

ESG Risk and Reporting: An Auditor's Perspective

Jonathan Wolf
Tony Rock
Nancy Jordan

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Asking Questions



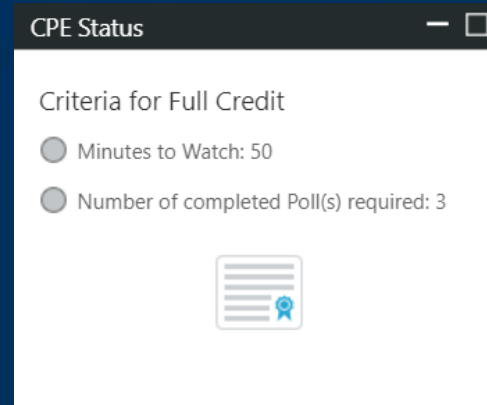
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Moderator

Sue Khawaja
Business Development Manager,
Business Development
IMA



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Featured Presenters



Jonathan Wolf
Sr. Product Marketing Manager
Workiva



Tony Rock
Vice President
Integrated Risk Solutions
Workiva



Nancy Jordan
Vice President
Internal Audit
Cornerstone Building Brands

Jonathan Wolf's Biography

- Jonathan Wolf, Senior Product Marketing Manager, focuses on SOX and internal audit at Workiva, an IIA Industry Leader. He has experience in the financial services, manufacturing, technology and healthcare industries. Jonathan's experience focuses on complex risk and control analysis. His expertise combines external audit, internal audit and project management.
- Jonathan is an active Certified Public Accountant (CPA) in the state of Illinois. He holds an undergraduate degree in Business Administration and Master of Science in Accounting (MSA) from Marquette University.

Tony Rock's Biography

- Tony Rock is a senior executive and adviser working with management teams and investors to execute innovation, acquisition, organic growth, and restructuring initiatives, currently serving as VP of Integrated Risk solutions for Workiva. His risk technology experience includes leadership roles with Archer, Lockpath, and NAVEX. His passion and excellence is driving customer value, transforming companies, developing new technologies, and fostering a culture of innovation to spur enterprise growth.
- In addition to stints in private equity and venture capital, Tony professional background also includes advisory and technology strategy roles with BKD, Olsten Corporation, and Andersen Consulting.
- He holds a BA in Economics from the University of Kansas and an MBA from the Keller Graduate School of Management. In addition, Tony is a CFA charter holder.

Nancy Jordan's Biography

- Nancy Jordan has 30 years of experience in internal audit, compliance and risk management across various industries including oil & gas, energy services, engineering and construction, and manufacturing. Her career has taken her from the utilities industry to Price Waterhouse Coopers ('PwC') and then back to roles at public companies including BHP and NCI Building Systems (now Cornerstone Building Brands (CNR)). CNR is the largest manufacturer of exterior building products, with net review of \$4.6B for FY2020.
- Prior to her current role, she was responsible for worldwide internal audit activities for BHP Petroleum and auditing the global anti-corruption, business conduct and trade sanctions processes. At PwC, Nancy led internal audit co-sourcing and outsourcing engagements; assisted companies with Sarbanes-Oxley compliance; managed large, complex projects; co-authored the annual PwC Internal Audit State of the Profession for 2009 and 2010 and helped develop the approach for the initial PwC Sarbanes Oxley Management Guide in 2002.
- Nancy received her dual B.S. Degrees from Centenary College and a Graduate Certificate of Leadership from Rice University. She is an avid golfer and is married to her husband Bill and is the proud owner of two Basset Hounds named Lois Lane and Clark Kent.

Learning Objectives

1. Explain the impacts of the SEC's proposed climate-related disclosure rule.
2. Discuss the challenges, opportunities, and key roles for management accountants as the result of the emergence of ESG reporting.
3. Describe emerging leading practices of an ESG reporting program.
4. Recognize the benefits of connecting structured and unstructured data from disparate systems to a single source of truth to help teams validate ESG performance reporting, increase transparency, and support organizational change.

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Agenda

1. Introductions
2. Impacts of the SEC's proposed climate-related disclosures
3. ESG reporting challenges and opportunities for management accountants
4. Benefits of connecting structured and unstructured data
5. Case study: ESG reporting program
6. Key takeaways

Poll Question 1:

Which department or function in your company has oversight and is responsible for ESG?

- a. Risk
- b. Finance
- c. Marketing
- d. Legal
- e. Sustainability
- f. Other
- g. Not sure

Poll Question 1 Results: (Placeholder)

Impacts of the SEC's proposed climate-related disclosures

Proposal Overview

- On March 21, the SEC proposed groundbreaking rules intended to enhance and standardize climate-related disclosure requirements for public companies
- Three out of the four commissioners expressed support for the approximately 500-page proposal
- The comment period is closed, but a final rule may not be released until late 2022, and litigation over the final rule is likely
- Affected companies include:
 - *Domestic issuers and FPIs*
 - *IPO companies*

Summary of Quantitative Disclosures

- Disaggregated disclosure of impact of climate-related events and transition activities on the line items of consolidated financial statements when aggregated absolute value exceeds 1% of the total line item for the fiscal year
 - *Subject to internal control over financial reporting and external financial statement audit*
- Description of the financial estimates and assumptions impacted by such climate-related events and transition activities
- Scope 1 and Scope 2 GHG emissions required and subject to an attestation requirement for LAFs/AFs
 - *Assurance provider must be independent (modeled after auditor independence rules)*
 - *Level of assurance increases over time based on filer status*
- Scope 3 GHG emissions required if those emissions are material or if the registrant has set a carbon reduction target or goal that includes Scope 3 emissions

Summary of Qualitative Disclosures

Strategy, Business Model, and Outlook

Extensive disclosures about how climate-related risks have affected or are reasonably likely to affect a company's strategy, business model, and outlook in the short, medium, and long term.

Targets and Goals

For companies that have made public pledges to reduce their carbon footprint or set other environmental goals, the proposed rules require detail about how the goals are expected to be met and progress toward them, including with supporting data and detail.

Governance

Specific disclosures about the board's oversight of climate-related risks and management's role in assessing and managing climate-related risks.

Risk Management

Processes for identifying, assessing, and managing climate-related risks and, if applicable, climate-related opportunities.

Shift to a Stakeholder Model

Not just about compliance...



Poll Question 2:

I feel confident in my organization's ability to build a repeatable and reliable data process for ESG reporting and assurance.

- a. Strongly agree
- b. Agree
- c. Neither agree nor disagree
- d. Disagree
- e. Strongly disagree

Poll Question 2 Results: (Placeholder)

Challenges and Opportunities for Management Accountants

Management Accountants



Challenges

- New issues
- Data privacy
- Disparate data
- New data systems (non-financial)
- Unstructured vs. structured data
- Resource constraints
- General ledger not set up to “flag” this data for reporting

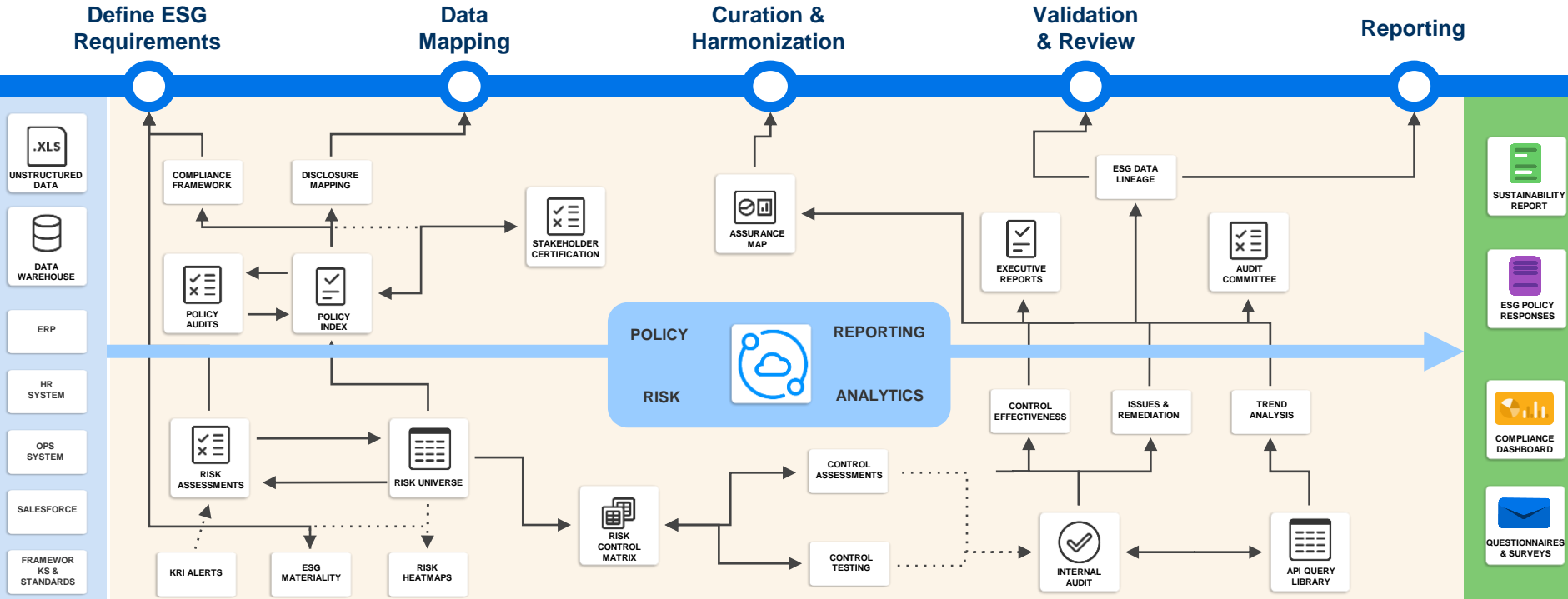


Opportunities

- Experts: Understanding and applying reporting standards
- Explore new ways to report data and metrics
- Agent of change
- Advise leadership team on ESG-related business decisions

Benefits of Connecting Structured and Unstructured Data

ESG Performance Framework



Poll Question 3:

Has your company published an ESG report?

- a. Yes, full report (all disclosures)
- b. Yes, limited report/disclosures
- c. No
- d. I don't know

Poll Question 3 Results: (Placeholder)

Case Study: Cornerstone Building Brands

OUR ESG NARRATIVE FRAMEWORK

Building Better for Stronger Communities Now and for Generations to Come



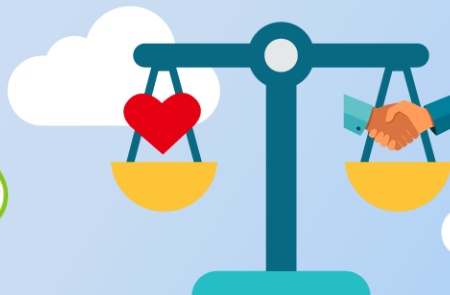
Building a Safer Tomorrow

We believe that we can reduce our environmental footprint & continuously improve as stewards of the planet. As we make choices about how we grow & evolve our business, we are committed to creating a better world for future generations.



Building Caring Communities

We care for our customers, employees & our communities. We commit to continued progress in community outreach, employee engagement & a culture of care & inclusion. Our highest priority is always the safety of our employees, customers & communities



Building with Ethics & Integrity

We ensure that trust & integrity is the foundation of everything we do; our employees conduct business aligned with our Core Values.



Building via Innovative Solutions

We challenge the status quo & develop creative solutions to provide value to our customers. We leverage innovation & stewardship to develop safer, more sustainable products.

Cornerstone Building Brands: ESG Reporting Process

1. Leadership embarked on journey to issue inaugural sustainability report in 2022
2. Developed ESG Council
3. Initial risk assessment, scoping
 - Prioritized issues most material to shareholders
 - Interviews: CBB's management, functional experts, and external stakeholders (e.g., investors, customers, suppliers, peers, and industry organizations)
4. Data
 - Identification of data sources and people
5. Report was prepared in accordance with GRI Standards: Core Option (2016) and in partial alignment with the SASB standards for the Building Products & Furnishings Industry
6. Draft report
7. Internal audit review
8. Certifications
9. Final report issuance—April 2022

ESG Vision

Our Environmental Footprint

We believe through our ESG initiatives and the reduction of our environmental footprint, we will continuously improve as stewards of the environment. By addressing initiatives that impact climate change, energy use and the environment, we seek to have a positive impact for both our stakeholders and the planet.

- [Climate Change & Energy](#)
- [Waste, Water & Land Use](#)

Care for Our Employees, Customers & Communities

We are committed to the wellbeing of our employees and the communities and customers we serve. We believe that our sustainable business practices along with our commitment to ESG lead to positive societal benefits. Our highest priority is always the safety of our employees.

- [Talent Acquisition, Engagement & Retention](#)
- [Diversity, Equity & Inclusion](#)
- [Occupational Health, Safety & Wellbeing](#)
- [Customer Experience](#)
- [Community Engagement & Philanthropy](#)
- [Human Rights](#)

Responsible Building Solutions

We develop and manufacture products that provide exterior building solutions to customers across North America. We feel a responsibility not only to uphold product integrity and safety, but also to leverage innovation and stewardship to meet the needs of our customers and promote sustainability in our products.

- [Product Quality & Safety](#)
- [Product Innovation](#)
- [Product Stewardship](#)

Corporate Governance & Business Ethics

Cornerstone Building Brands: Building a Robust Reporting Program

1. Get key stakeholders involved early in the process
2. Select a data reporting and repository platform upfront
3. Develop defined processes/procedures for ensuring completeness and accuracy of data
4. Determine methodology for resolving data inconsistencies
5. Allow plenty of time to pull/obtain the data (i.e., water, energy, waste)
6. Allow time for data validation by auditors



Poll Question 4:

What is your biggest concern about ESG reporting?

- a. Completeness and accuracy of data
- b. Reporting on the right things
- c. Greenwash or fraud
- d. Not meeting stakeholder expectations
- e. Not leveraging opportunities
- f. Something else

Poll Question 4 Results: (Placeholder)

Key Takeaways

Key Takeaways

Six Dimensions of a Robust ESG Reporting Approach



- Understand your organization's culture around ESG reporting
 - Legal and compliance view only
 - Leaning into ESG reporting
- Determine your organization's current path in the ESG reporting process
- Identify your organizational goals
 - Will influence reporting and assurance
 - Next steps to support
- Know private vs. public
 - Public—will require assurance
 - Private
 - Some reporting requirements
 - Supplier contractual agreements
 - May require assurance

1. Strategy

Clear, future-oriented reporting strategy and messaging in place with strong executive alignment

2. Process

Well-defined reporting calendar established, supported by effective reporting and governance processes

3. Data

Data definitions and sources for priority metrics and KPIs are established, accessible and trusted

4. Technology

Data creation, collection, and reporting systems are integrated with appropriate automation

5. People & Organization

Reporting strategy, resources, roles, responsibilities, and interaction models are well understood across the organization

6. Controls & Compliance

Controls are effective to stay abreast of requirements and promote accurate and consistent data, metrics and KPIs, and disclosures

Key Actions

1. Develop ESG steering committee/council
2. Conduct a materiality or risk assessment to determine which ESG topics are important or "material" to the organization, its investors, and other stakeholders
3. Implement appropriate board oversight of material ESG matters
4. Integrate/align material ESG topics into the enterprise risk management process
5. Integrate ESG matters into the overall company strategy
6. Determine ESG data sources and start verifying completeness and accuracy
7. Implement effective internal control over the ESG data collection, processing, and reporting process

Questions and Answers



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Thank you to our featured presenters!



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Final Reminders

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 - On your screen
 - Evaluation Survey icon at the bottom of your console
- ▶ **Access to your CPE certificate**—2 options
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