

Environmental, Social and Governance Compliance From All Sides Now

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San Francisco Regional Compliance & Ethics
Conference
SCCE
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Objectives & Agenda

Objectives

- Broaden awareness of how ESG compliance obligations can arise
- Illustrate risks from these compliance obligations
- Share insights on how to manage these risks

Agenda

- 1) ESG Basics
- 2) Origins of Compliance Obligations (5 channels)
- 3) Climate Change
- 4) Good Practices/ Common Gaps

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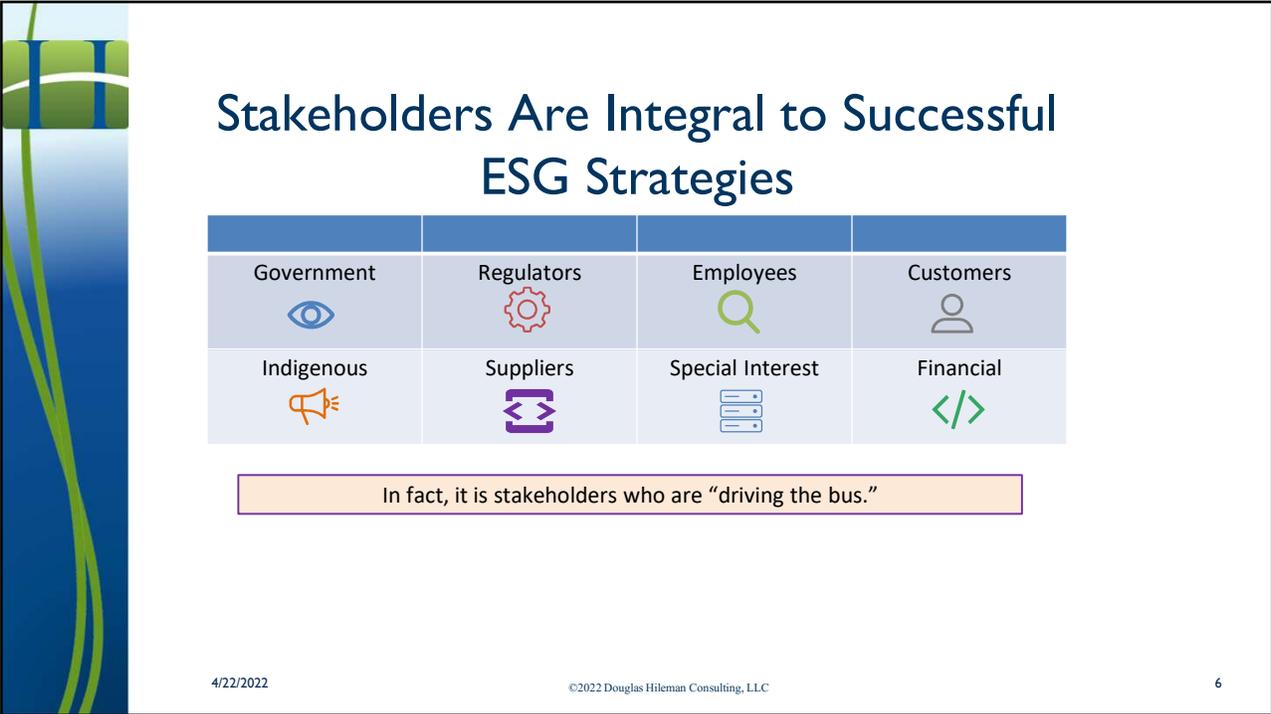
WHAT IS ESG?



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Why ESG/ Sustainability?

- Compliance
 - Reporting and disclosures to capital markets
 - Other regulatory reporting or disclosures
 - As required by contracts (business partners)
- Industry and professional standards (ISO, OECD, Green Bonds)
- Marketing differentiator
- Attract / retain talent
- Create (financial) value
- Drive non-financial value: human capital; environmental improvements
- Social license to operate
- Align and improve organization culture



There is business value to ESG,
if organizations will pursue it.

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Origins of Compliance Obligations



- Laws and Regulations
- Other Legally Enforceable
- Industry & Topical Standards, Reporting Frameworks
- Voluntary Commitments
- Multi-Channel (Climate Change)

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Compliance: Laws and Regulations

- SEC
- EPA
- OSHA
- Department of Labor
- Department of Fair Employment and Housing
- Consumer Products Safety Commission
- Department of Commerce
- U.S. Customs and Border Protection Agency
- U.S. Department of Homeland Security

Some requirements are prescriptive.
Companies must tailor their programs to fulfill non-prescriptive requirements.

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Conflict Minerals & Section 1502 of the Dodd-Frank Wall Street Reform & Consumer Protection Act

Why We Need to Act



REPORTING

Companies must identify whether conflict minerals are present within their products and submit a report to the U.S. Securities and Exchange Commission (SEC).



BRAND

These reports are public disclosures and must be made available on the websites of U.S. publicly-traded companies.



FUTURE REQUIREMENTS

The EU Conflict Minerals Regulation came into force on January 1, 2021.

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Expanded Responsible Minerals Scope: 2021/22

Conflict Minerals = Source of Origin/Chain of Custody



Responsible Minerals = Environmental, Social & Governance



50 Sn Tin 118.71	74 W Tungsten 183.84	79 Au Gold 196.97	73 Ta Tantalum 182.05
----------------------------------	--------------------------------------	-----------------------------------	---------------------------------------

24 Cr Chromium 51.996	28 Ni Nickel 58.693	82 Pb Lead 207.2
51 Sb Antimony 121.76	25 Mn Manganese 54.938	77 Ir Iridium 192.22
42 Mo Molybdenum 95.96	27 Co Cobalt 58.933	3 Li Lithium 6.94
30 Zn Zinc 65.38	13 Al Aluminum 26.982	46 Pd Palladium 106.42
26 Fe Iron 55.845	44 Ru Ruthenium 101.07	76 Os Osmium 190.23
23 V Vanadium 50.942	45 Rh Rhodium 102.91	78 Pt Platinum 195.08
47 Ag Silver 107.87	81 Tl Thallium 204.38	29 Cu Copper 63.546

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Uyghur Forced Labor Prevention Act (UFLPA)

***H.R.6256 - To ensure that goods made with forced labor in the Xinjiang Uyghur Autonomous Region of the People's Republic of China do not enter the United States market, and for other purposes.**

New U.S. Import Requirements:

Scope: Companies importing goods into the U.S.

Requirements:

- Establish reliable procedures to ensure they are not importing goods into the U.S. made *in whole or in part* by forced labor in the Xinjiang Uyghur Autonomous Region (XUAR) of China

Timeline: June 21, 2022 - June 21, 2030 (minimum)

Impact: All goods sourced from or produced in XUAR – including any goods incorporating such goods *in any amount* – will be banned from entering the U.S. pending a favorable determination by Customs.

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Forced Labor Allegations Cause Loss of U.S. Market Access

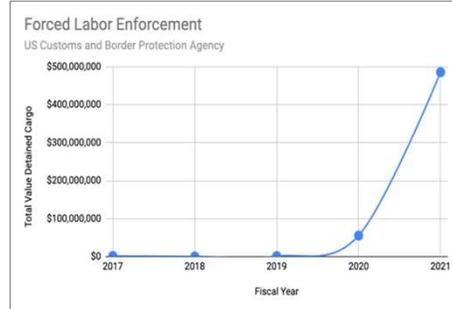
Record-breaking Number of Shipments (~1,000) Detained at U.S. Border in Q4 '21 over Forced Labor Allegations

Example:

PureCircle saw a 13.4 percent drop in sales due to lost U.S. market access over a forced labor allegation lodged against a Chinese manufacturer, and paid \$575,000 in penalties.

Enforcement Highlights:

Prepare for increased enforcement action in 2022 with second forced labor investigation branch added in Q4 '21.



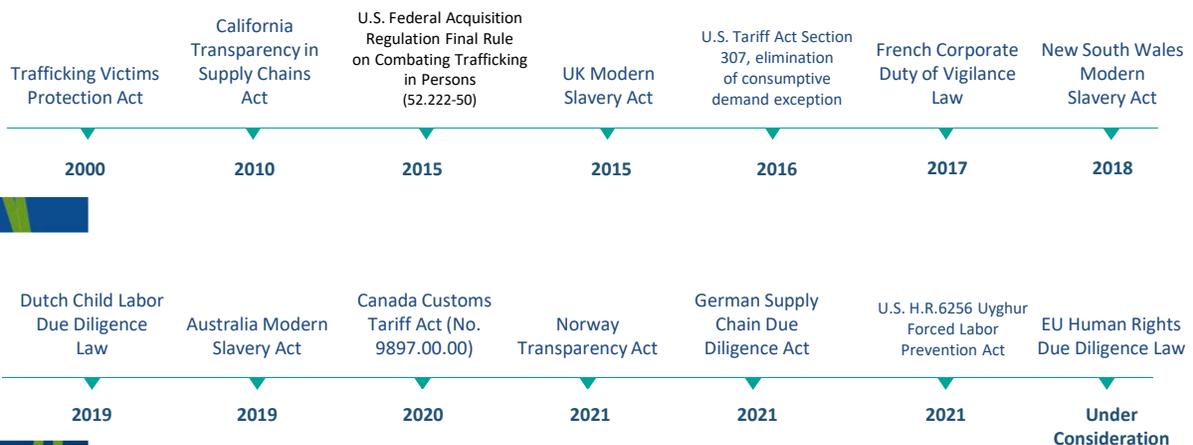
Occurrence	Types of Products Targeted	Country of Origin
2021	Silica-Based Products	China
2020	Computer Parts	
2019	Gold	DRC
2021	Disposable Gloves	Malaysia
2020		

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Forced Labor: From Business Risk to Regulatory Requirements

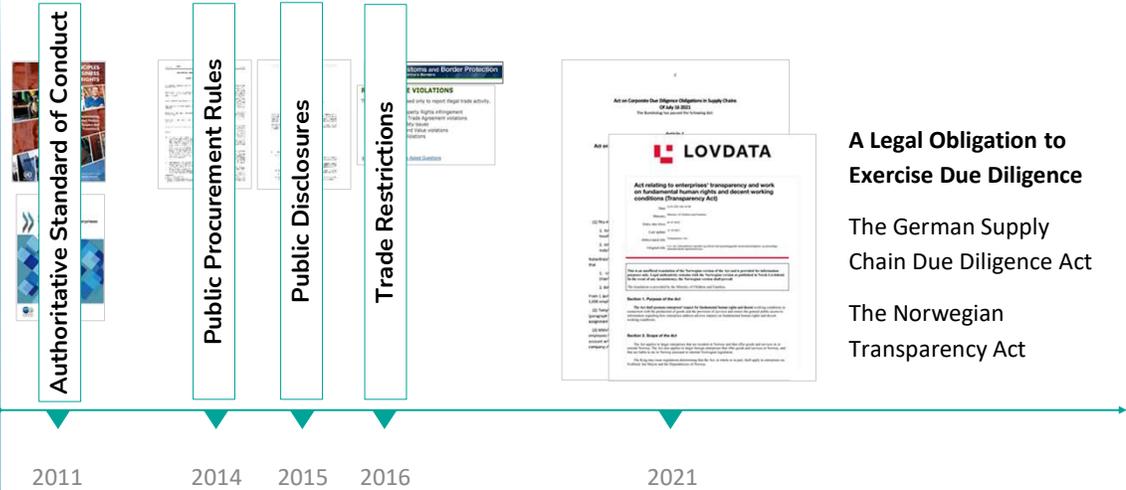


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Paradigm Shift in Europe

Legal Obligation to Comply with Due Diligence Standard by 2023 or 2024



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Hoshine Is the Most Impactful WRO

Silica-based Products Include Anything with Semiconductors

Withhold Release Orders

BRAZIL

CHINA

#	Date	Merchandise	Entities	Status	Status Notes
44	06/23/2021	Silica-based products	Hoshine Silicon Industry Co. Ltd. and Subsidiaries	Active	Reference Hoshine Frequently Asked Questions Press Release

Hoshine Silicon Industry Co. Ltd Withhold Release Order Frequently Asked Questions

- What is the scope of the Hoshine WRO? Does it apply only to Hoshine-made silica-based products produced in Xinjiang? Could it apply to products made in other parts of China or in third countries?
- How will this WRO affect imports into the United States for goods containing silica?
- What indicators of forced labor did CBP identify against Hoshine?
- What happens after CBP detains goods under the WRO?
- What kind of evidence will CBP expect from importers seeking release of detained shipments?
- What can importers do if they want information, prior to importing, re: handover into the United States, regarding whether their product may be subject to the Hoshine WRO?
- Is there specific guidance for importers of silica-based and solar products regarding the exercise of reasonable care with respect to the Hoshine WRO?
- Can an importer mitigate the risk of having silica-based products sourced from Hoshine in its supply chain by sourcing polysilicon materials outside of Xinjiang?

As explained in the U.S. government's Xinjiang Supply Chain Business Advisory Risks and Considerations for Businesses and Individuals with Exposure to Entities Engaged in Forced Labor and other Human Rights Abuses linked to Xinjiang, China (updated July 13, 2021), polysilicon products sourced from Xinjiang carry a high risk of forced labor. An importer can lower its risk of exclusions under the Hoshine WRO if it sources polysilicon from outside of Xinjiang.

"Nearly one-third of the planned utility-grade solar projects set for development in 2021 were delayed or cancelled due to the WRO (Hoshine)." American Clean Power Association

<https://www.cbp.gov/trade/programs-administration/forced-labor/hoshine-silicon-industry-co-ltd-withhold-release-order-frequently-asked-questions>

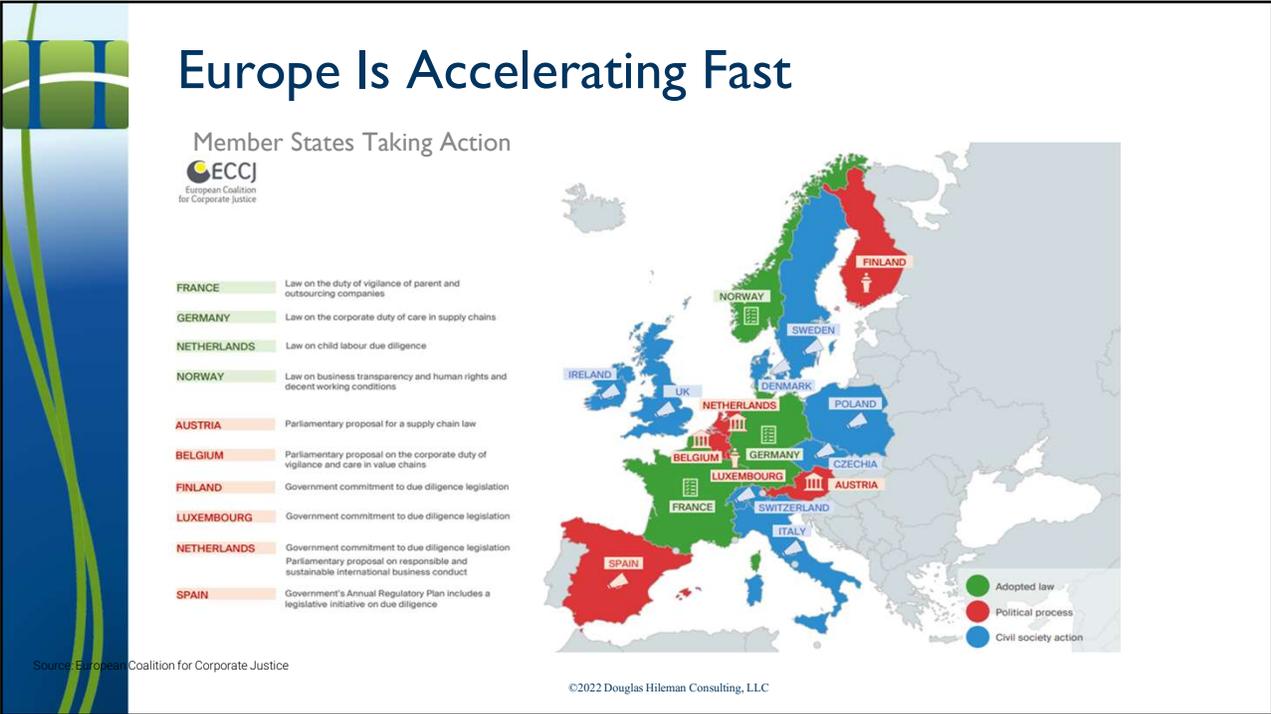
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In Focus: German Due Diligence Act

Requirements:

1. Establish a **risk management system**
2. Define in-house **responsibility**
3. Perform regular **risk analyses**
4. Issue a **policy** statement
5. Establish **preventive measures**
6. Take **corrective action**
7. Establish a **complaints procedure**
8. Implement due diligence on **indirect suppliers**
9. **Document and report**

Human Rights

- ▶ Child Labor/Worst Forms of Child Labor
- ▶ Collective Bargaining
- ▶ Occupational Health & Safety
- ▶ Unequal Treatment/ Discrimination
- ▶ Adequate Living Wage
- ▶ Act or Omission in Breach of Duty to Act
- ▶ Freedom of Association
- ▶ Unlawful Eviction - Land, Forest, Water
- ▶ Forced Labor
- ▶ Environmental Damage/Excessive Consumption
- ▶ Slavery
- ▶ Improper Use of Security Forces

Environmental

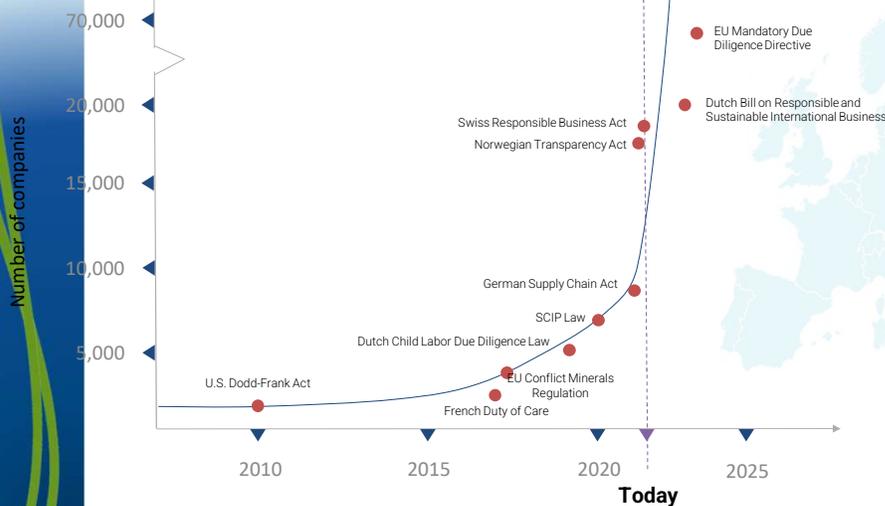
- ▶ Manufacture Mercury-Added Products
- ▶ Inadequate Treatment of Mercury Waste
- ▶ Inadequate Handling, Collection, Storage, and Disposal of Waste
- ▶ Use of Mercury/ Mercury Compounds in Manufacturing Process
- ▶ Prohibited Production & Use of POPs
- ▶ Illegal Transboundary Movement of Waste

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Paradigm Shift in Europe

Exponential Increase in Mandatory Due Diligence Obligations



Real network multiplier effect

10X

as obligations cascade into the supply chains of in-scope businesses.

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EU Directive on Corporate Sustainability Due Diligence (Proposed)

A Peek into What May Be Coming

- Broad due diligence requirements on operations, subsidiaries and across the value chain (downstream and upstream), including corporate governance reforms
- Applies to large EU and non-EU companies
 - After two years: medium sized EU and non-EU companies in high risk sectors
- Human rights, environment, and climate change
- Expected to enter into force in 2026

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A Game Changer: EU Corporate Sustainability Reporting Directive

	Current EU Directive	Corporate Sustainability Reporting Directive (Proposal)
How many companies?	11,700	49,000
Companies in scope	Public interest entities with >500 employees (listed companies + banks and insurance companies)	<ul style="list-style-type: none"> • Listed companies • Large companies meeting 2 of criteria: <ul style="list-style-type: none"> ◦ >250 employees ◦ >€40M Turnover ◦ >€20M Total Assets
Information to be disclosed	<ul style="list-style-type: none"> • Environmental matters • Social matters and treatment of employees • Respect for human rights • Anti-corruption and bribery • Diversity on company boards 	Additional reporting requirements on: <ul style="list-style-type: none"> • Double materiality • Complete coverage of all sustainable development themes (ESG) • Alignment with EU sustainability reporting standards • Reporting in line with Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy Regulation
Independent third-party assurance?	Not mandatory (for most)	Mandatory
Effective Date	FY 2018	FY 2023 (expected)

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Compliance: Other Legally Enforceable Concerns

- Contracts with business partners
- Transactions
- Customers
- Landlords
- Financial institutions
- Insurance providers
- Labor unions

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Compliance: Other Legally Enforceable Concerns

Transactions

- Seller will clean up site ... Buyer will operate in compliance Seller can audit ...
- Seller is in compliance and will pay If Buyer discovers and submits claim within XX months ...

Landlords

- Landlord will purchase power from renewable sources ...
- Landlord will maintain at least LEED Gold certification ...
- Landlord will build out lactation room for on the floor ...
- Tenant will separate waste into: paper; cardboard; organic ...
- Landlord will maintain and test air quality by

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Compliance: Customers Russian Sources of Minerals from CMRTs

Standard Smelter Names	Smelter Facility Location: Country	Smelter ID	Source of Smelter Identificat Number	Smelter Street	Smelter City	Smelter Facility Location: State / Province
73 JSC Ekaterinburg Non-Ferrous Metal Processing Plant	RUSSIAN FEDERATION	CID000927	RMI		Verkhnyaya Pyshma	Sverdlovskaya oblast'
79 Moscow Special Alloys Processing Plant	RUSSIAN FEDERATION	CID001204	RMI		Obrucheva	Moskva
81 JSC Novosibirsk Refinery	RUSSIAN FEDERATION	CID000493	RMI		Novosibirsk	Novosibirskaya oblast'
125 JSC Ekaterinburg Non-Ferrous Metal Processing Plant	RUSSIAN FEDERATION	CID000927	RMI		Verkhnyaya Pyshma	Sverdlovskaya oblast'
126 JSC Novosibirsk Refinery	RUSSIAN FEDERATION	CID000493	RMI		Novosibirsk	Novosibirskaya oblast'
127 JSC Uralelectromed	RUSSIAN FEDERATION	CID000929	RMI		Verkhnyaya Pyshma	Sverdlovskaya oblast'
145 Kyshtym Copper-Electrolytic Plant ZAO	RUSSIAN FEDERATION	CID002865	RMI		Kyshtym	Chelyabinskaya oblast'
183 Moscow Special Alloys Processing Plant	RUSSIAN FEDERATION	CID001204	RMI		Obrucheva	Moskva
194 OJSC "The Gulidov Krasnoyarsk Non-Ferrous Metals Plant" (OJSC Krastsvetmet)	RUSSIAN FEDERATION	CID001326	RMI		Krasnoyarsk	Krasnoyarskiy kray
195 OJSC "The Gulidov Krasnoyarsk Non-Ferrous Metals Plant" (OJSC Krastsvetmet)	RUSSIAN FEDERATION	CID001326	RMI		Krasnoyarsk	Krasnoyarskiy kray
196 JSC Novosibirsk Refinery	RUSSIAN FEDERATION	CID000493	RMI		Novosibirsk	Novosibirskaya oblast'
204 Prioksky Plant of Non-Ferrous Metals	RUSSIAN FEDERATION	CID001386	RMI		Kasimov	Ryazanskaya oblast'
246 SOE Shyolkovsky Factory of Secondary Precious Metals	RUSSIAN FEDERATION	CID001756	RMI		Shyolkovo	Moskovskaya oblast'
363 Solikamsk Magnesium Works OAO	RUSSIAN FEDERATION	CID001769	RMI		Solikamsk	Permskiy kray
364 Solikamsk Magnesium Works OAO	RUSSIAN FEDERATION	CID001769	RMI		Solikamsk	Permskiy kray
365 Solikamsk Magnesium Works OAO	RUSSIAN FEDERATION	CID001769	RMI		Solikamsk	Permskiy kray
467 Novosibirsk Processing Plant Ltd.	RUSSIAN FEDERATION	CID001305	RMI		Novosibirsk	Novosibirskaya oblast'
540 Artek LLC	RUSSIAN FEDERATION	CID003553	RMI		Moscow	Moskva
571 Hydrometallurg, JSC	RUSSIAN FEDERATION	CID002649	RMI		Nalchik	Kabardino-Balkarskaya Respublika
581 JSC "Kirovgrad Hard Alloys Plant"	RUSSIAN FEDERATION	CID003408	RMI		Kirovgrad	Sverdlovskaya oblast'
589 Molten Ltd.	RUSSIAN FEDERATION	CID002845	RMI		Roshal	Moskovskaya oblast'
591 NPP Tyazhmetprom LLC	RUSSIAN FEDERATION	CID003416	RMI		Kopeysk	Chelyabinskaya Oblast'
593 OOO "Technolom" 1	RUSSIAN FEDERATION	CID003614	RMI		Ramenskoe	Moskovskaya oblast'
594 OOO "Technolom" 2	RUSSIAN FEDERATION	CID003612	RMI		Ramenskoe	Moskovskaya oblast'
597 Unecha Refractory metals plant	RUSSIAN FEDERATION	CID002724	RMI		Unecha	Bryanskaya oblast'

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Compliance: Business Partners Scope 3 Greenhouse Gas Emissions

GHG emissions arising from

- Making products
- Transportation of products from suppliers
- Transportation of products to customers
- Production at specified facilities
- Activities in your supply chain (Tier 1, Tier 2, etc.)
- How you use their products
- How products are treated or disposed of

AND ... the basis for the calculations (operational boundaries, emissions factors, etc.)
AND ... if the data has been independently verified.

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Compliance: Voluntary Obligations

Code of Conduct

- Publicly available
- Applicability: employees, contractors, suppliers, key business partners
- Content: ethics, respectful conduct, anti-harassment, regulatory compliance
- Responsibility for enforcing: the publishing company
- Mechanisms to identify non-compliance: employee complaints, grievances, whistleblower
- Potential consequences: suspension, loss of pay, termination, loss of contract, litigation, disclosure to government enforcement authorities

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Compliance: Industry and Topical Standards, Frameworks



Each one establishes parameters and criteria for reporting.

Content must be provided to be "in compliance" with them.

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The ESG Reporting Landscape



Each for its own purpose.

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3 ATTRIBUTES OF ESG REPORTING That Differ from Financial Reporting



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ESG Reporting: Primarily for Capital Markets

SEC

- Modernized Regulation SK Items 101, 103, 105
- Material effects that compliance with government regulations, including environmental regulations, may have on the capital expenditures, earnings and competitive position of the registrant and its subsidiaries
- Expands disclosure requirements related to human capital
- Disclose “material” risk factors [no longer “most significant”]
- Proposed rule for climate related disclosures on March 21, 2022



ISSB

- Exposure Draft General Requirements for Disclosure of Sustainability-related Financial Information: March 31, 2022
- Exposure Draft: Climate-related Disclosures: March 31, 2022



Green Bond Principles



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ESG Reporting: Other Public Requirements

- GRI (initially Global Reporting Initiative)
- CDP
- Compliance Reporting
- Company websites
- Product/service labels, representations

- EU: Non-Financial Reporting; Taxonomy; Corporate Sustainability Reporting Directive



EU Taxonomy describes what qualifies as a “green investment.”

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GRI Universal Standards (Excerpts)

Major Updates Effective for reports issued 1/1/2023

General Principles: Applies “materiality”

- Indicate which data has been measured, basis for calculations
- Indicate which data has been estimated, explain the underlying assumptions and techniques and limitations of the estimates
- Comply or explain (if you don't report on a mandatory topic)



Verifiability: **Set up internal controls** and organize documentation such that individuals other than those preparing reported information (e.g., **internal auditors, external assurance providers**) can review them.

- Document the decision-making process ...
- ... design [IT] systems in a way they can be examined **as part of external assurance process**

“internal audit” doesn't necessarily refer to “third line”;
it could be 2LOD audits (environmental, safety, supply chain due audits, fair wages, etc.)

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GRI Universal Standards (Excerpts)

Major Updates Effective for reports issued 1/1/2023

Comparability

- ... Info for current reporting period and at least two previous periods
- Present any goals and targets that have been set.
- Report total numbers/ absolute data as well as ratios or normalized data
- Present current disclosures alongside restatements of historical data



External Assurance [Excerpts]

- The org. **should** seek external assurance for sustainability reporting (“SR”).
- External assurance results in published assurance reports or conclusions that can be used to verify that the information has been prepared **in accordance with** reporting standards ...

DHC Note: These concepts will look familiar
They show up in the SEC Proposed Rule on Climate Related Disclosures (3/21/2022)

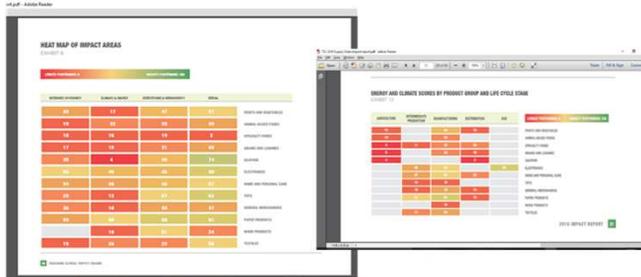
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B2B: Sustainability Consortium Sustainability Impacts by Product Categories



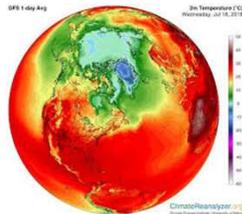
Impact areas by product category, and extent of data where those impacts occur in the product life cycle.
Do these impacts align with SASB? GRI?

Compliance: Voluntary Commitments

- Certifications: ISO 14001; ISO 45001; L.E.E.D.; Energy Star; B Corp
- Green labels: Sustainable Forestry Initiative Certified Sourcing; Certified Organic



ESG Reporting: Climate Change



The issue & risks:
Proposed disclosure rules: SEC, ISSB

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SEC Proposed Rule By the Numbers



Release Date: March 21, 2022	Page Count	Number of Questions
Total	510	
Discussion Section	256	202
Impacts on Strategy, Business Model and Outlook	22	14
Governance	8	8
Risk Management	8	10
Financial Statement Metrics	48	41
GHG Emissions Metrics	74	41
Attestation of Scope 1 and Scope 2 Metrics	54	33
Targets and Goals	8	7

Hileman observation:
Most of the pages & questions are on quantitative, backward-looking information.

Investors are interested in the company's strategy & plans for future mitigation, resilience, and opportunities.

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SEC Proposed Rule Governance



- Board's oversight of climate-related risks (CRR)
- Identity of member or committee
- Expertise in CRR
- How Board discusses/is informed about CRR (and how often)
- Whether/how Board considers CRR as part of business strategy, risk management and financial oversight
- Whether/ how Board sets climate-related targets or goals; how it oversees
- (Optional) similar questions for opportunities
- Management's role (similar to above)

Brown text involves: influence; narrative; and/or forward-looking content.

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SEC Proposed Rule Risk Management



- Describe any processes for identifying, assessing and managing CRRs. How does a registrant ...
 - Determine relative significance of CRR compared to other risks
 - Consider existing or likely regulatory requirements or policies
 - Determine materiality, including potential scope and impact of an identified CRR
 - Decide whether to mitigate, accept or adapt
- If the registrant has a transition plan, describe it - including relevant metrics and targets
- Update disclosures about transition plan each fiscal year

Brown text involves: influence; narrative; and/or forward-looking content.

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SEC Proposed Rule GHG Emissions Metrics



Scope 1 and 2 emissions

- Disclose Scope 1 and Scope 2 separately

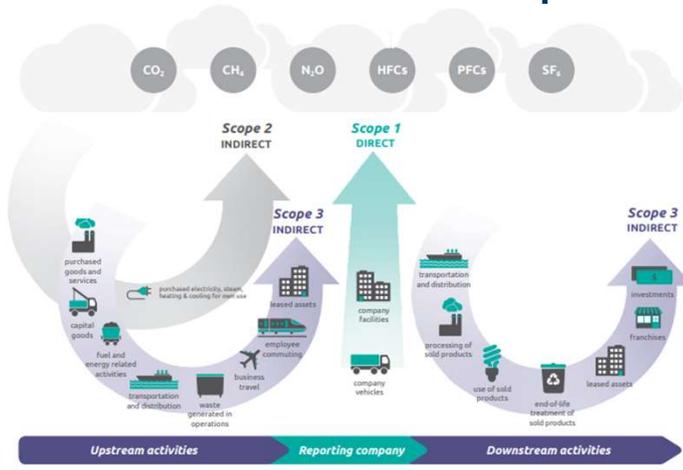
Scope 3 emissions

- Disclose Scope 3, **if material**
- **Disclose Scope 3** if registrant has set a GHG emissions reduction target or goal that includes Scope 3 emissions.
- If any Scope 3 category is significant, identify all such categories and provide Scope 3 emissions data separately, along with total

Scope 1 = Direct emissions, from combustion
 Scope 2 = Indirect emissions from purchase of electricity
 Scope 3 = All other indirect, including (upstream and downstream) value chain

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GHG Protocol Explains it All



Scope 1 = Direct emissions, from combustion
 Scope 2 = Indirect emissions from purchase of electricity
 Scope 3 = All other indirect, including (upstream and downstream) value chain

Scope 3
 Upstream: 8 categories
 Downstream: 7 categories

Source: https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf

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SEC Proposed Rule Targets and Goals



If it has set any targets or goals, must disclose

- GHG emissions reductions
- Other climate-related target or goals (energy usage, water usage, conservation or ecosystem restoration, revenues from low-carbon products)
- **Scope of activities** included in the target
- Defined baseline info: time period and emissions [or criteria]
- Interim targets
- **How to meet targets or goals.**
- **Relevant data to indicate progress**

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Climate Related Targets and Goals: Examples

(NOT content from
the Proposed Rule)

- 144 of Fortune Global 500 companies: commitment to be carbon neutral by 2030
- Every Apple device sold will have net-zero climate impact. (Apple, August 2020)
- Project Gigaton: Walmart initiative to avoid a gigaton of GHG emissions from value chain
- Trane Technologies: Help reduce customers' carbon emissions by one gigaton by 2030
- Chipotle – Cut [greenhouse gas emissions by 50% by 2030](#)
- Yum Brands – Reduce greenhouse gas emissions by 46% by 2030
- Panera Bread – [carbon positive by 2050](#)

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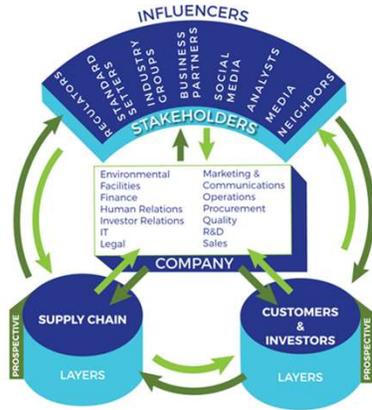
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Feeling the Pressure from All Sides? No Wonder!



All reporting good.
All stakeholders satisfied.
Internal controls well-
designed and running
smoothly.
Everyone provides complete,
honest feedback to you.



Reporting incomplete, inconsistent,
or not verifiable.
Any stakeholder not satisfied.
Internal controls missing, poorly
defined, or not implemented.
Everyone talks to everyone else –
but not you.

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ESG: Suggestions for Compliance & Ethics Professionals



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ESG: General “Compliance”



Good Practices	Common Gaps	Selected Process Steps
<p>Recognizes full scope of “compliance” with processes, systems, internal controls for all.</p> <ul style="list-style-type: none"> · Statutory/ regulatory · Legally enforceable w business partners · Industry standards and relevant frameworks · Voluntary obligations 	<p>Limited or informal processes, systems, internal controls for compliance other than regulatory.</p> <ul style="list-style-type: none"> · Contracts in the supply / value chain · Loan agreements · Insurance policies · Industry standards <p>Making public commitments without understanding what is entailed with meeting them.</p>	<ul style="list-style-type: none"> · Check compliance register for “under-represented” compliance requirements · Check legal actions, claims related to ESG · Assess culture and processes around industry standards, certifications · Review press releases, press coverage, other public ESG commitments.

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ESG Compliance: Laws & Regulations



Good Practices	Common Gaps	Selected Process Steps
<ul style="list-style-type: none"> · Use multiple avenues to identify ESG compliance requirements · Follow broad array of compliance requirements for impact: cross-border applicability or value chain relevance · Recognize opportunities 	<ul style="list-style-type: none"> · Use traditional avenues to identify compliance requirements · “This doesn’t apply” – non-U.S., private companies · Compliance activities “bolted on”; not embedded into business processes, systems, tools 	<ul style="list-style-type: none"> · Review compliance register for completeness · Discuss opportunities

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ESG Compliance: Legally Enforceable



Good Practices	Common Gaps	Selected Process Steps
<p>All ESG requirements and risks identified and embedded into all relevant aspects of third-party risk management</p> <ul style="list-style-type: none"> Contracting Monitoring Improvements Reporting Continuity planning <p>Use IT and data management solutions to control & track compliance throughout value chain</p>	<ul style="list-style-type: none"> ESG requirements considered ad hoc “Set it and forget it” ESG criteria not considered in Management of Change 	<ul style="list-style-type: none"> Evaluate design, implementation of internal controls re: ESG provisions in supply chain agreements Assess inclusion and effectiveness of ESG provisions in Management of Change

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ESG Compliance: Industry & Topical Standards & Frameworks



Good Practices	Common Gaps	Selected Process Steps
<ul style="list-style-type: none"> Adopt industry frameworks as compliance requirements Use technology to enable compliance Track audit findings; monitor for inconsistencies and escalate as needed 	<ul style="list-style-type: none"> Regarded as voluntary Roles, responsibilities delegated to resources without capacity or authority. 	<ul style="list-style-type: none"> Formalize management of audits and findings Take inventory of IT systems, tools – and available commercial options Align resourcing with current organizational profile

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ESG Compliance: Voluntary Commitments



Good Practices	Common Gaps	Selected Process Steps
<ul style="list-style-type: none"> · Data required for ESG compliance, reporting and disclosures is accurate, verifiable · Key documents are controlled documents · Strong controls re data exchanged with supply chain & value chain · Awareness of needs, and resources allocated 	<ul style="list-style-type: none"> · Voluntary commitments not identified · Inconsistent commitments made to different parties · Reliance of other parties on voluntary commitments not understood · Reliance on Excel & Word files · Uncontrolled documents · Data and information from third parties exists in many forms · Management, IT not aware of gaps 	<ul style="list-style-type: none"> · Inventory voluntary commitments, roles & responsibilities, controls for each · Identify and evaluate risks · Assess utility of existing systems · Identify and prioritize data management needs · Improve use of IT-enabled processes and solutions · Include progress on voluntary commitments in internal compliance dashboards.

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ESG Compliance: Climate Change



Good Practices	Common Gaps	Selected Process Steps
<ul style="list-style-type: none"> · CECO communicates with Board, Management, Internal Audit · Conduct readiness assessment for proposed rules (SEC and ISSB) · Create inventory of compliance obligations, as defined · Identified who needs what data and information · Robust internal controls (including IT) to ensure reliable data, and to prepare for external assurance 	<ul style="list-style-type: none"> · Wait for SEC rule to become final · Don't consider ISSB and other global drivers and regulations · Develop strategy, risk, tools in silos · Wait for external auditor to determine requirements · Poor controls over data, information · Underestimate level of effort with business partners 	<ul style="list-style-type: none"> · Create or enhance cross-functional team · Leverage experienced outside resources to accelerate compliance and risk processes · Identify all sources of climate-related data and information; conduct initial gap assessment · Build and augment competence and capacity

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Doug helps clients with risk management, compliance, capacity building, and audits in the ESG space. He often provides ESG subject matter expertise to law firms, accounting firms, IT and management consultancies. He draws on 40+ years of experience, including in industry, “second line auditing” (environmental, safety, sustainability), supporting Internal Audit and external assurance. He was the senior environmental management and environmental auditing specialist on the Volkswagen Monitor Team.

He has contributed ESG content at chapter, regional and national conferences. He has contributed to thought leadership for the IIA. He co-presented a half-day workshop on ESG and Internal Audit at the 2022 GAM conference. He is on a core team updating a report linking the COSO Internal Controls Framework to ESG – scheduled for release Fall 2022.

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Travis has two decades of experience in environmental firms, public sector, private practice, in-house counsel (tech sector) and has been the General Counsel of Assent, Inc. for six years. His experience includes compliance, product stewardship, risk mitigation, and development and improvement of enterprise software in the ESG space. Many in SCCE will recognize Travis from his active involvement in the conflict minerals space, contributing his wealth of experience and insights to clients and professional associations alike..

He is General Counsel for Assent, Inc. Assent helps complex manufacturers bring responsible products to the world with solutions to see deeper, be smarter and grow better. Assent’s international team of regulatory experts have developed world class solutions for: product compliance, ESG and trade compliance.

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