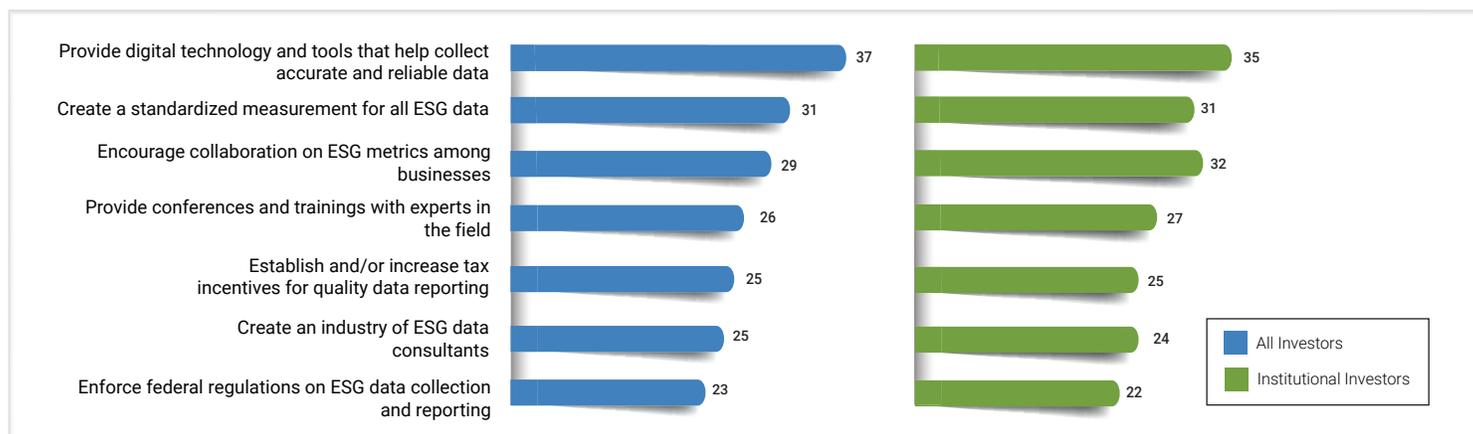
Across the full sample, a plurality of Investors (32%) said a **"lack of digital technology and tools for quality data collection" is the predominant barrier companies face**, whereas a "lack of standardized measurements" was most selected among Institutional Investors (31%).

The Barriers Investors Say Are Holding Companies Back



While there may be disagreement over the barriers, there is a cross-sample plurality in the perceived best solution: **"provide digital technology and tools that help collect accurate and reliable data."** Among Institutional Investors, this was selected by 35% of respondents as the biggest driver of improvement. Similarly, across the full sample, 37% of respondents selected this as the biggest driver of improvement.

What Investors Say Can Help Companies Overcome These Barriers



What business leaders must appreciate, however, is that many of the other perceived barriers selected by respondents are addressable with today’s cloud-based ESG data management and reporting solutions. These barriers include a “lack of standardized measurements” (Investors: 28%, Institutional Investors: 31%), a “lack of collaboration” (26%, 24%), a “need for external services” (25%, 27%), and a “lack of cross-functional expertise” (25%, 27%).

For the companies that want to be well-positioned for the surging growth in global ESG funds, these findings amount to a playbook. In this survey, among others, investors underscored the value business leaders can unlock by investing in advanced ESG performance measurement, management, and reporting solutions. Most importantly, respondents to our survey have confirmed what the Benchmark team has long understood.

Producing the investment-grade ESG data investors need requires business leaders to bring transparency, accountability, and credibility to their sustainability performance management processes. And today’s cloud-supported enterprise ESG data management solutions can not only help business leaders achieve this, but guarantee it.



Key Takeaways & Conclusion

Key takeaways for business leaders looking to establish their ESG credentials with investors.

Unlocking the potential of your organization's data for continuous results

ESG Intelligence Is Business Intelligence.

What it takes to collect, use, and report investment-grade ESG data

Conventional wisdom has it that prudent and effective corporate governance requires two things of business leaders. They must possess a thorough understanding of where their financial risks and opportunities lie. And they must be equipped with the analytical capabilities needed to both anticipate and mitigate emergent risks, as well as predict and capture emergent opportunities.

The findings of the [2021 Benchmark ESG Survey: Investor Attitudes on Company ESG Data](#), however, confirm what many in the corporate world have come to know over the last few years—that this is an outdated model for enterprise success, especially in the eyes of investors. As respondents made clear in this survey, business intelligence is incomplete without a deep working knowledge of the ESG issues that a company’s stakeholders deem relevant.

In sum, effective management of these ESG issues has a measurable bearing on companies’ financial, regulatory, and reputational risk exposures.

To be sure, this survey adds to the growing body of evidence that not only shows investors are in agreement over the attributes of decision-useful company ESG data, but that they are dissatisfied with the availability and quality of company ESG performance data. Moreover, the findings of this survey corroborate the findings of others that suggest many business leaders are ill-equipped to understand, let alone manage and report, their ESG performance.

Despite these shortcomings, investors have made clear time and again that they are not content to wait for companies to get their ESG performance measurement, management, and reporting processes in order. For evidence, one need only look to the deluge of inflows into U.S. and global ESG funds. By the time this eBook went to press, Bloomberg Intelligence estimated global ESG assets may surpass USD \$41 trillion by year’s end and \$50 trillion by 2025.

Clearly, there is opportunity. And business leaders who fail to rise to the occasion and collect, use, and report IG ESG data can expect that the increasingly judicious ESG investor community will commit their capital elsewhere.

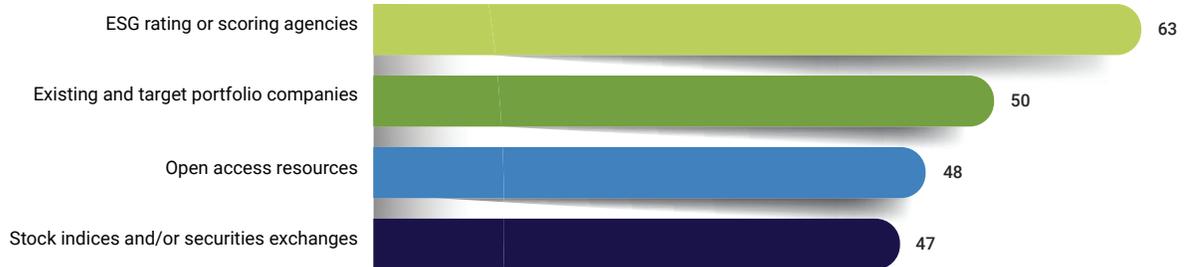


Seizing the Opportunity How to embark on your ESG journey

Through this survey, investors have made their case for business leaders to collect, use, and report ESG performance data that is timely, accurate, complete, auditable, and reliable. Taken in combination with the evidence that ESG investment activity will continue its precipitous growth, the need for business leaders to get their ESG management and reporting processes in order is made all the more urgent.

Further, beyond taking advantage of the sizable capital raise opportunity, companies need to act quickly to ensure their ESG performance data is what investors use to inform their investment decision-making. Our survey found that when investors are evaluating the ESG performance of an existing or target portfolio company, they are most likely to consult third-party ESG rating and scoring agencies, as opposed to the investee companies themselves. And with the ESG investor community’s spending on third-party ESG data poised for rapid growth this decade, companies that don’t take control of their sustainability narrative may see inaccurate, inferred assessments of their ESG performance become crystallized in the public domain.

Where Investors Go for Company ESG Data



Phase I

1

First and foremost, business leaders must premise their ESG performance management and reporting programs upon stakeholder input. In practice, this means bringing in investors, as well as employees, customers, and other stakeholders, into the materiality assessment performed at the outset of every enterprise ESG journey. This process helps business leaders to narrow their focus and select the ESG issues that present the greatest risk to organizational success.

2

Second, in the absence of universal mandatory standards for measuring and reporting ESG performance, this process helps companies determine the metrics and methods they should use to measure program success against standards that, ideally, are established using stakeholder input.

3

Third, per the recommendations of our survey respondents, the adoption of a digital, cloud-supported ESG data management solution is essential. This enables enterprise end-users to design a process for proactively identifying and responding to ESG-related risks.

4

Fourth, these innovative solutions must equip ESG program managers with the ability to assign ownership of ESG performance KPIs, create a system of record for this data, and seamlessly package this data in accordance with various voluntary and mandatory data disclosure frameworks.

Phase II

With a comprehensive digital ESG accounting system in place, business leaders can then proceed to lock in the cost savings, risk mitigation, value-add, and investor relations potential of their corporate sustainability efforts.

1

First, business leaders must secure buy-in to the organization's ESG commitments and corresponding efforts among their internal and external stakeholders. Accomplishing this entails staying abreast of stakeholders' expectations and committing to refining the organization's sustainability goals and management and reporting processes as needed.

2

Second, beyond assigning ownership of ESG performance KPIs to individual managers or teams, cloud-supported ESG data management solutions enable end-users to develop transparent, data-driven incentive schedules (and penalties) for meeting assigned goals. Relatedly, these systems make it easy for users to monitor, identify, and bridge the intra-organizational gaps in data collection, processing, and reporting processes.

3

Third, digital enterprise ESG management solutions are designed to help users empower their employees to take action and, in turn, promote ESG performance excellence. In practice, this means leveraging the digital platform to equip parties responsible for ESG performance KPIs with the capability to report investment-grade ESG data in a timely, error-free manner to both internal and external stakeholders.

CONCLUSION

The survey findings featured in this eBook reflect a few fundamental conclusions that the Benchmark team has reached in our years of partnering with organizations to drive sustainability performance excellence.

The first is that, while they're related, "corporate sustainability" and "EHS" are not the same as ESG. ESG requires more rigor. The performance data produced through appropriately rigorous ESG measurement, management, and reporting processes are investment grade precisely because they translate sustainability performance and EHS compliance into financially relevant, decision-useful terms.

The second is that majorities of investors are in agreement about multiple aspects of the ESG space. They agree on what makes company ESG data "investment grade," and they agree on the importance of collecting and using it for enterprise success. Further, while there was variation in the interventions they recommended, pluralities of respondents to our survey say the biggest driver of improvement for company ESG data quality is to "provide digital technology and tools that help [companies] collect accurate and reliable [ESG] data."

Finally, the survey findings confirm what too many business leaders are learning the hard way—that investors aren't sold on companies' collection and usage of IG ESG data.

Investors have voiced their concerns, clarified their expectations, and offered their recommendations regarding the quality of companies' ESG data. If anything, this should give business leaders the cause and direction they need to modernize their ESG performance measurement, management, and reporting processes.

For those companies that take that bold first step on their ESG journey, the Benchmark team will be with them every step of the way.



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