

Working Together Toward a Common Goal

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Learning Objectives

- ESG is a cross-departmental and complex program. Who should you involve?
- How to bring departments together successfully
- Progressing from committee to program



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ESG: A COMPLEX AND CROSS-DEPARTMENTAL PROGRAM



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Environmental

- Energy Use
- Water Use
- Greenhouse Gas / Carbon Footprint
- Waste to Landfill
- Green building
- Climate change risks
- Biodiversity
- Animal welfare

Social

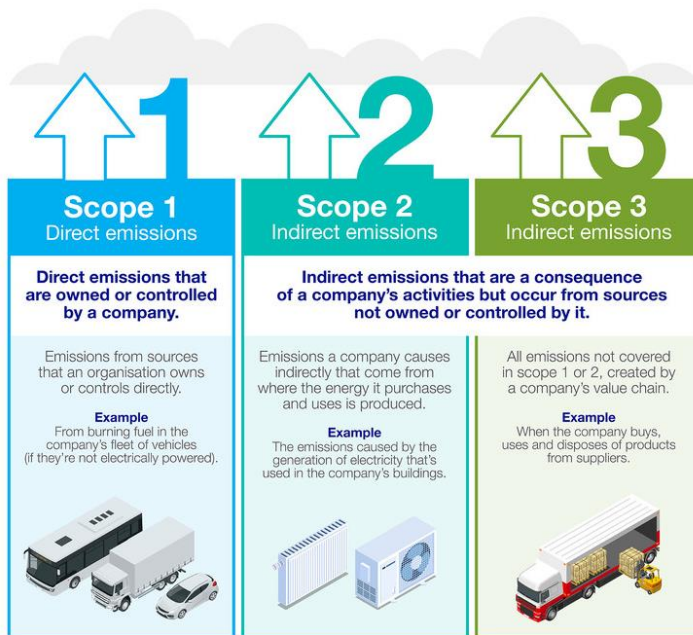
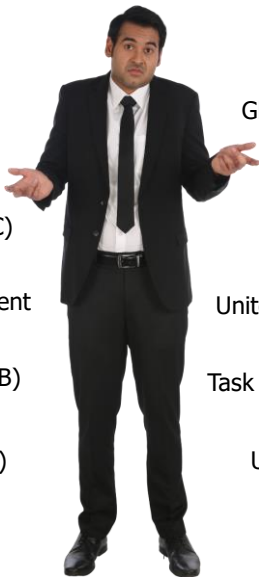
- Human Rights
- Child and forced labor
- Human trafficking
- DEI
- Working conditions
- Wage and Pay Ratios
- Privacy
- Community Relations
- Product integrity and safety

Governance

- Executive compensation
- Board and leadership diversity
- Transparency and disclosure
- Cybersecurity
- Anti-bribery
- Antitrust
- AML / BSA
- Fraud
- Business ethics / corporate culture
- Responsible Supply Chain
- Regulatory compliance
- Conflicts of interest

ESG Frameworks

- Dow Jones Sustainability Indices (DJSI)
- International Organization for Standardization (ISO) 9001 & 14001
- Global Reporting Initiative (GRI)
- Sustainability Accounting Standards Board (SASB)
- Carbon Disclosure Project (CDP)
- Global Real Estate Sustainability Benchmark (GRESB)
- United Nations Global Compact (UNGC)
- Climate Disclosure Standards Board (CDSB)
- SAM Corporate Sustainability Assessment
- International Sustainability Standards Board (ISSB)
- Future-Fit Business Benchmark (FFBB)
- United Nations Sustainable Development Goals (UN-SDG)
- Science Based Targets initiative (SBTi)
- Task Force on Climate-Related Financial Disclosures (TCFD)
- United Nations Principles for Responsibility (UNPRI)



California Climate Accountability Package

On October 7, 2023, California Governor Gavin Newsom signed into law landmark climate disclosure and financial reporting legislation: the [Climate Corporate Data Accountability Act](#) (SB 253) and the [Climate-Related Financial Risk Act](#) (SB 261). Referred to as the Climate Accountability Package, these new California laws impose unprecedented reporting requirements on U.S. companies "doing business" in California.

Applicability:

- Applies to both public and private companies - partnerships, corporations, limited liability companies, or other business entities formed under the laws of California **or any other U.S. state** or the District of Columbia or under an act of the U.S. Congress
- Applies regardless of whether the company has set Scope 3 emissions targets or goals
- Applies if the company generates over \$1 billion in gross annual revenue in the prior fiscal year
- Applies if the company is "doing business" in California - *actively engaging in any transaction for the purpose of financial or pecuniary gain or profit within California*, regardless of whether the company is domiciled in the state.

Summary of requirements:

- Disclosure of Scope 1 and 2 GHG emissions starting 2026 (based on 2025 data)
- Disclosure of Scope 1, 2, and 3 GHG emissions starting in 2027 (based on 2026 data)
- Submission of biennial climate-related financial risk reports to the California Air Resources Board (CARB) and make it available on the corporate website starting in 2026
- Obtain an "assurance engagement" performed by a qualified independent third-party assurance provider to verify Scope 1 and Scope 2 emissions beginning in 2026 and Scope 3 beginning in 2030
- Pay an annual fee

Fines/Penalties:

- Violations of the Climate Corporate Data Accountability Act can result in penalties up to \$500,000 in a reporting year.
- Between 2027 and 2030, penalties for Scope 3 emissions reporting may only occur if the company does not file at all.
- Violations of the Climate-Related Financial Risk Act can result in penalties up to \$50,000 per reporting year



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HOW TO BRING DEPARTMENTS TOGETHER SUCCESSFULLY



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A Seat Around the Table

- Define the “Why”
- Create a RACI chart for the program
- Include major stakeholders
 - Include at least one senior-level individual (preferably C-Suite)
 - Determine voting vs. non-voting members
- Determine **how** and **how often** to meet
 - Do you need Sub-Committees?



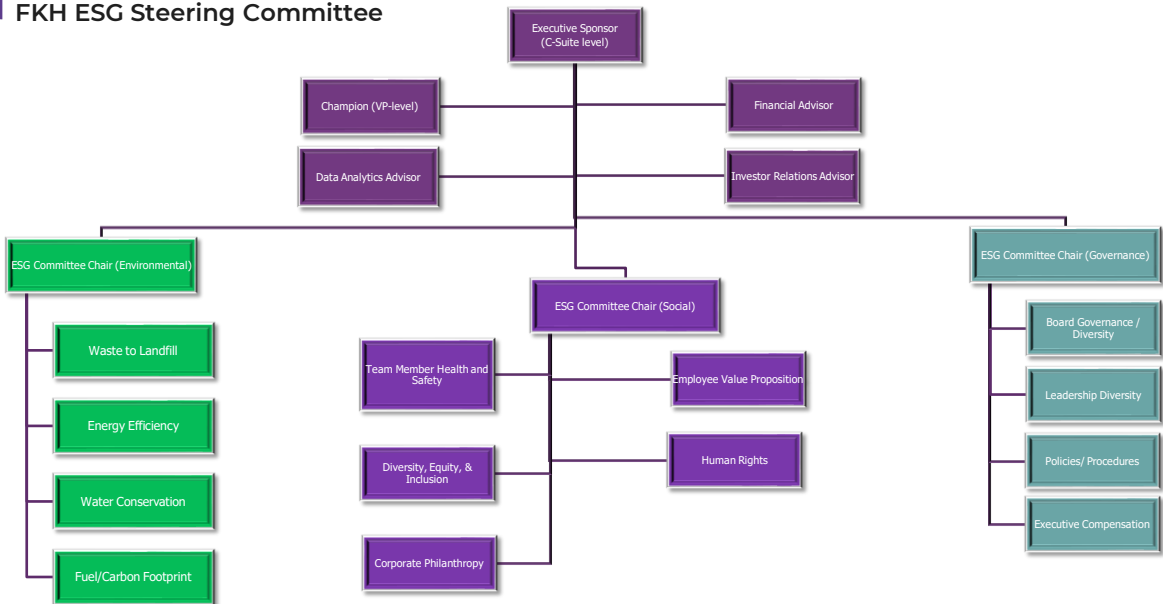
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ESG Committee Charter

- Purpose of the ESG Committee
- Composition of the Committee
- Responsibilities and duties of the Committee
- Frequency of meetings
- Definitions and responsibilities of any Sub-Committees



FKH ESG Steering Committee



PROGRESSING FROM COMMITTEE TO PROGRAM



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What is a Materiality Assessment?



A tool used to identify and prioritize ESG issues most critical to your company

- Identifies risks and opportunities
- Identifies importance to stakeholders
- Helps to make the business case for ESG
- Drives and directs strategy for ESG



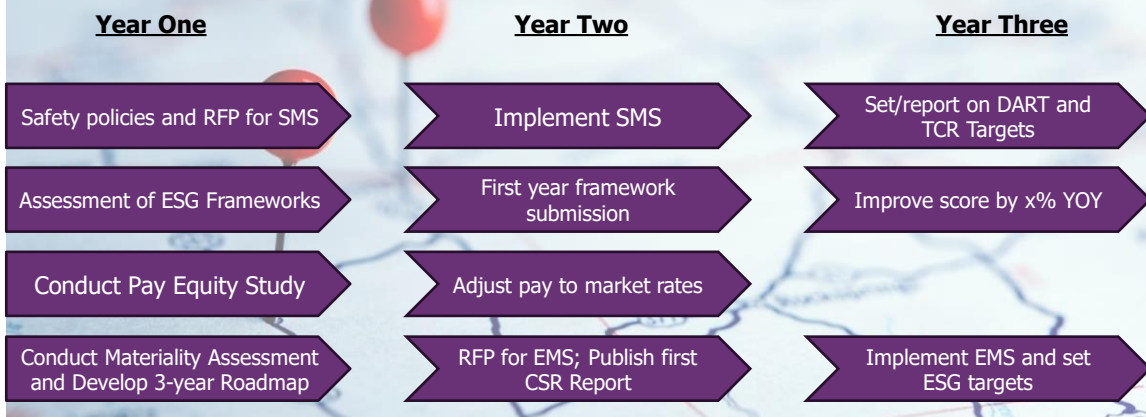
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- What are your ESG priorities for the next three years for your department or position?
- Have ESG concerns ever led your company to forgo a potential investment?
- What ESG disclosures or certifications do you participate in?
- What ESG framework does your company use or prioritize?
- What aspect of ESG is most important to you?
- Is there an area of ESG that you would like us to become more involved with?
- What ESG topics are most valuable to you?
- What ESG topics should [your company name] improve?
- What ESG initiative that [your company name] is involved with are you most/least impressed with?

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Road Map

Turn your strategy into actions



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Choosing a Framework

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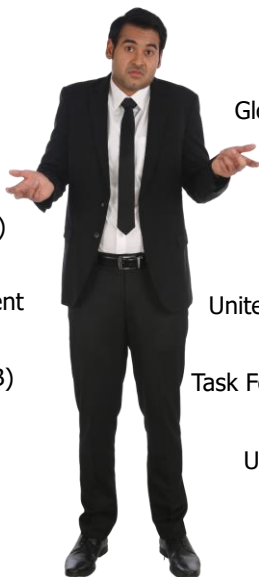
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Roles and Responsibilities



