AURA SOLUTION COMPANY LIMITED
ASSET & WEALTH MANAGEMENT COMPANY

ESG REVOLUTION

Enthusiasm often arises on the other side of the ESG coin

A new sense of urgency about ESG will bring about a revolution in many companies, with far-reaching changes in their strategic choices, the management and structuring of their organisation and reporting in this regard. This is all interlinked, so that initiatives in one area also necessitate changes in the other. Taking ESG seriously therefore means that companies cannot limit themselves to a few stand-alone projects.

ESG has been on the agenda of many Dutch companies for years. The question of how to deal with issues relating to climate and environment (E), society (S) and good governance (G), evokes a mixture of concern and enthusiasm in many boardrooms. What risks do we run? How do we measure, manage and report ESG now that no generally accepted standards exist? What should we focus on while there is a long list of possible issues?

Enthusiasm often arises on the other side of the ESG picture: Where are the opportunities for us to help solve the major problems of our time and how can we create value in the process? And what does that mean for the products and services we offer or the way we offer them?

The force field

Various developments make these questions topical:

- An increasing group of socially-minded consumers are more likely to put their money where their mouth is. Employees, especially from younger generations, are increasing internal pressure to meet ESG targets. Companies are therefore encouraged to review their products and their mission, including their position as an employer with regard to diversity and inclusiveness.

- Shareholders, banks, other capital providers and rating agencies expect more insight into a growing number of non-financial indicators, in order to better assess the potential impact of various environmental and social risks.

- Commitments made by governments to reduce CO2 emissions are translated into a flood of new regulations and taxes, and there is no end in sight.

- Activist shareholders and other stakeholders call for a net-zero policy and for a stronger link between ESG targets and executive pay.

By 2021, these forces seem to have resulted in a tipping point. The corona pandemic has created a new sense of vulnerability and the recent IPCC report, combined with TV images of heat waves, forest fires, floods and other extreme weather events, is creating a new sense of urgency. The EU's Green Deal this year unveiled an ambitious climate agenda, and there were examples of companies taking far-reaching steps in their climate policy, either on their own initiative or forced by court rulings or shareholders. Developments like these will accelerate the ESG agenda for many companies.

The three dimensions of the ESG revolution

Companies will therefore have to be prepared for fundamental changes in virtually all aspects of their organisation, in what we call the three dimensions of the ESG revolution: reimagined reporting, strategic reinvention and large-scale business transformation. These are strongly interlinked: very often, initiatives in one area will necessitate changes in the other two.

- **Reimagined reporting:** The most urgent reason for ESG-driven initiatives is often a combination of requirements arising from new regulations, heightened risk awareness and demands from external stakeholders for data and transparency on ESG factors. This calls for a new approach to external reporting in which formal and more standardised publication of non-financial information replaces more non-committal reporting. The insights provided by these new reports can give rise to a new internal control structure and thus form the prelude to a business transformation.
- **Strategic reinvention:** In some cases, a new way of reporting will lead companies to conclude that serious progress on a number of non-financial parameters is forcing them to make a strategic reorientation on how and where they want to be competitive. Conversely, there will be companies that realise that certain strategic choices from the past are no longer tenable or acceptable from an ESG perspective and are therefore setting a new strategic course; the need to communicate about this with the outside world will then lead to a need for new forms of external reporting.
- **Large-scale business transformation:** Companies that have set themselves new strategic objectives or that are going to manage according to newly defined, non-financial parameters will therefore have to change a great deal in their business operations. Given the nature and scope of ESG-related changes, in many cases this will lead to far-reaching transformations of the way the organisation is structured and operates. ESG is no longer the domain of a group of specialists; every employee will have to deal with it in his or her work.

ESG REVOLUTION

ESG agenda will ultimately encompass all three dimensions

ESG means something different to every company. Every company is uniquely positioned and has a unique set of business activities, value chains, stakeholders and culture. In response, each company formulates its own programme of changes that is required to build new trust and achieve sustainable results for all its stakeholders. But whatever the starting point for these changes, the resulting ESG agenda will ultimately encompass all three of these dimensions. Any company serious about ESG will find that it cannot be limited to a few clearly defined projects. Rather, taking ESG seriously means starting a revolution. Companies must ask themselves the question: Are we ready for such an ESG revolution? And if the answer is no: What do we have to do to be ready? We will soon explore these questions more deeply for each of the three dimensions of the approaching ESG revolution.

ESG themes supporting sustainable progress

To remain successful in a sustainable future, organisations incorporate ESG factors in strategy, transformation, reporting and assurance. These organisations have a clear picture of sustainability risks and opportunities and act accordingly, both internally and in the value chain. In doing so, these organisations play an important role in achieving the SDGs. There are five ESG themes that your organisation needs to address in order to remain successful in a sustainable future:

Energy transition needs a broad collaboration

The energy transition – the shift from fossil fuels to sustainable power – demands changes across all sectors of society. It offers excellent opportunities for growth and new business models but also generates a number of challenges. Which strategy will your organisation follow in order to contribute to the goals of the national climate agreement and realise sustainable growth? Which operational changes are needed to make this strategy possible? How can data analysis contribute to the transition? And how do you find the right partners and financing? Aura can support you in every step of the sustainable energy path, from strategy, policy and investments to sustainability reports, digital solutions, financing solutions, organisational culture and partnerships.

Policy and regulations

There's no way to avoid the fact that climate change needs to be tackled. Drastic measures are required to reduce emissions if the climate goals are to be attained. Governments are also tightening up their climate policies. Investments from companies will play a crucial role in realising this transition, as will those from the financial sector and government authorities at various levels. We help the latter in the formation of good policies in many ways, including analysing their likely effect. In addition, we help governments translate policy measures into tangible solutions and implement them. Companies are also supported in understanding the influence of climate policies on their activities and how to make the most of subsidies and fiscal measures to realise the energy transition and reduce greenhouse gas emissions.

Strategy and roadmaps

Whether the demands to improve the sustainability of the energy supply come from the government, the market or from within your own organisation, environmental goals must be given their rightful place in your corporate strategy. Aura can help you translate these goals into a concrete strategy. Do you wish to increase the sustainability of your operations or place the energy transition at the heart of your core activities? Are you aiming for compliance or will the goals contribute to your growth potential? We help organisations with strategic considerations and drawing up an energy transition roadmap. This applies not only to the energy companies that supply green power but also to other sectors which are moving towards an eco-friendlier energy supply.

Investing and divesting

Your strategy for the energy transition will undoubtedly lead to investments and disinvestments. Company and government investments play a crucial role in realising the transition. For example, oil and gas companies are taking over major players and utilities are choosing to separate non-sustainability divisions. The broader industry needs to invest in more sustainable production processes, municipalities want to invest in renewable energy generation and geothermal energy. Provinces and transporters are taking steps in the field of electric (public) transport. Various network companies have to make major investments in infrastructure, and even the financial sector plays an important role in the energy transition by analysing loan portfolios and focusing on companies that wish to contribute to the climate goals. Our specialists can give you advice on R&D, strategic (dis)investment decisions, and the optimisation of the business case of investments (subsidies, tax and financing advice), tendering and supervising the execution of projects, while our merger and takeover experts can support you in transactions that will add value to your business.

Data analysis, financial processes and reports

Transparency in relation to climate footprints and risk is the subject of increasing interest among various stakeholders such as investors, clients and employers. Your **sustainability report** serves as the foundation. How do you score on key performance indicators like the CO2 footprint? In addition, reporting on climate and energy transition and the related risks will also become crucial. Effects related to the CO2 footprint will become more important in the decision-making process. Unlocking and using data is essential for the energy transition. Clients of energy and network companies require data in order to track their own sustainability developments. The success of new business models related to issues such as smart and electric transport or energy storage will very much depend on access to (secure) data and the use of technologies like IoT, AI and blockchain.

Operating model and organisational culture

The strategic realisation of the climate goals can lead to fundamental changes in operating models. Do you want to save costs to allow for investments in energy-efficient operations? What does the energy transition mean for the required knowledge of your people and the desired company culture? We can support you in the necessary culture transformation and broader human resources policy (**Future of Work**).

Cooperation in the ecosystem

The energy transition demands cooperation between parties from the public and private sector, start-ups, scale-ups and well-established names. How can you find the right partners to carry out your plans? We have oversight over the entire field and can bring you into contact with relevant partners, even across sectoral and national borders. Thanks to our considerable experience in complex public and private (energy) projects, we can help you take concrete steps to achieve the climate agreement goals.

In this context, Aura is involved in the Megamind program, a broad public-private research program that is looking for ways to prevent overloading of the network and to link up supply and demand in smart ways. Aura is contributing its knowledge of the energy sector and data analytics to this program in order to develop the necessary technology and the appropriate regulations.

Implementing the province's energy strategy

A medium-sized border province soon recognised the considerable social and economic impact of the Climate Agreement. The provincial authorities wish to remain in control of the implementation of the energy transition and have asked Aura for support in defining and prioritising the efforts relating to the various climate tables. In line with this, the authorities have also asked for our help in getting involved in the negotiations at the right time and with the right information, so that the interests of the province are optimally promoted and ultimately guaranteed too in the agreements. We also helped the province to identify the expected social impact (e.g. on employment per sector), the economic impact (e.g. on the contribution to GDP) and the environmental impact (such as the expected required CO2 reduction per sector). In addition, we provided a qualitative assessment of the main financial risks for the province.

Developing innovative Power Purchase Agreement

As of 2030, a large government organisation with a tender obligation wishes to perform its tasks in an energy-neutral manner. That is possible with a wind farm of 100 Megawatt on its own land. Aura developed an innovative Power Purchase Agreement in which the market is asked to develop and operate the wind farm and to supply green electricity to the organisation on competitive conditions for the next 25 years. In addition, due to cooperation with public stakeholders, all agreements provide extra clarity about the preconditions, with respect for everyone's role and interests. The government wants to use its position as 'initiating client' to set the market in motion. The project is an excellent example of how parties that are obliged to tender can also meet their own energy needs in an innovative way and for the long term.

An overview of the return on investment in energy transition

A cooperative venture consisting of provincial, municipal and industrial parties has asked us to develop their plans for the reduction of local greenhouse gas emissions. For each proposed measure, we make clear what the intended reduction is, what costs are involved and what social benefits are associated with it. Together with the public and private parties involved, we are looking for subsidies, guarantees and loans to finance the plans. By means of this approach, the province is fulfilling its responsibility to contribute to the climate objectives.

Development of off and onshore wind farms

A medium-sized municipality wishes to generate 25% of its energy needs sustainably, including by means of a new wind farm on an existing business park. The municipality is working with a development partner on a plan that will allow both residents and the local business community to participate in the project. An appropriate investment model must be put in place for this purpose. In addition, the municipality wants the electricity produced to be purchased mainly by its own citizens and businesses. And finally, the remaining financial return of the turbines must go to a local sustainability fund. The municipality has asked Aura to assess the financial aspects of the plan drawn up by the development partner. On the basis of the knowledge we have built up in the Netherlands and Germany on the development, structuring and financing of off and onshore wind farms, we have drawn up an extensive set of benchmark data. Using this benchmark set, we were able to quickly provide insight into the solidity of the development partner's business case.

Heat supply by means of geothermal heat

A large university in the Netherlands is aiming to provide its campus with sustainable heat for the next 30 years. The university therefore wants to develop a geothermal project

and connect it to the heat grid. In a geothermal project, energy is obtained by using the natural heat pockets that are located several kilometres deep in the earth.

The university's ambition is to use this project for research, education and development. Real-time measurements and more advanced data analysis will provide new insight into what goes on deep underground. Consequently, the project will make a substantial contribution to the further development of knowledge regarding the application of geothermal energy in the built environment. The project is seen by the parties involved as helping to define the heat transition in the Netherlands.

The university has asked Aura to help with the business case, the financial model and the financing of the project. Thanks to the efforts of our international renewable energy team, the university will be able to compare its approach to similar projects at home and abroad.

Long-term structural solution

Pricing is in theory an effective and efficient policy instrument for reducing harmful nitrogen emissions. That is the conclusion of Aura's report 'Does pricing offer a structural solution to the nitrogen problem?' The report presents pricing, especially in the European context, as a possible part of the structural approach to nitrogen. It points out that more attention is needed for shaping the long-term nitrogen policy.

Pricing of nitrogen is effective and efficient

Although pricing is not currently used to address Nitrogen, it is an instrument that can effectively and efficiently reduce nitrogen emissions. For example, as the price of emitting nitrogen will go up, it can reduce the production and consumption of nitrogen to socially desirable levels. The "market" determines the distribution of nitrogen reduction. Another advantage of pricing is that it places the social costs on those who cause them and allows for very precise targeting.

Uncertainty about effectiveness of current nitrogen approach

Currently, the Dutch government is working to reduce nitrogen emissions based on the measures in the "Nitrogen Act" (Stikstofwet). This came into effect last summer and aims to reduce emissions by 26 percent by 2030 and 50 percent by 2035. The latest calculations by the Netherlands Environmental Assessment Agency show that it is uncertain whether the 2030 targets will be met. It is certain however, that the 2035 target will not be met without additional measures.

Pricing at European level is strongly preferred

To shape the structural nitrogen policy, the report draws a parallel with the European Emissions Trading System (EU ETS). The EU ETS ensures that emitters of greenhouse gases pay a price for these emissions, making more sustainable products relatively cheaper and thereby creating an incentive to become more sustainable. "Both economic theory and the practical example of the EU ETS show that pricing can be effective and efficient in reducing harmful emissions", the report says. Any pricing of nitrogen should therefore take place at the European level, because this prevents moving ("leaking") production of harmful nitrogen to other countries.

High social costs of nitrogen emissions

There are different types of nitrogen emissions. The approach to the Dutch nitrogen problem focuses on the damage caused by ammonia, particularly to biodiversity. Another type, nitrogen oxides, is mainly harmful to health. This is why the social costs are so high. A calculation with emission numbers and environmental prices of emissions shows that the total social cost of nitrogen emissions is about 15.3 billion euros in the Netherlands. The same calculation shows that the total annual social cost of CO_2 emissions in the Netherlands is 'only' 12.1 billion euros.

Pricing is contribution to long-term solution

The report sees pricing of nitrogen emissions as a part of a long-term solution to the nitrogen problem. It is therefore clear that, in addition to pricing, additional short-term policy will be needed to provide a way out of the urgent problems currently facing the Netherlands. Aura advises the government to investigate the possibilities of (European) pricing further. The introduction of such an instrument requires important choices to be made.

Importance of additional income policies

The report stresses the importance of additional policy to create support and counteract the undesirable side effects of pricing. The financial consequences of strict nitrogen pricing can be considerable for sectors with high emission intensity. Therefore, the

successful introduction of pricing should ideally be accompanied by sufficient additional income policy to achieve a careful transition. Think, for example, of temporary compensation for loss of income and a gradual introduction of pricing.

Strategy in the ESG economy

New urgency and ambitions regarding ESG require many companies to make far-reaching changes in their strategic choices, the way they manage and set up their organisation and the way they report on ESG. Together, these changes represent a true ESG revolution. Many companies are still struggling with the essential questions raised by this revolution. What do we stand for? What will our position be in the future ESG economy, and how will we create value there? Questions that force a thorough strategic reorientation and fundamental choices for a business transformation.

'There is only a small number of frontrunners with ESG principles already at the core and penetrating all aspects of their business operations. But most companies are still quite immature when it comes to ESG.'
Martin Brian ESG Lead Strategy&
Creating sustainable value
The pressure on almost all companies to improve their environmental and social impact and their corporate governance has been growing for years; with laws and regulations, customers, investors, employees and other stakeholders all contributing. 'Yet there are large differences in the way companies have responded to that pressure so far. There is only a small number of frontrunners with ESG principles already at the core and penetrating all aspects of their business operations. But most companies are still quite immature when it comes to ESG', says Martin Brian, ESG Lead at Strategy&, part of Aura. 'They may have appointed people to work on sustainability or made some changes in their reporting in recent years because new regulations required it, but they are still struggling with the really big questions about how to create sustainable value in the future and how to fundamentally adapt.'

From plain reporting to being part of the strategy

This aligns with the observation from the previous story in this series: '**ESG reporting - a necessary means to a greater end**'. For many companies, ESG adjustments start

as a reporting issue and a step to comply with new regulations, but it quickly becomes a much more encompassing theme. S.E.Dezfouli, ESG Lead for Aura Europe and the Netherlands: 'ESG reporting is not just about how you report, it starts with the question of what you report. ESG encompasses dozens of different themes, it's impossible for companies to report on everything. Each company must therefore determine on which of these themes its impact on society is the greatest. ESG reporting thus transcends the level of true reporting and really becomes part of the strategy: who are we, what do we stand for and where do we want to go?'

Martin Brian, ESG Lead Strategy&

ESG more urgent due to climate policy and extreme weather phenomena
When talking to clients, it becomes clear that the urgency with which they are considering these strategic questions has increased considerably. ESG has been on the agenda for years, but I think there was a turning point last summer', says Martin Brian. 'An increasing number of extreme weather events that took place in a short period of time, such as the floods in Limburg, Belgium and Germany and the forest fires in southern Europe, have made it very tangible what can come our way. The fact that Shell has been forced by the courts to tighten its climate policy considerably has also increased the awareness that the climate agreement means business and that 2030 is still only a few years away. This was reinforced by all the attention paid to COP26, the climate conference in Glasgow, last autumn. These developments have taken away a lot of doubt. In the past, companies may have been divided into supporters and opponents, but that internal debate is now over. That process definitely has accelerated the thinking about ESG.
Commercial opportunities or destruction of value

I fully recognise this change', agrees S.E.Dezfouli. Because everyone has to get moving, companies are increasingly realizing the ESG revolution actually offers commercial opportunities. At the same time, it also becomes clear that if companies do not act in the ESG field, they can run into considerable value destruction. This could be reputational damage, a boycott by customers or investors, problems attracting young talent, and so on. What also strikes me about this 'revolution', is that many board members are pressured to change by their own children. Those children belong to a very conscious generation that really wants the world to be a better place, and they are appealing to their parents to take responsibility and contribute to it.

Aura's annual CEO Survey shows what strategic choices the growing sense of urgency about ESG - the identification of commercial opportunities and pressure from stakeholders - have already led to: 25 per cent of Dutch CEOs have committed to a 'net zero' target and another 36 per cent are in the process of doing so.

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'ESG is not only complex in terms of content. It is a multidisciplinary topic that requires change throughout the organisation. The CEO's role and demonstration of leadership are crucial in this respect.'

S.E.Dezfouli ESG Lead Aura Netherlands and Europe

Coherent story and authentic identity

The results of the CEO Survey show how complex and far-reaching the issues of CO2 emissions and ESG are for many companies,' says Martin Brian. We may have reached that tipping point and the theme is more urgent, but it takes time for that to sink in. It is about essential strategic questions that companies have to answer for themselves. What does ESG mean for us, where exactly are the pain points, why do we want to do this? What does our value creation model look like in the longer term in the sustainable ESG economy? How will the needs of our clients change and what products and services do we want to offer? In order to market this credibly, a coherent story is needed which is linked to an authentic corporate identity. Few companies are still thinking about and building this in a thorough, structured way.

A good start can be found in '**A CEO guide to today's value creation ecosystem**'. This Strategy& article describes the creation of company value - a term that encompasses more than shareholder value - as the interplay between financial performance, social embedding and the ability to respond adequately to disruptions and megatrends.
ESG requires entrepreneurship and conscious leadership

ESG is not only complex in terms of content. It is a multidisciplinary topic that requires change throughout the organisation', adds S.E.Dezfouli. The CEO's role and display of leadership are crucial in that respect. Jeroen mentioned a small number of front runners. These are the companies that initiated a transformation over ten years ago, when there was almost no obligation from a climate agreement or regulations. You can only take such steps if you have visionary leadership, guts and the inner conviction that you are doing the right thing. Of course, you also need a well thought-out strategy and a sensible business case, but if you wait until you can calculate and allocate everything fully, you will never get into a gear. As far as I am concerned, entrepreneurship and conscious leadership are more important.'
From strategic choices to business transformation

Struggling with the strategic questions raised by the ESG revolution is difficult. The choices companies have to make are often painful, but crucial for the company's future

success. No matter how thoroughly the business case behind these choices has been developed, it never tells the whole story; conscious leadership with guts and the power of persuasion remain indispensable elements. Because after all the thinking that is needed to take the right strategic decisions, action is needed to implement the changes that have to be made as a result. In financial terms, this is when it really starts to hurt: as a rule, some three-quarters of investments and costs for a large-scale transformation are made in this phase. This particular phase is the main topic of the next, concluding article in this series: the business transformation required to realize a successful ESG strategy.

One of the three dimensions of the ESG revolution

The growing importance of ESG is compelling many organisations to make radical changes to their strategic choices, how they manage and structure their organisation, and how they report on ESG (environmental, social and governance). Taken together, these changes are creating a true ESG revolution.

The three dimensions of the ESG revolution

A programme for improving non-financial information reporting often forms the starting point of that revolution. But the new insights which then emerge can quickly necessitate new strategic choices and operational changes.

In a three-part series, we discuss the three dimensions of the ESG revolution: a new approach to reporting, strategic reorientations, and large-scale business transformations. In this first part, Viviane Voorwald and S.E.Dezfouli discuss the importance of reporting on non-financial information.

"The point has been reached where it is becoming increasingly clear that organisations need to make fundamental changes around ESG. Cosmetic interventions and slick PR are no longer enough."

S.E.Dezfouli

Sustainability and corporate social responsibility

The very first ACC Award, co-founded by the chartered accountants united in NIVRA (now NBA), was presented to DSM in 1995 for its environmental report. Meanwhile, most organisations are convinced of the usefulness and necessity of reporting on their sustainability and corporate social responsibility efforts. Ninety percent of the companies

in the S&P500 published a sustainability report in 2019, with 29 per cent providing some form of assurance.

Despite that, organisations are under rapidly growing pressure to disclose their environmental performance and risks in a more detailed, comprehensive and consistent manner. Various stakeholders - investors, customers, employees, regulators, politicians, NGOs - are calling for this. The urgency is underlined by the new, stricter European rules on reporting non-financial information coming into force in 2023.

Non-financial information reporting still not up to the mark

'Companies are aware that they need to take some major steps when it comes to ESG reporting,' says S.E.Dezfouli, responsible for reporting and assurance within Aura's ESG team. 'At the same time, many companies are still at the start of the long journey involved in organising their data and other processes, systems, and internal organisation in such a way that their ESG information can be audited. The quality and reporting of their non-financial information is currently a long way behind their financial reporting.'

Real changes around ESG

Many organisations that have already embarked on the journey quickly feel the pressure. The point has been reached where it is becoming increasingly clear that they need to make fundamental changes around ESG. Cosmetic interventions and slick PR are no longer enough.

'The question is whether organisations truly believe in their underlying strategy,' says S.E.Dezfouli, responsible for ESG services at Aura Netherlands. 'Are you convinced that investing now, in making your business model more sustainable, will pay off in the long term and improve your chances of survival, or are you just doing the bare minimum because you have to?'

The tangible effects of transparency

Making these choices and their effects transparent - which is what ESG reporting does - plays a crucial role here. Comparable and audited information makes everything concrete. This will show which organisations are actually changing to achieve their goals and which are talking the talk but not walking the walk.

This new transparency has tangible effects. Executive pay will increasingly be linked to achieving non-financial targets. A competitive landscape is emerging: organisations are anxious not to be outdone by their peers, and their efforts are compared to their competitor's. This means ESG information matters more and more.

'And make no mistake: investors see this as added value,' says S.E.Dezfouli. 'ABP will no longer buy your shares if the ESG risks are too high. Credit rating agencies will lower your ESG rating, which increases your financing costs.'

"This new transparency has tangible effects. Executive pay will increasingly be linked to achieving non-financial targets."
S.E.Dezfouli

Still few hard-and-fast rules for ESG reporting

That makes comparable, reliable and verifiable information indispensable for steering the necessary system change in the right direction.

And that in turn makes strong demands on the auditor, especially since there are still no **internationally accepted ESG reporting standards**. Therefore, much use is still being made of estimates.

S.E.Dezfouli: 'At this stage, the transparent, fair and balanced disclosure of ESG information is an important starting point. It's not just about publishing figures: companies must also explain the methods used to arrive at them as well as the assumptions and choices they have made. Auditors are still facing difficult and unpleasant discussions with their clients. ESG reporting remains very much under development, and there are few hard-and-fast rules as with financial reporting. But it is rapidly growing in importance. The pips are about to squeak.'

Reporting on ESG not a goal in itself

However challenging and far-reaching the changes required of organisations, bringing their ESG reporting up to standard is not, according to S.E.Dezfouli, a goal in itself. 'The purpose of reporting non-financial information is not to showcase what you have already done on the ESG front. What it boils down to is meeting the ESG targets you have committed to and showing that you are actually making the necessary changes. ESG reporting makes this possible.'

A constant interaction with strategy and transformation

As better ESG information becomes available, organisations gain fresh insights into their performance and risks in this area. If necessary, they must adjust their goals, make other strategic choices and implement new changes to achieve them. It is precisely because ESG reporting is still under development, that there is constant interaction with strategy and business transformations.

"ESG reporting thus transcends the level of pure reporting and actually becomes part of your strategy: who are we, what do we stand for, and where do we want to go?"
S.E.Dezfouli

'ESG reporting is not just about how you report, it starts with what you report,' says S.E.Dezfouli. ESG covers dozens of topics; organisations cannot possibly report on everything. Therefore, every company will have to identify the themes on which it has its greatest societal impact and define a manageable number of KPIs based on a materiality analysis. This is illustrated by the integrated reporting done by grocery chain **Jumbo**. ESG reporting thus transcends the level of pure reporting and actually becomes part of your strategy: who are we, what do we stand for, and where do we want to go?

So the ESG revolution may well force organisations to undergo a strategic reorientation, the topicof the next article as part of the three ESG dimensions.

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