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GUIDE TO SUSTAINABILITY REGULATION

NAVIGATING THE ESG AND CLIMATE REGULATORY LANDSCAPE

INTRODUCTION

A main concern for companies going into 2023 is preparing for the global patchwork of sustainability and ESG regulation and enforcement, while dodging the threat of greenwashing claims and other ESG litigation. Last year we saw an influx of new sustainability legislation and regulatory requirements around the world including in the US, the UK, and the EU with more to come in 2023 as the wild west of voluntary sustainability action comes to an end. The ‘forcing function’ on corporations is happening and organizations that neglect ESG considerations across their business strategy and structure are at a statistically higher risk of experiencing controversies, reputation hits, and legal troubles at a later stage. A flurry of new global reporting requirements, energy incentives, and state-level regulations on emissions and building standards may squash ambiguity and uncertainty in the corporate sustainability space in the long run, but the early stages of adoption are likely to bring challenges as companies rush to comply with intricate and often conflicting sets of legal and financial disclosure requirements across multiple jurisdictions. It is imperative that companies be proactive in monitoring current and emerging ESG regulations to ensure compliance and remain competitive.

Companies will need to develop plans to comply with intricate and often conflicting sets of legal and financial disclosure requirements across multiple jurisdictions. While companies doing business in more than one jurisdiction have always had to consider the regulatory regimes of each jurisdiction, emerging ESG regulations are often uniquely focused on value and supply chains, such that ESG-related regulatory regimes are more likely to bleed across geographic lines.

WatchWire aims to provide guidance on navigating the increasing number and complexity of sustainability-related regulatory changes across the world.

In this whitepaper, we’ll explore:

- An overview of the global landscape of mandatory sustainability and ESG disclosure
- The increasing risk of climate or sustainability-related litigation
- Policy initiatives influencing energy and sustainability investment in the U.S.
- Federal and state-level emissions and building standards
- Preparing for regulation
- How WatchWire can help guide your organization’s sustainability journey through data acquisition, completeness, and accuracy

PART 1: MANDATORY CLIMATE & SUSTAINABILITY DISCLOSURE

In 2023, companies will face greater multinational climate-related disclosure requirements. Throughout 2022, regulators in the United States (U.S.), the United Kingdom (UK), Canada, and the European Union (EU) took action to enhance and synchronize ESG reporting standards globally. New legislation and disclosure standards aim to make corporate sustainability reporting more common, consistent, and standardized like financial accounting, ultimately eliminating the alphabet soup of standards, while also mitigating the risk of misrepresentation, perceived as greenwashing, in financial markets. However, they also face criticism because of their complexity and a continuing lack of global alignment. For example, the new sustainability reporting requirements in the European Union, which will affect certain U.S.-based companies with E.U. operations are much broader than those proposed in the United States and are set to fundamentally change the reporting landscape.

U.S. SECURITIES AND EXCHANGE COMMISSION

Enhancement and Standardization of Climate-Related Disclosures for Investors

In March 2022, the U.S. Securities and Exchange Commission (SEC) released a new proposal for public companies to begin reporting their carbon emissions and reductions progress alongside their financial results, bringing U.S. reporting requirements more in line with other global regulations.

TIMELINES

Despite delays in the enactment in 2022 due to public comment periods seeing extensions, the SEC currently indicates "final action" on climate disclosure will be made in April 2023. For large companies, the SEC's requirements will begin in 2023, and smaller companies will have until 2025 before they need to be in compliance. Companies should implement their SEC climate disclosure compliance approach by 2023 to be ready for the 2024 reporting cycle and stay compliant. It's not yet known exactly how the SEC will penalize businesses that fail to comply with its upcoming climate disclosure requirements, but according to the Commission's requirements, non-compliant eligible organizations may be forced to pay a meaningful fine.

CONTENT

The Climate-risk Disclosure rule requires all filers to disclose Scope 1 and Scope 2 greenhouse gas emissions that occur onsite and are controlled by the company. The focus of these rules is on investor materiality rather than double materiality as required by the CSRD. Based on SEC guidance, these rules will include the following climate disclosure information:

- A summary of a company's climate-related risks likely to have a material impact on its business, operations, or financial condition
- Disclosure of corporate greenhouse gas emissions (GHG) that reflects the organization's latest carbon accounting: all filers must report absolute and intensity metrics for Scope 1 & 2 emissions, and Scope 3 emissions only if the material or if the firm has already established a reduction target or goal that includes scope 3.
- Disclosure of climate-related financial metrics in a registrant's audited line item financial statements

TAKEAWAYS

The SEC's climate disclosure standards are informed and influenced by TCFD (Task Force on Climate-Related Financial Disclosures), so we recommend organizations familiarize themselves with TCFD guidelines if they haven't already done so.

While the SEC rules will only apply to public companies, private companies are still likely to be held to the same standards as the effects of mandatory disclosure trickle down across supply chains and investor requirements. Additionally, 92% of S&P 500 companies already publish ESG reports mainly in response to reporting pressure from investors. In light of this, many companies are relieved that the SEC may standardize the current body of alphabet soup reporting frameworks and streamline an already quasi-mandated process for them.

EUROPEAN UNION

Corporate Sustainability Reporting Directive (CSRD)

In November 2022, the EU passed the Corporate Sustainability Reporting Directive (CSRD), which will make comprehensive sustainability reporting a requirement for around 50,000 companies by 2026. The new EU Sustainability Reporting Standards (ESRS, the policy framework under the CSRD) combines financial data, ESG information, and assurance for the first time, replacing the previous Non-Financial Reporting Directive (NFRD).

SCOPE

The new standards expand the number of mandatory reporting companies from 11,600 under the NFRD to around 49,000 and extend to certain non-E.U. companies or subsidiaries not listed on a regulated market in the European Union, covering:

- E.U. large undertakings, also referred to as “companies” or “subsidiaries” (whether listed or not), which are defined as undertakings that meet at least two of the following criteria on their balance sheet dates:
    - Greater than €20 million balance sheet total.
    - Greater than €40 million net turnover.
    - Greater than 250 employees.
- Companies with listed securities in the European Union, including small and medium-sized undertakings (“small and medium-sized enterprises,” or SMEs), other than micro-undertakings.

TIMELINES

Companies already subject to the NFRD would be expected to begin reporting from FY2024, followed in FY2025 by large companies not already subject to NFRD, and listed SMEs in FY2026. For non-EU companies, FY2028 is proposed as the earliest reporting date.

CONTENT

The CSRD requires disclosure from a “double materiality” perspective, meaning that a company must report how sustainability risks and opportunities affect its financial performance, position, and development (financial perspective) as well as how the company’s performance, position, and development affect people and the environment (impact perspective). It is likely that firms will need to supply Scope 3 GHG emissions reporting data, relating to their upstream and downstream operations, for example, business travel or purchased goods and services, for up to 80% of their Scope 3 emissions. The CSRD will require independent verification of ESG information by a registered assurance provider and also that the information be included in the Directors’ report, making Directors responsible in writing for ESG performance.

TAKEAWAYS

ESG will become part of companies' annual reporting process; Sustainability will sit alongside finances; Far more data will need to be collected and analyzed; All of this, including sustainability, will be audited.

CSRD IMPACT ON U.S. COMPANIES:

The CSRD will affect not only E.U.-based companies but all companies with significant operations in E.U. jurisdictions, including U.S.-based companies with as little as one subsidiary or branch in the European Union. Many U.S.-based companies, including certain nonlisted ones, will be subject to these European sustainability reporting requirements, whose implementation period could be more accelerated, and whose reporting and assurance provisions could be more expansive, than what the SEC's proposed rule1 on climate-related disclosures would require.

Deloitte has created a comprehensive outline of the CSRD impact on U.S. companies:

"For financial years starting on January 1, 2028, E.U. large and listed subsidiaries (or branches, when there are no E.U. large or listed subsidiaries) of a non-E.U. ultimate parent that has more than €40 million net turnover will need to publish and make accessible a sustainability report of that parent at the consolidated level if that parent has generated a net turnover in the European Union of more than €150 million in each of the last two financial years. This eans that a U.S. company with significant operations in the European Union will, in effect, be required to furnish the information to be included in a published sustainability report covering its entire operations, including its E.U. as well as non-E.U. operations."

	Reporting For Calendar-Year-End Filers			Enterprise Level
	2024	2025	2026	2028
Scope	Subsidiaries of U.S. companies already subject to the NFRD	All large E.U. subsidiaries of U.S. companies or U.S. companies listed on a regulated market in the European Union	SME subsidiaries of U.S. companies listed on a regulated market in the European Union	U.S. companies with >€150M of operations in the European Union
Required standards	ESRS (or equivalent[7] standards)		Adapted and proportionate standards to be developed, ESRS (or equivalent standards)	ESRS, equivalent standards, or alternative standards to be developed
Reporting level	Stand-alone subsidiary,[8] unless included in the parent's report prepared under ESRS or equivalent standards for a non-E.U. parent. Consolidated group as of January 1, 2028, for certain U.S. companies.			Consolidated group, including non-E.U. activity
Assurance	Limited assurance over all reported sustainability information			Limited assurance over all reported sustainability information

https://dart.deloitte.com/USDART/home/publications/deloitte/heads-up/2023/esg-eu-corporate-sustainability-reporting

ISSB INTERNATIONAL SUSTAINABILITY STANDARDS BOARD

The International Sustainability Standards Board (ISSB), under IFRS, is building out comprehensive, global ISSB sustainability reporting standards using SASB, TCFD, and GHG Protocol as a base for an integrated, consolidated set of new standards. These standards will likely be finalized in 2023, encouraging more clear, consistent sustainability reporting from companies and for investors. They should also more closely align sustainability and finance teams around sustainability data and reporting. The European Sustainability Reporting Standards group is working closely with both GRI and ISSB to make sure that their standards for CSRD (ESRS) are aligned to reduce duplicative work for organizations.

IFRS Foundation's International Sustainability Standards Board (ISSB) will be releasing the finalized versions of the first global standards for sustainability and climate-related reporting (IFRS S1 and IFRS S2) in June of this year. While these standards are not a regulatory body or part of newly mandated disclosures, the resulting consolidated frameworks will likely inform quasi-mandated disclosure for certain investors and individual jurisdictions will subsequently decide to require or permit the application of ISSB standards as a basis for sustainability reporting, similar to the process for adopting IFRS for financial reporting.

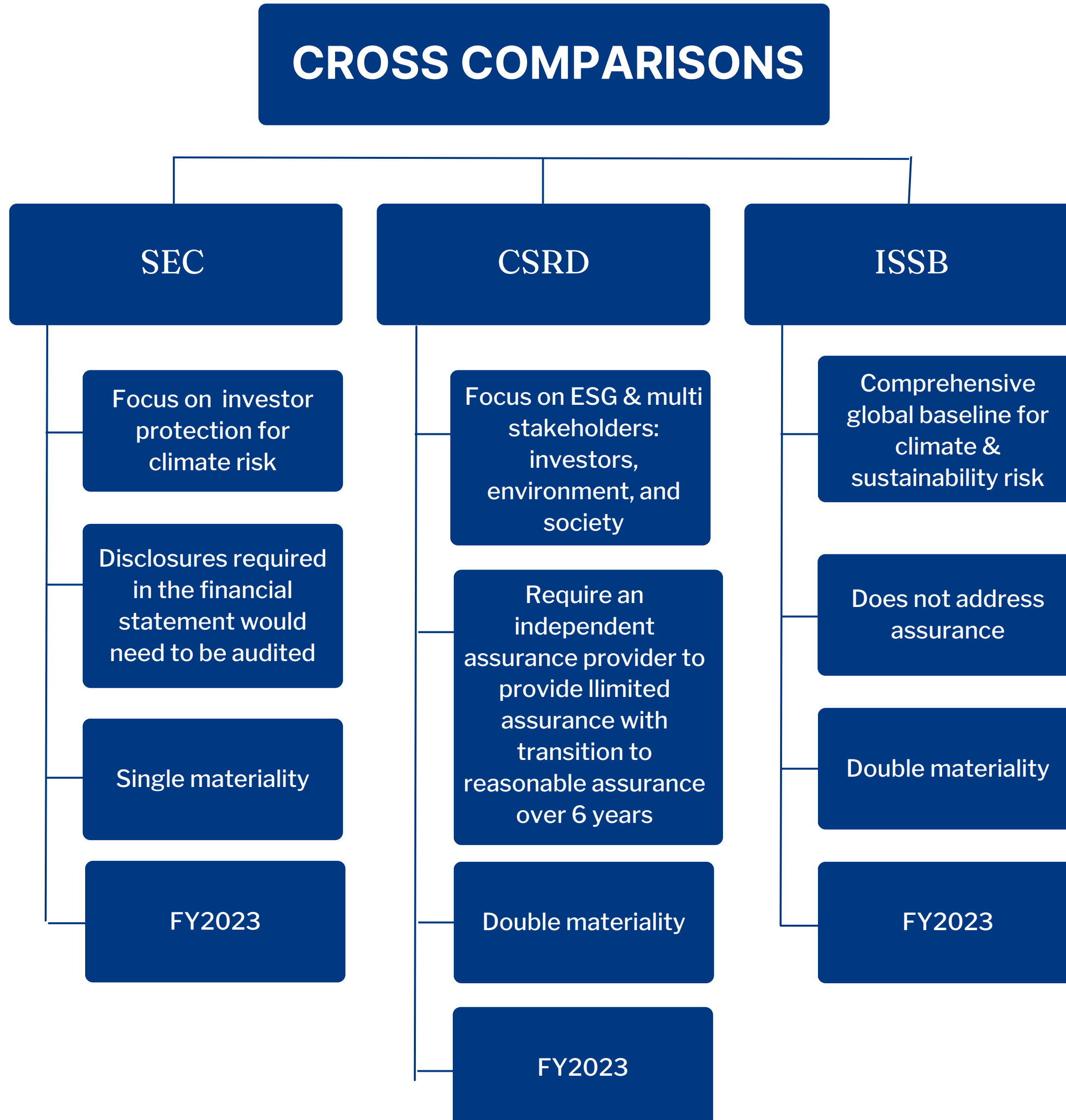
The Task Force on Climate-related Financial Disclosures (TCFD) is a set of guidelines to help companies disclose climate-related financial risks and opportunities to investors, lenders, insurers, and other stakeholders. More than 2,000 companies around the world use TCFD guidance to report on their climate governance and strategy, including 83 of the world's largest corporations. The proposals from the ISSB, EFRAG, and SEC all mutually accept and align with the TCFD's recommendations.

In the United Kingdom, the Financial Conduct Authority (FCA) has made annual TCFD reporting mandatory for over 1,300 of the country's largest UK-registered companies and financial institutions. This includes most of the UK's largest publicly-traded companies, banks, and insurers, as well as private companies with over 500 employees and £500 million in turnover. More countries may make reporting under the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) mandatory, such as New Zealand, Singapore, and Switzerland, where the requirement comes into force in 2023.

In the United States, the Securities and Exchange Commission (SEC) is also basing its upcoming climate disclosure rules on TCFD. In its March 2022 proposal, the SEC says TCFD will make corporate climate risk reporting more "consistent, comparable, and reliable".

HOW ARE THESE FRAMEWORKS AND REGULATIONS IN ALIGNMENT WITH EACH OTHER:

- **Increased Scrutiny of Reported Climate and ESG Data:** third party verification will be required to ensure that reported data is accurate.
- **Heightened Focus on Outcomes Versus Declarations of Intent:** a zero-tolerance policy for greenwashing in transition to net zero.
- **Supply Chains** coming into regulatory focus in order to streamline and standardize scope 3 emissions disclosure.
- **Crackdown on carbon credits:** Concerns about the integrity of carbon credits needs to be alleviated. For many companies, achieving emissions reduction targets will necessitate the use of carbon credits, which demands greater market stability and upon which global regulators can act accordingly. The SEC's proposed rules introduce disclosure requirements on the role that carbon credits play in achieving an organization's climate-related business strategy.



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PART 2: NAVIGATING INCREASING RISK OF LITIGATION

ESG litigation and regulatory enforcement will expand, with greenwashing a continued focus

Climate change litigation continues to grow in importance year-on-year as a way of either advancing or delaying effective action on climate change. According to a report from the London School of Economics, the cumulative number of climate change-related cases globally has more than doubled since 2015, bringing the total number of cases to over 2,000. Around one-quarter of these were filed between 2020 and 2022.

With all the technology and data available today and with greater incentives for whistleblowers to report companies that are noncompliant, it's much more difficult for companies that are not meeting regulatory expectations to fly under the radar. Failed compliance efforts are likely to surface quickly, and noncompliance creates exposure to fees or fines and – perhaps more importantly – to reputational harm. Recently filed complaints confirm a shift in emphasis from cases concerned primarily with the disclosure of climate-related information to cases focused on questions about what prudent financial management means in the context of the transition to a low-carbon economy

GREENWASHING LITIGATION:

Research shows that litigation against climate-related greenwashing, or 'climate-washing' litigation, which seeks to hold companies or states to account for various forms of climate misinformation before domestic courts and other bodies, is gaining pace. The intense investor and public pressure on companies to have strong ESG stories, coupled with the historically "voluntary" nature of many ESG disclosures, has heightened the risk of allegations that a company is not walking the walk with respect to its sustainability targets and green products. As ESG regulatory regimes expand, governmental bodies and private parties are likely to continue to increase their engagement, enforcement, and litigation efforts on such matters. Greenwashing claims by governmental bodies and other stakeholders (including NGOs, advertising standards bodies, the media, and competitors) are also likely to proliferate, with the risks associated with potential greenwashing claims likely heightened by increased calls for the creation and refinement of ESG taxonomies and ESG investment funds facing greater scrutiny. This risk has given rise to the term "greenhushing" where companies refrain from reporting on climate or sustainability goals out of fear of being penalized.

ANTI REGULATORY LITIGATION:

Pro-climate regulatory cases are those seeking to advance climate action, like cases to reduce greenwashing. Anti-regulatory cases are those where litigants challenge the introduction of regulations or policies that would lead to greenhouse gas emissions reductions- filed by those that have a financial or ideological interest in delaying climate action. In the US, integrating ESG standards has become a particularly polarizing issue. 2022 saw a marked uptick in lawsuits pushing back against ESG-related work and investment policies. This past August, 19 state attorneys general signed a letter to investigate BlackRock that accused BlackRock of misusing funds to support ESG which would negatively affect state pension returns. Some states including Louisiana and Florida have even pulled money from BlackRock because they didn't support BlackRock's ESG investing initiatives and stance. A number of state-level legislators and attorneys general (in some cases, in collaboration with certain federal politicians) are leading the charge to impose restrictions on the degree to which ESG considerations can be included in investment decisions by state-level pension funds, as well as with respect to other financial institutions doing business with or in the state.

Some US states and federal Congress members may continue to pursue efforts to slow certain ESG regulatory developments and limit the scope of ESG initiatives, particularly if those initiatives have or may have an impact on industries important to their state's economy. Other states will likely continue to promulgate ESG-related regulation at a faster pace than the federal government. Moreover, evolving areas of legal risk will likely be implicated in the ESG ``backlash" including antitrust and tax, in addition to state law. As these developments continue, companies will need to navigate challenging legal and political structures, motivations, and allyships, as well as the congressional and state political cycles to make the best-informed decisions about business and investment strategies and ESG programs and commitments.

PART 3: LANDMARK POLICY INITIATIVES

In 2023 there are numerous countries considering legislation to incentivize investment in companies aiding the decarbonization transition and supporting renewable power development to aid in energy security and independence from other nations. This is especially pertinent after Russia's invasion of Ukraine revealed the fragility of our energy supply and the growing risk of stranded carbon assets. Government regulation is resulting in an unprecedented demand for decarbonization technologies going into 2023 and on top of regulatory mandates for greater emissions disclosure, this may encourage companies to take advantage of the clean energy options that are available to them. If anything it is crucial to be aware of the shift of capital towards ESG-aligned investments.

In the U.S., the Biden administration has made climate action a key focus, beginning with the return of the U.S. to the Paris Agreement on the president's first day in office, committing the country to achieve net zero by 2050, and following up with an interim target to reduce economy-wide greenhouse gas (GHG) emission by 50-52% in 2030. Biden has also introduced laws allocating billions in investment towards clean infrastructure and energy, including the Bipartisan Infrastructure Law (BIL) and Inflation Reduction Act (IRA). These policies are important to understand for businesses in the context of future planning for regulation and energy security, regardless of whether or not your personal views are in alignment with the initiatives.

U.S. Inflation Reduction Act

In 2022 the IRA was passed, providing $369 billion in meaningful incentives for clean technologies such as wind, solar, storage, hydrogen, nuclear, carbon capture, and biofuels that will drive energy sector transformation and emissions reduction. Instead of a structure built on carbon trading and pricing, the IRA looks to leverage federal funding and tax policy to drive private sector clean energy investment, building on the successful track record of tax credits for wind and solar. Instead of trading carbon allowances, project developers and financiers will need to be engaged in markets for tax equity — which will need to scale up.

Deloitte's Renewable Energy Outlook for 2023 report, forecasts that this will lead to up to 550 gigawatts of additional clean energy by the end of the 2020s. Key provisions of the IRA will likely bring significant domestic manufacturing of clean energy components to the United States:

- Advanced manufacturing production. Tax credits for domestic production and sale of qualifying solar and wind components such as inverters; battery cells; PV wafers, cells, and modules; wind turbine blades, nacelles, and towers; and a 10% credit for critical minerals production.
- Qualified advanced energy projects Investment tax credits of 6% or 30% for a new category of projects: those that re-equip, expand, or build qualified domestic manufacturing or industrial facilities to assist in the production or recycling of renewable energy property.23
- Domestic content Additional tax credits above the base investment tax credit for qualified advanced energy projects if the project uses certain components produced in the United States

State Clean Energy Policies

Twenty-two states and the District of Columbia are targeting 100% renewable energy or 100% carbon-free electricity, often through clean and renewable energy mandates and incentives, with target dates between 2040 and 2050. More than 45 cities, counties, and states have some sort of building energy benchmarking and transparency policy requiring reporting through ENERGY STAR Portfolio Manager. These are laws such as Local Law 84 in New York City, Building Energy Benchmarking Program in California, and the Energy Use Benchmarking Ordinance in Chicago.

Building Performance Standards

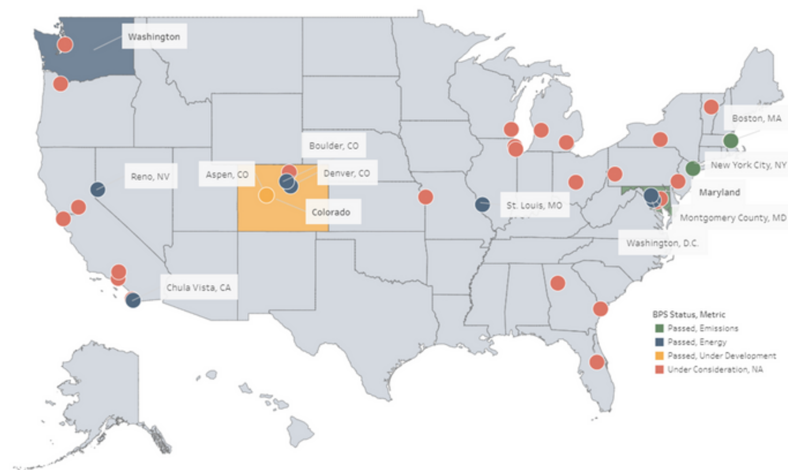
Federal Standards: In December 2022, the Biden Administration announced the first-ever Federal Building Performance Standard, wherein every federal government agency is required to eliminate on-site scope 1 emissions in 30% of its building space by 2030; by 2045, all federal buildings are to achieve net zero emissions.

Building Performance Standards (BPS) are outcome-based policies and laws aimed at reducing the carbon impact of the built environment by requiring existing buildings to meet energy and/or greenhouse gas emissions-based performance targets. Unlike disclosure alone, a BPS establishes specific performance levels that buildings must achieve. By requiring buildings to meet a specified level of performance, a BPS can establish long-term certainty, helping building owners plan for upgrades that improve their buildings and, particularly important for the legislators, create jobs. So far 9 cities and 3 states have passed their own BPS, either regulating energy use intensity or emissions, with an additional 22 under consideration. This includes Washington DC, New York City, Denver, St. Louis, and Boston, with 30 additional cities expected to join them. While the specifics of each policy differ from city to city, most BPS are built around achieving net zero emissions by 2050.

National Building Performance Standards Coalition: In January of 2022, President Biden launched the National Building Performance Standards Coalition, with 34 state and local government participants representing over 22 percent of the American population and ~20% of the building footprint. All these state and local governments have committed to inclusively design and implement equitable building performance standards and complementary programs and policies with a goal of adoption by Earth Day, 2024.

The State of Building Performance Standards in the U.S.
December 2022

https://www.imt.org/resources/map-national-bps-coalition-participating-jurisdictions/



https://public.tableau.com/app/profile/doebecp/viz/BuildingPerformanceStandards/BuildingPerformanceStandards

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PART 4: PREPARING FOR MANDATORY DISCLOSURE & REGULATIONS

While many proposed rules aren't yet final, the sooner businesses begin assembling information related to relevant mandates and ensuring they are prepared, they will be better positioned to comply quickly. Above all, climate disclosure requirements should be seen by companies as an opportunity, not just a risk and compliance issue. It's vital that companies approach disclosure based on their own needs.

JURISDICTION

- *cross-jurisdictional and extraterritorial implications* (e.g., US companies or their subsidiaries may be responsible for general ESG reporting under the EU's Corporate Sustainability Reporting Directive (CSRD) double materiality standard); regulations that may have implications for companies in jurisdictions other than the jurisdiction in which the regulation was adopted;
- *inter-jurisdictional implications* (e.g., the International Sustainability Standards Board's (ISSB) forthcoming standards are proposed for adoption by a number of regions as the basis of their mandatory domestic ESG reporting requirements);
- *intra-jurisdictional implications* (e.g., US state-level laws and actions that conflict with federal legislation, regulation, or enforcement).

SUPPLY CHAIN

This also means that, even if an organization does business in only one jurisdiction or is a private entity not directly subject to the mandatory rules or requirements, to the extent it has third parties, including capital providers, doing business in others, that organization may face pressures based on the regulatory requirements of those other jurisdictions. Because of these developments, companies should undertake an ESG regulatory mapping exercise to consider how their businesses, including through their value and supply chains, may be affected by regulations in multiple jurisdictions.

TIMING

Most of these laws are being phased in over several years and the majority of filers will be subject to later rounds of compliance based on their company size and scope. There's plenty of time to implement the necessary measures, standards, process changes, and reporting capabilities to keep pace - particularly for organizations that are proactive and already investing in these areas (or starting soon). There are lots of existing market resources to help organizations and investors track, manage, and report on these changes more efficiently and effectively, including AI, cloud-based software.

Preparatory Exercise: SEC Climate Disclosure

Integrate climate risk and carbon accounting into your regular financial accounting and regulatory reporting cycles.

Track and disclose the required information - SEC reports will likely require management commentary and data on a company's:

1. Materiality outlook to select material ESG themes, topics, risks, and focus areas
2. Details on how the board and management exercise their oversight and set climate-related targets and goals, as well as disclosure regarding climate-related expertise
3. Sustainability and ESG performance targets, goals, and progress
4. Sustainability and environmental risks (including climate change) affecting the company
5. How sustainability and ESG risks could or are impacting operating results, financial performance, and shareholder value
6. Scope 1-2-3 GHG disclosure
7. Any ESG or climate analytics tools, such as scenario analysis, the registrant uses to assess the impact of climate-related risks on its business and consolidated financial statements, or that support business model resilience in light of foreseeable climate-related risks
8. Relevant information on an organization's use of carbon offsets, credits, and/or renewable energy credits or certificates (RECs) as part of the company's overall net emissions reduction strategy

Third party attestation

The proposed rules require accelerated filers and large accelerated filers reporting climate-related disclosures to the SEC to include an attestation report from a neutral, trusted, and experienced third party covering, at a minimum, the disclosure of the company's Scope 1 and Scope 2 emissions. This report should also include certain related disclosures about the attestation service provider. This is "limited" assurance of the ESG information being disclosed, which is less strict than a financial audit, but still requires working with a sustainability reporting partner organization.

THE ROLE OF DATA: INSIGHTS FROM WATCHWIRE

THIS MONTH, WE POLLED A SAMPLE OF SUSTAINABILITY PROFESSIONALS:

If a new reporting schema was mandated tomorrow that required asset-level information (carbon emissions, energy/water/waste consumption, asset characteristics) to be reported in a new format, would your company be ready to comply in 1 month?

73% of them stated they would not be prepared to report to a new schema tomorrow

What's the single biggest area of improvement you think can be made for your organization as it relates to sustainability reporting?

52% of respondents said data was their biggest concern

START WITH DATA INVENTORIES:

First, you need to create an inventory of all properties and accounts, identify options for data access and automate as much as possible so you have accurate and complete data to support the sustainability program.

DEMOCRATIZE ACCESS TO THE DATA:

Share the data with the teams that can use it so sustainability isn't just a thing you report on, but something the entire team is involved in. Use the data for basic carbon accounting to understand where you are today and start planning out what needs to be done to get to where you want to be. Identify energy disclosure laws you must comply with now, identify building performance laws you'll soon need to comply with, and in most cases, you'll want to get your portfolio properly set up in ESPM so you can handle this compliance reporting. In certain parts of the country, this may not affect you, but odds are it does. With an understanding of your data and where you want to go, you can now do renewables procurement to reduce your Scope 2 market-based emissions. When you're ready, adding real-time data can uncover additional optimization opportunities from both a cost and emissions standpoint.

ADVANCED REPORTING:

Finally, you will be ready to delve into the ecosystem of voluntary, quasi-mandated, and soon-to-be-mandated reporting. Acquiring limited assurance and even reasonable assurance is also key to consider (as it will be mandated in a few years for SEC and CSRD reporting). When you're ready, adding real-time data can uncover additional optimization opportunities from both a cost and emissions standpoint. Only after addressing all of these steps should a company then approach the opaque and unstandardized landscape of scope 3 emissions reporting.

Managing Financial-Grade Sustainability Data

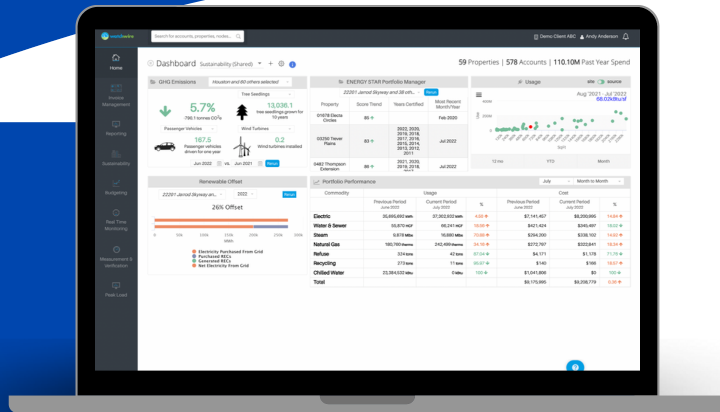
According to a Deloitte survey, executives list ensuring quality as the top data challenge they're facing. With the proposed SEC climate disclosure rule last year, and a final rule expected in April, companies are reviewing their current data infrastructure and finding it's not sufficient for what's to come, with respect to data accuracy, but also taking into account other data characteristics like completeness or access. In a separate survey, Deloitte surveyed 150 consumer companies and found that only 3% of them said their sustainability data was as accurate and verifiable as their financial data. Clearly, concerns about data accuracy are valid and companies have their work cut out for them on ensuring future data accuracy. With more regulation and investor pressure, there is no doubt that companies will need a process to produce high-quality, defensible ESG data that is more aligned with financial reporting requirements.

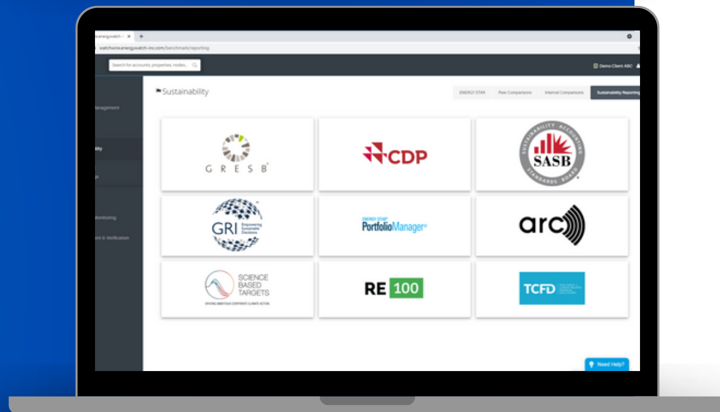
One of the biggest improvements typically made across our client portfolio is automating data access as much as possible. Aside from other benefits, automation is less error-prone, more scalable, and allows programmatic audits of the data to ensure anomalies are flagged and can be secondarily reviewed by a human. To increase data accuracy, having data independently verified by a third party is becoming a popular market decision, and much of our client base is utilizing third-party assurance firms such as Deloitte, KPMG, DNV, SIG, Lloyds, and others. However, regardless of voluntary interest in assurance, both the SEC's and EU's CSRD will require limited assurance with likely a transition to reasonable assurance over time.

WHAT IS WATCHWIRE:

WatchWire is a market-leading, sustainability, and energy data management platform that uses cloud-based software to collect, automize, and analyze utility, energy, and sustainability data metrics. Our platform is capable of meeting the needs of all business functions including facility managers, accountants, sustainability managers, C-suite executives, engineers, and procurement teams. We strive to provide our clients with guidance on evolving practices, protocols, and the overall regulatory landscape of energy markets in addition to data management with our years of expertise in energy consulting to back it up. Spend less time searching for and entering data by utilizing our rigorous data acquisition, auditing, and real-time monitoring system, and centralize your organization's sustainability functions.

watchwire for SUSTAINABILITY





OTHER FEATURES

- Automating data capture and establishing an ongoing data collection approach in order to achieve near 100% data coverage
- Collecting meter, interval, and billing data that prioritizes a single source of truth
- Cloud-based storage and management of data with built in auditing systems
- Global coverage with multi-currency and multi-metric reporting

EMISSIONS INVENTORY:

Automate data acquisition, track GHG emissions, maintain and update custom emissions factors, allow customization where desired such as with scope 2 market-based (or location-based) factors, on demand carbon inventory

Carbon Emission Settings

Use Custom Emission Rates?: Off On

Custom Global Warming Potentials

Source: IPCC AR4

CO2: 1

CH4: 25

N2O: 298

Save

Emission Rates: Set Custom Rates

DECARBONIZE:

Identify underperforming assets through building performance metrics and comparisons, track onsite DERs (e.g. solar), RECs, and offsets within our system, deploy efficiency measures and measurement and verification techniques

Quantify the dollar impact for savings with emissions reduction projects

TRACK GOALS:

Add absolute or intensity metrics with predetermined benchmarks or KPIs, track monthly or annually, add baselines and target year, real time monitoring

REPORT TO GRESB, GRI, SBTI, CDP, & OTHER FRAMEWORKS:

Compatible integrations with reporting schemas, advice on reporting, and customizable financial grade report generation

ACKNOWLEDGEMENTS

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About WatchWire

WatchWire is a sustainability and energy management software-as-a-service (EMSaaS) provider. Across the globe, WatchWire helps commercial and corporate real estate portfolios, Fortune 500 industrial/manufacturing and big-box retail, government, healthcare, and educational facilities reduce emissions and expenses while simplifying sustainability and carbon reporting.

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