

Natural Resources Forum ESG Week 2021

Panel 2: The Future of ESG Reporting

Panelists:

Moderator: Stina Warnstam Drolet, Head of Sustainability & Manager, Advisory, Oxford Analytica

- Matthew Powell - Vice President, BeyondNetZero
- Yasmin Raza - Technical Specialist in Sustainable Finance, Financial Conduct Authority
- Kate Southwell - General Counsel, Pala Investments
- Vladimir Zaluzshky - Head of Communications & IR, Severstal

During the panel, experts from regulatory, investment and corporate backgrounds considered how ESG reporting may evolve with time, and what challenges it is likely to face.

The panellists agreed that a key difficulty would be the lack of a common framework with ratings agencies using different criteria, which are all confidential. This means companies are able to apply their own standards, such as “cherry-picking” the United Nations Sustainable Development Goals (SDGs) they excel in.

There are also jurisdictional and sector challenges, as Vladimir Zaluzshky of Severstal explained, being listed in both London and Moscow could cause confusion. Operating in the steel market poses further challenges, as with current technology it is impossible to produce the metal without using carbon and ‘net carbon zero’ seems to be the main sustainability goal set by corporates. As every company is different, they must set individual targets.

The panel agreed that many current targets within ESG reporting are not realistic or are supported by stringent strategies. Whilst setting targets for 2050 under The Paris Agreement might be fashionable now, by then most of the board members and management will not still be employed and will not be held accountable for the progress. It is also important for these targets to be data-driven.

The succinctness of ESG reporting was also seen to be an issue, with the panel agreeing that many companies appear to opt for quantity over quality, and that not enough companies include sustainability information within financial reports. Regulation of ESG reporting also concerned the panel, with Yasmin Raza of the FCA highlighting that if regulation is introduced it is imperative that it is effective, fair and transparent.

Compiled by Hudson Sandler

