2024

Making the Case

FOR CORPORATE SOCIAL IMPACT

A data-driven guide to educate, prioritize, and expand CSR & ESG.

ACCP
Association of Corporate Citizenship Professionals

Executive Summary

Over the past 12 months, corporate social impact teams have faced waves of regulatory changes, challenging economic and geopolitical conditions, and a growing politicization of their work.

However, companies pressed forward with their CSR and ESG work in the face of these challenges **because these programs continue to generate significant competitive advantages to their companies** and deliver significant benefits to employees, consumers, investors and communities. And **because stakeholders still demand that their companies play a role in solving complex social issues**.

Within this context, the case for companies to pursue corporate social impact remains stronger than ever.

Stakeholder Expectations Drive Corporate Impact Work

A significant majority of investors (**9 out of 10**), consumers and employees believe that companies have a responsibility to actively participate in environmental and social action.[1]

88% of Americans approve of companies that try to impact their communities positively.[2]

Corporate Social Impact Improves Financial Performance

Globally, ESG leaders earned a premium of roughly **50%** in average annual return versus "so-called laggard" companies.[3]

Employee engagement is **higher** at companies with strong ESG programs – leading to more productivity and higher profits.[4]

Corporate Social Impact Attracts & Retains Talent

71% of employees strongly expect their companies to have a societal impact and/or will not consider working for companies that don't.[5]

Workplace volunteers are **twice** as likely to recommend their organization to job seekers.[6]

Corporate Social Impact Delivers Marketplace Advantages

78% of Americans say they are willing to pay higher prices for a "just" company's product.[7]

76% of consumers say they would "discontinue their relationship with companies that treat the environment, employees, or the community in which they operate poorly."[8]

ESG Reporting Requirements are Growing Globally

66% of respondents say their firms must now report ESG data or will be required to [do so] soon, but only **25%** feel they have the ESG policies, skills and systems in place to be ready for ESG assurance.[9]

1. Get woke and go broke? New data suggests otherwise
2. New Business and Politics Report: The Shifting Politics of Doing Good in America
3. ESG and Global Investor Returns Study
4. Shared Resilience: Business Lessons to Prepare for Future Rogue Crises
5. 2023 Edelman Trust Barometer: Trust at Work
6. Ares Management: Philanthropy, Purpose and Professional Development: Why Workplace Volunteer Programs Matter
7. JUST Capital's 2023 Americans' View on Business Survey
8. Beyond compliance: Consumers and employees want business to do more on ESG
9. KPMG Road to Readiness 2023

Introduction

Looking back on the last 12 months, corporate social impact practitioners have faced conflicting currents and challenging conditions within the corporate social responsibility (CSR) and environment, social and governance (ESG) spaces.

Regulators in the U.S. and globally proposed a wave of new rules that aim to standardize reporting so investors and other key stakeholders can have access to more meaningful data regarding ESG practices. However, increasing polarization and a growing politicization of ESG work led multiple states to pass their own laws governing how companies communicate and report on their CSR & ESG work, so reporting requirements now vary from state to state. In addition, last year's U.S. Supreme Court decision on Affirmative Action has cast uncertainty on the future of corporate diversity, equity and inclusion (DEI) initiatives. Finally, these changes have unfolded in the face of difficult economic conditions that have challenged budgets, and in the context of wider social conflicts, such as the wars in Gaza and Ukraine, that have strained social cohesion.

Undaunted by uncertainty and change

Despite these issues, corporate social impact professionals must take heart, and here's why: **None of these barriers or challenges change the fundamental fact that corporate social impact programs continue to generate significant competitive advantages to their companies and deliver significant benefits to employees, consumers, investors and communities**. And none of these barriers prevent companies from continuing to advance CSR & ESG initiatives. **Overwhelmingly, stakeholders still demand that their companies "do good" and play a role in solving complex social issues**. And the evidence suggests that these efforts are not slowing down.

Corporate social impact remains a long-term value proposition for corporations. As such, the case for it and how we communicate about it must evolve to account for the changing currents of politics, economics, and public opinion.

Pressing forward with purpose

The purpose of *Making the Case 2024* is to help corporate social impact practitioners overcome these challenges as they make their cases to management regarding the long-term value of their work. **This toolkit provides compelling evidence from recent studies from the fields of corporate social responsibility, ESG and diversity, equity and inclusion (DEI) that support why companies MUST continue to invest in corporate social and environmental impact programs – if not increase those investments.** It also illustrates how, when done intentionally, corporate social impact initiatives not only drive improved bottom-line business outcomes but also help companies stay ahead of regulations, mitigate risk, and compete more effectively in the global economy.

These remain the most compelling arguments that corporate social impact teams can make to compel change and make an enduring difference in this world. And we hope they find this toolkit useful in making them.

Corporate Social Impact

A note on terminology

We understand that terminology related to CSR, ESG, DEI, and other initiatives varies from company to company. In this toolkit, we use corporate social impact as an umbrella term to encompass work commonly called CSR, ESG, DEI, community engagement, community impact, and sustainability, among other related work.

Snapshot

Sea Changes for Corporations Seeking Social Impact

Corporate social impact teams faced a number of significant changes within the CSR & ESG fields during the last 12 months:

Changes in Regulations

The U.S. Securities and Exchange Commission (SEC) announced new Corporate Climate Risk Rules. They require Scope 1 and Scope 2 emissions disclosures, but not Scope 3. These differ from California's new rules, which include Scope 3 disclosures and will take effect in 2026. Corporate social impact teams will need to anticipate the implications of these requirements and plan accordingly.

Key Insight

Reporting requirements can be a double-edged sword, as more reporting can require more time and resources – at the expense of impactful programs. CSR & ESG teams should prepare to make the case for increased budget to offset the impacts of increased reporting requirements.

Changes in The Law

The U.S. Supreme Court's decision to strike down Affirmative Action would seem to strike at the heart of corporate DEI recruiting and social responsibility efforts. The ruling pertains only to "government actors and universities" but it does create a context for more legal challenges to companies who provide race-gender based scholarships, fellowships and programs, and to those who set targets for diversity of their senior leader population. This could have a cooling effect on such programs.

Key Insight

DEI initiatives that aim explicitly to benefit all employees equally are still fair game. These include actions to counteract existing bias in hiring practices, policies that enable employee resource groups and mentorship, and policies that improve overall workplace psychology.[10]

Changes in Geopolitical Conditions

The world is always a volatile place. But conflicts like the Israeli-Hamas War and the war in Ukraine seem to bring added layers of intensity and complexity beyond what is typical. With ongoing effects to employees, customers and supply chains, companies find themselves in very difficult positions over how to respond – if at all.

Key Insight

Advice from consultants for CSR teams abounds here, but most of it shares two points in common: 1) Understand the roots of the situation before taking any stances, and 2) Stay true to the company's values in taking those stances. Failure to do either could result in more harm than good.[11]

Changes in Demographics

Baby boomers are expected to transfer more than $68 trillion in wealth to Millennials and Gen Z by 2030.[10] Research suggests that these subsequent generations expect more from companies than their forebears did when it comes to corporate citizenship. These expectations cut across values, what they seek from their work (i.e. employers), and their consumer choices (i.e. brands, investments, reputation of companies they interact with).

Key Insight

CSR teams must make the argument that the future increasingly lies with CSR & ESG initiatives, and that their companies must begin now to re-align policies with changing stakeholder values.[12]

10. Research: Consumers' Sustainability Demands are Rising
11. Israel-Hamas War Response Exposures New Corporate Diversity Hurdle
12. Research: Consumers' Sustainability Demands are Rising

Stakeholders Still Drive the ESG Tide

More than any single factor, sustained stakeholder engagement ultimately drives a company's long-term success. And those stakeholders overwhelmingly demand that companies actively pursue environmental and social initiatives.

These demands go beyond mere preference, as a majority of employees, consumers and investors believe that companies have a responsibility to play a role in addressing social issues.[13] **Among this group, investors are most bullish, even though some data suggests consumer feedback, regulations and public perception are the top three influencers of CSR policy.**[14]

Rising expectations on the part of stakeholders regarding diversity, equity and inclusion (DEI) efforts and ESG priorities create acute challenges for corporate social impact teams in this current context of polarization and politicization. But practitioners can plot a sound course for meeting these expectations by understanding where their stakeholders stand – and by using **materiality** to the business as their guide for choosing what actions to take.

According to the US SEC and ISSB, an ESG issue is material if it affects or has the potential to affect the cash flow and financial value creation for a company.

9 OUT OF 10 investors agree that companies have a responsibility to play a role in addressing social issues.[13]

7 OUT OF 10 consumers agree with the sentiment above, according to the same study.[13]

88% of Americans approve of companies that try to exert a positive impact on the communities in which they operate[15]

72% of Americans think it's important for companies to take action on ESG issues.[16]

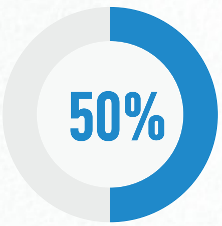
65% of employees believe that companies have a responsibility to take a stand on sensitive or controversial issues – an increase of 7 percentage points since December 2022.[17]

13. Get woke and go broke? New data suggests otherwise
14. Corporate Social Responsibility at Work: CSR Report 2023
15. New Business and Politics Report: The Shifting Politics of Doing Good in America
16. Global ESG Monitor: Understanding the Landscape around Corporate Social Impact
17. Pulse on America: Weber Shandwick

Charting Courses Through Conflicting Currents

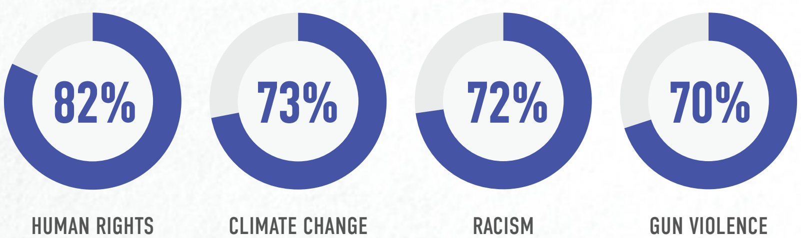
A majority of stakeholders now expect companies to speak out and/or take action on pressing social issues – even when those issues may be controversial.

Polarization and conflicting expectations among stakeholders have made this a tricky task for corporate social impact teams. But the data suggests that practitioners can navigate these cross currents by **sticking to issues that enjoy broad public support and that pertain directly to the company's business**.



of employees believe that their companies should take a public stance on social issues *only if they are related to the core business.*[19]

Critical social issues that have broad support among consumers include:[18]



18. Pulse on America: Weber Shandwick
19. PWC Trust Survey
20. 2024 Edelman Trust Barometer: Innovation in Peril
21. The 12th United Nations Global Compact–Accenture CEO Study
22. CECP Giving in Numbers 2023

Snapshot

C-Suite Leaders as Advocates, not Adversaries

In a recent report by Edelman, **62% of respondents globally expect CEOs "to manage changes occurring in society, not just in their businesses."**[20] Turns out, many CEOs and business leaders agree. In fact, a majority of them believe that they have a responsibility to act on behalf of their communities – according to the UN Global Compact and Accenture:[21]

91% **of CEOs believe that their role is to protect local communities in the regions they operate.**

70% **of CEOs feel it is their role to speak out publicly on potentially divisive social issues.**

54% **of CEOs are strengthening visibility into the social impacts of their company's supply chain in recognition of the importance of a human-rights based approach to building resilience.**

Key Insight

Data on corporate giving supports these responses. In fact, community investment as a percentage of pre-tax profit grew by 7% between 2021 and 2022. Programs receiving funding included health and social services, followed by community and economic development, higher education, K–12 education, and disaster relief – in order of percentage.[22]

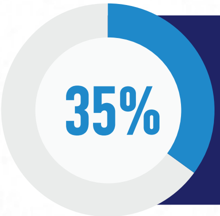
Corporate Social Impact Delivers Long-Term Bottom-Line Benefits

While some companies prioritize certain facets of ESG over others, one fact remains consistent and clear across their efforts:

Nearly every social or environmental action a company takes correlates directly to an improved bottom line.

These benefits take the form of improved financial performance and higher valuations relative to less purpose-driven peers. Corporate brand and goodwill also benefit from CSR and ESG initiatives. Such benefits can buttress performance against economic downturns, mitigate operational risk, and add significant value to longer-term business strategies aimed at "future-proofing" the organization.

The data points on this page prove that investments in corporate social impact drive performance, increase valuations and provide strategic value in the short and long terms, broken down by initiative type.



Companies in the top quartile for racial and ethnic diversity are 35 percent more likely to have financial returns above their respective national industry medians. [24]

Diversity, Equity & Inclusion (DEI)

Companies in the top quartile for diversity, both in terms of racial and gender makeup, perform better financially than their peers.

Some studies have attributed this to the broader view of opportunities and risks that a diverse leadership team can provide. [23]

+2% ANNUAL REVENUE GROWTH

+3% EBITDA PROFIT MARGINS

Companies that rank in the top 25% of their industry for executive team gender diversity have annual revenue growth approximately 2 percentage points above that of companies in the bottom quartile and achieve EBITDA* profit margins that are 3 percentage points higher than the bottom quartile. [25]

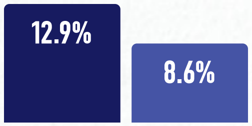
EBITDA

Earnings Before Interest, Taxes, Depreciation, & Amortization; an alternate measure of profitability to net income.

23. ESG activities correlate to stronger financial performance: Bain & Co. and EcoVadis study
24. Why diversity matters
25. Do ESG Efforts Create Value?

Environment, Social & Governance (ESG)

Evidence abounds that companies that prioritize ESG achieve higher returns, higher profit margins and more revenue growth than peers who do not.



Globally, ESG leaders earned an average annual return of 12.9%, compared to an average 8.6% annual return earned by "so-called laggard" companies – a premium of roughly 50%. [26]

5X **Companies that scored the highest on the seven sustainability elements within Bain Capital's ESG Elements of Value achieved 5x more revenue growth than those that scored the lowest.** [27]

The 2023 JUST 100 compared to the rest of the Russell 1000 [28]

4.5% higher profit margins | **2.3%** higher return on equity | **5X** more paid in dividends

43% of business leaders at larger firms report that ESG engagement is improving financial performance. [29]

Business leaders cited top areas where ESG adds significant financial value: [30]

- M&A efficacy
- Access to new capital
- Customer loyalty

26. ESG and Global Investor Returns Study
27. The Visionary CEO's Guide to Sustainability
28. How Russell 1000 Leaders are Meeting the Public's Priorities
29. KPMG US ESG and Financial Value Survey
30. KPMG US ESG and Financial Value Survey

Spotlight

The Case for Embedding ESG

Just as companies can choose to prioritize some ESG initiatives over others, they can also take different approaches in pursuing those initiatives.

Some choose a "bolt-on" approach, where ESG is treated as a "program" that is separate from core business functions and strategy, or that lives within the company's compliance function.

However, others see ESG as an opportunity to create value across the entire business – and integrate or "embed" these initiatives into all the company's business functions. This latter approach requires a larger and more sustained organizational commitment. But it is gaining greater adoption. And the data suggests that it delivers greater benefits over the long term:

74% of US CEOs told KMPG that they have fully embedded ESG into their business as a means of value creation

58% of them expect to see significant returns from their investments in 3-5 years. [31]

Companies that embed ESG into the business:

- **16%** higher rate of revenue growth
- **52%** more likely to outperform their peers on profitability
- **56%** more likely to outperform peers on talent attraction [32]

31. KPMG 2023 CEO Outlook
32. Beyond checking the box

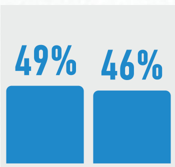
The Value of Mitigating Risk

Pursuing CSR or ESG initiatives involves more than simply choosing as a company whether or not to “do good.”

So-called “negative” ESG scenarios can pose serious financial and operational risks to a company. Investors weigh these risks heavily – to the point of adversely affecting a company’s valuation if the risks go unaddressed. And data suggests these risks are growing more expensive and damaging.

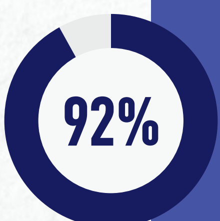
$600 BILLION

“ESG disputes” have cost S&P 500 corporations more than $600 billion in market capitalization in only the past seven years.[33]



For climate-related risks, the most common type of financial impact that companies estimated was increased indirect operating costs at 49%, which was closely followed by increased direct costs at 46%.[34]

Half of all personal investors surveyed in an IBM study believe a company’s climate change exposure impacts its financial risk.[35]



of this same group expects to invest, divest, or lobby fund managers to change investment mixes based on social responsibility and/or environmental factors in the next 12 months.[36]

33. What is ESG and why is it important for risk management?
34. Task Force on Climate-related Financial Disclosures 2023 status report
35. Sustainability at a turning point
36. What is ESG and why is it important for risk management?

Spotlight

Employee Engagement & CSR/ESG

According to some estimates, disengaged employees cost companies $8.8 trillion across the globe. That’s a staggering number when you consider the potential effect on financial performance.[37]

Contrast this with an analysis by Gallup that companies with highly engaged business units and teams have 14 percent higher productivity and are 23 percent more profitable than peers.[38]

Why? Companies that create “cultures of purpose, empathy, integration, and trust” can increase their employees’ commitment to their work.[39] Not surprisingly, **research shows that employee engagement is higher in companies with strong ESG programs**.

Engagement
The extent to which an employee feels connected to the company and committed to their work.

Key Insight

ESG initiatives can help improve productivity and increase profits while reducing costs.

37. CECP Shared Resilience: Business Lessons to Prepare for Future Rogue Crises
38. How to determine where ESG can create value
39. CECP Shared Resilience: Business Lessons to Prepare for Future Rogue Crises

Corporate Social Impact Initiatives Drive Talent Acquisition and Retention

Laws of Attraction

Recruiting and retaining talent remains a top priority for companies competing in the global marketplace. Skilled, engaged and committed employees create significant value in terms of innovation, productivity and company culture. At the same time, replacing such employees if they leave the company is becoming increasingly costly.

It's no wonder that **77% of CEOs** cite attracting and retaining talent as a key driver of their organization's success,[40] while **55% of HR** leaders point to enhancing their company's employee value proposition to improve recruiting and retention as a top priority in the coming year.[41]

Social impact programs can play a significant role in these efforts, as the data below suggests.

71%	of employees strongly expect their companies to have a societal impact and/or will not consider working for companies that don't.[42]
67%	of American respondents to a Just Capital study stated they would be "willing to accept less pay at a new job to support Just companies."[43]
84%	of employees are satisfied with their job at companies where leaders speak up about critical events and issues.
65%	say that the companies have a responsibility to do so – even when issues are sensitive or controversial.[44]

40. Fall 2023 Fortune/Deloitte CEO Survey
41. 2024 Global Talent Trends
42. 2023 Edelman Trust Barometer Special Report: Trust at Work
43. JUST Capital's 2023 Americans' View on Business Survey
44. Pulse on America: Weber Shandwick

Spotlight

Volunteerism Increases Employee Engagement

Volunteerism is emerging as a popular and effective strategy for fostering greater connections between employees, their co-workers and the company. These connections are key drivers of employee engagement.

71% of companies are increasing their reliance on volunteering to improve connections and cohesion with their people."[45]

Research suggests that employee participation rates in volunteer programs reached nearly **20% IN 2022**

The most popular programs:[46]

- virtual volunteering
- flexible scheduling
- volunteer time off
- pro bono service

This is trending up, according to another study, as "combined engagement in giving & volunteer efforts increased at 11.69% for full time employees" in 2023.[47]

Key Insight

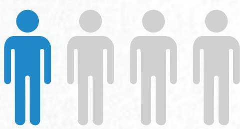
Workplace volunteers are twice as likely to recommend their organization to jobseekers,[48] which directly influences employer net promoter scores.

45. 2023 Benevity State of Corporate Purpose
46. CECP Giving in Numbers 2023
47. YourCause from Blackbaud 11th Annual Report on CSR and Employee Engagement Trends
48. Ares Management: Philanthropy, Purpose and Professional Development: Why Workplace Volunteer Programs Matter

Keeping Talent Onboard

For companies looking to leverage their workforce as a competitive advantage, attracting top talent is only the beginning. Fortunately, there is "compelling evidence from companies that undertake serious ESG efforts and enlist employees in these efforts [suggests that doing so] can increase employee engagement, raise productivity, and reduce turnover." [49]

55% of Americans say they would move jobs to work at an organization that makes a greater positive impact on society. [50]



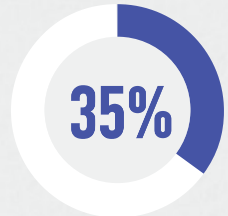
1 in 4 would do so even if it meant taking a 10% pay cut. [50]

In its State of ESG Employee Engagement Survey, WeSpire reports that, *employees who see their employer's ESG impact programs as extremely and very effective had*

46-POINT HIGHER

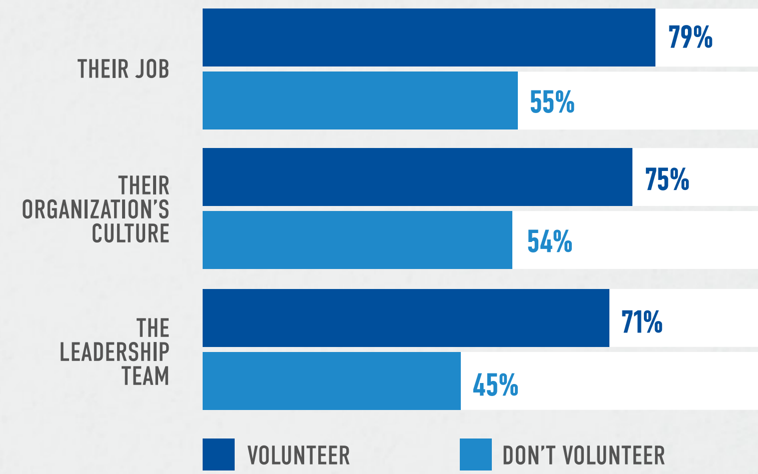
employer net promoter scores (NPS). [51]

39% Per the same report, people of color were 39% more likely to leave their current employer for one that was making a bigger impact. [51]

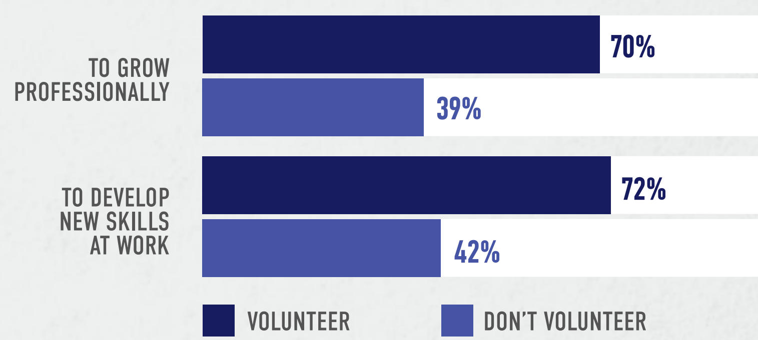


of Millennial and Gen Z workers say their giving programs are a factor in deciding whether to stay at their current job. [52]

Employees who participate in the volunteer programs that their organization offers are more satisfied overall with:



Employees who participated in their company's volunteer programs were also significantly more likely to feel that they have opportunities: [53]



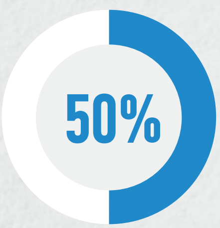
49. How to determine where ESG can create value
50. Bentley-Gallup Business in Society Report
51. WeSpire State of ESG Employee Engagement 2023
    WeSpire was acquired by Bonterra, a social good software company, in May 2023.
52. Fidelity Charitable Giving in the Workplace
53. Ares Management: Philanthropy, Purpose and Professional Development: Why Workplace Volunteer Programs Matter

Ownership Steers Engagement

Employees want to do more than just participate in their companies' social impact initiatives; they want to shape them and provide input regarding how they're carried out.

72% of employees say that it is important to give employees a say in determining the types of volunteer activities that organizations make available.

73% desire a voice in deciding the types of charitable organizations and causes that their organization supports.[54]



half of Millennials say they "want their voice heard" in how their "workplace giving programs are structured and managed."[55]

54. Ares Management: Philanthropy, Purpose and Professional Development: Why Workplace Volunteer Programs Matter
55. Fidelity Charitable Giving in the Workplace
56. WeSpire State of ESG Employee Engagement 2023
57. Benevity 2023 State of Workplace DEI
58. JUST Capital's 2023 Americans' View on Business Survey
59. Benevity 2023 State of Workplace DEI

Demand for Diversity, Equity & Inclusion (DEI)

Along with environmental and community impacts, employees and prospects also evaluate a company's commitment to equity and inclusion when deciding where to work.

> **Employees who don't believe that their employer is dedicated to diversity and inclusiveness are nearly TWICE AS LIKELY to seek new job opportunities.**[56]

Data on the importance of equity and inclusion to the employee value proposition tells a compelling story:

95% of employees weigh a prospective employer's DEI efforts when choosing between job offers, while 87% would feel more loyal to a company with a track record of prioritizing DEI.[57]

62% of respondents said they believe that employers should put more effort into DEI "given the period of economic uncertainty."[59]

88% of Black Americans say it is important to advance diversity, equity, inclusion and belonging in the workplace.[58]

77% say companies are not doing enough today to hire and promote Black Americans in the workforce."[58]

DEI: When Talent Speaks, Companies Listen

With competition for talent fierce, companies are responding to employee and prospect expectations with programs and strategies that demonstrate their commitment to DEI inside their walls and out in the community. Consider these stats from Benevity's 2023 State of DEI report.

95% of companies reported engaging employees through employee resource groups (ERGs)[59]

91% of companies reported "having learning or development around DEI, racial justice, or societal issues."[59]

31% of community investment budgets (on average) were allocated to supporting external racial equality and social inclusion efforts.[59]

Corporate Social Impact Draws New Customers and Drives Loyalty

In today's hyper-competitive global marketplace, companies must constantly find ways to win the attention of new customers while building brand loyalty among existing customers.

Increasingly, buyers are looking to a company's social impact as a differentiator when choosing products and services. In fact, many will pay a premium for products made using sustainable materials or practices. Or to support brands that demonstrate a commitment to measurably improving the economic, health and education outcomes within their communities.

However, simply "giving back" falls short of modern standards for "corporate ethics." Today's socially minded consumers want positive, proactive impacts and more sustainable options – and they are willing to change their purchasing habits to get them.

76%

of Americans seek information on a company's sustainable initiatives when making a purchase. [60]

55%

of consumers report taking action to oppose or support a company based on their actions. [61]

78%

of Americans say they are willing to pay higher prices for a "just" company's product. [62]

27%

Gen Z and Millennial customers are 27% more likely to purchase a brand that "cares about its impact on people and the planet" than older generations are. [63]

76%

of consumers say they would "discontinue their relationship with companies that treat the environment, employees, or the community in which they operate poorly." [64]

53%

of Americans say they would stop buying from a brand if it stopped pursuing environmental initiatives due to political pressure. [65]

60. Reconciling ESG: Rhetoric vs. Reality
61. Pulse on America: Weber Shandwick
62. JUST Capital's 2023 Americans' View on Business Survey
63. Research: Consumers' Sustainability Demands Are Rising
64. Beyond compliance: Consumers and employees want business to do more on ESG
65. Reconciling ESG: Rhetoric vs. Reality

Understanding the Mindful Consumer

Mindful consumers are willing to change their purchasing habits to align with their values.

They do so by:

- Investigating company CSR/ESG efforts prior to purchase.
- Purchasing goods from one company over another based on values ("buy-cotting").
- Paying a premium for values-aligned goods and services.
- Abandoning/boycotting products from "bad actors."

Corporate Social Impact Improves Reputation and Builds Trust

Taking bold stances on controversial issues may seem inherently risky for a company. But research suggests that doing so builds trust – and management knows it.

64% **of business executives told PWC that taking stances on social issues increases trust among customers and employees when these groups agree with those stances.[66]**

What happens when they don't agree? Trust can decline, of course. But the data shows that the benefits of those instances of agreement outweigh the negatives of disagreements. Below are additional data points that speak to the long-term benefits of CSR and ESG initiatives on trust.

70% **of Americans agree that companies that walk back their support for important societal issues lose their trust."[67]**

~50% **of executives anticipate stronger stakeholder trust and elevated brand reputation as intangible benefits of enhanced ESG disclosure.[68]**

51% **of CEOs say they are making investments in purpose and social impact because "it strengthens brand and reputation."[69]**

In CECP's most recent Giving in Numbers survey, companies cited improved reputation/trust score as the most important customer or brand benefit from making community investments – up 9% since 2018. Improved brand perception came in second.[70]

Top Reputation Drivers:

Source: RepTrak

20.9%	Product/Services
14.6%	Corporate Conduct
14.0%	Corporate Citizenship

66. PWC Trust Survey
67. JUST Capital's 2023 Americans' View on Business Survey
68. Deloitte Sustainability Action Report: Survey Findings on ESG Disclosure and Preparedness
69. Fortune/Deloitte CEO Survey
70. CECP Giving in Numbers 2023

ESG Reporting Requirements Are Growing Globally

Waves of new regulations governing ESG reporting are changing the landscape for corporate social and environmental work around the globe – affecting tens of thousands of companies. For corporate social impact teams, these requirements may shift time and resources toward compliance and away from impactful programs.

↑155% **ESG regulation has increased by 155% over the past decade, due to the "rapid growth of sustainability-based policy interventions."[71]**

Released in 2023, the EU's Corporate Sustainability Reporting Directive 4 (CSRD4) affects ~60,000 companies, while California's SB 2535 and SB 2616 sustainability disclosure bills affect ~10,000 companies.

29 **countries and territories require some degree of ESG disclosure by law – with each policy differing in terms of stringency.[72]**

Note: You can find a detailed summary of the most significant regulations passed since the beginning of 2023 on page 17.

71. ESG regulation in 2024: Everything you need to know
72. The Global State of Mandatory ESG Disclosures

Spotlight

Are Companies Ready for a New World of ESG Reporting?

The challenge of complying with recent and coming reporting regulations is significant – and growing. In a recent KPMG report, "66% of respondents say their firms must now report ESG data or will be required to [do so] soon. But only 25% feel they have the ESG policies, skills and systems in place to be ready for ESG assurance."

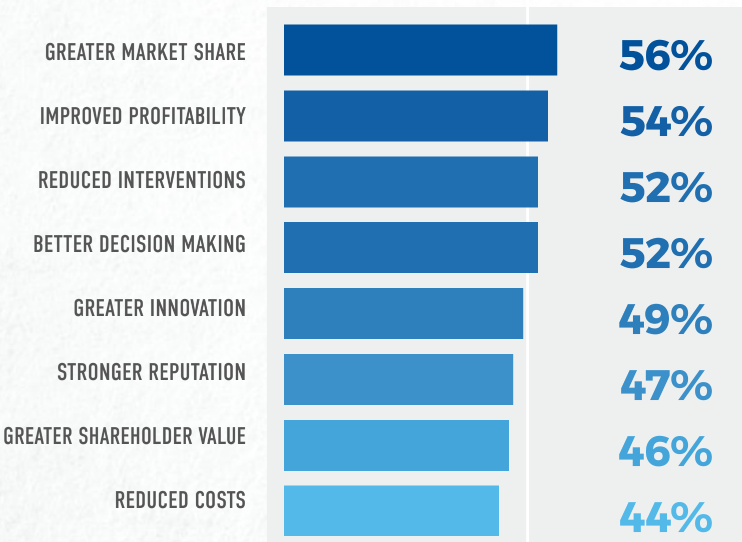
73. KPMG Road to Readiness

More ESG Disclosure Comes with Benefits, Too

While more disclosure requirements may require more time and resources on the part of companies and their CSR/ESG teams, research suggests that there are also benefits to more reporting – starting with meeting stakeholder expectations.

According to JUST Capital, Americans are "overwhelmingly in favor of increased disclosure" across all ESG/CSR issues – with product or service safety violations, community involvement through volunteering and other programs, and environmental impact data as the top three federal disclosure requirements favored.

For some companies, disclosure has become a proxy for their company's social and environmental profile. Within this context, it's not surprising that senior company executives polled by KPMG cited **the following additional benefits of ESG and CSR reporting (by percentage of respondents):**[73]



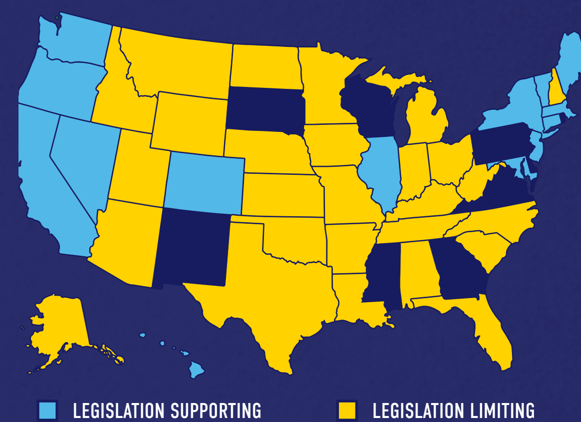
73. KPMG Road to Readiness

Spotlight

Beating Back the Backlash

Corporate social impact work has become increasingly politicized in the U.S. – with opinions polarizing along typical partisan lines. This has resulted in a crush of "pro-" and "anti-ESG" rules at the state level – creating a maze of conflicting reporting regulations for CSR and ESG teams. According to a report by Morgan Lewis, 20 states had passed rules that aim to "limit considerations of, and/or the weight given to, ESG-related factors in investment decisions and/or [to] discourage such investments," by September 2023. In contrast, eight states currently have rules in place to protect and/or incentivize ESG-related investments.

Unfortunately, the data suggests that this could be just the beginning. Per the same study, "more than 75 additional anti- or pro-ESG bills are pending in current state legislative sessions across the United States. In all, **41 states have either effective or pending ESG investing rules**" – all of which vary in terms of scope, structure, and potential effects.[74]



Key Insight

For CSR teams, there's no getting around the need to interpret and navigate this legislative maze to remain compliant. But they can still battle the ESG backlash by remaining vigilant where legal:

> **66% of respondents to a recent CECP study said that "sharing company ESG-related impact data and future sustainability planning widely is the most effective action companies can take in light of backlash against ESG."**

Here, nuanced storytelling is key, as companies that continue to advance their ESG strategies have adjusted their language away from terms that incite detractors and toward less controversial concepts like "sustainability" and "responsible business."[75]

74. ESG Investing Regulations Across the 50 States
75. CECP Investing in Society 2023

Global Regulatory Round Up

The global regulatory landscape for corporate social and environmental impact reporting has never been more complex. That's because teams must understand reporting and compliance requirements on the local, regional, national and international levels – including the timing for phased-in implementation.

The matrix on the following page summarizes some of the major ESG reporting regulations in effect globally – with an emphasis on those passed since the beginning of 2023. These include the new U.S. Securities and Exchange Commission (SEC) climate disclosure rules issued in March 2024 – which are spotlighted to the right.

Spotlight

U.S. SEC Climate Disclosure Rules

On March 6, 2024, the SEC released its long-awaited climate disclosure rules. Slimmed down from what the commission proposed in 2022, the new rules call for publicly traded companies to disclose greenhouse gas emissions and climate risks that are material to their business.

Requirements (in brief):

- Narrative discussion of company's identification, management, and oversight of climate-related risks
- Disclosure of material scope 1 and 2 emissions, including independent review and verification
- Inclusion of a note to financial statements on the quantitative, financial impacts (1% or more of a line item) of severe weather events on their company, including capitalized costs, expenditures, and losses from severe weather events such as fires, sea level rise, and flooding.

These requirements align with recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD). They are meant to be phased in between 2025 and 2027.

Key Insight

Challenges from both left and right sides of the political spectrum emerged within days of the release of these rules. As of the publishing of this report, the regulations are on hold pending legal stays. In the meantime, however, companies should start/continue their data collection — as doing so is prudent and prepares them for potentialities like the back-dating of the regulations to their original issue dates.

Summary of Major Regulations

California, U.S.
(California Climate Accountability Package Act – SB 2535 and SB 2616)

Applies to	Public and private U.S. businesses with revenue greater than $1M doing business in California
Requirements	Disclosure of Scope 1, 2, and 3 emissions
Timeline	Scope 1, 2 in 2026, Scope 3 in 2027
Source	The Uplift Agency – Sustainability, Social Impact, & ESG Consulting Firm

Brazil
IFRS / ISSB

Applies to	Public companies in Brazil
Requirements	Scope 1, 2, and 3 emissions, and sustainability-related risks and opportunities that would be useful to primary users of general-purpose financial reports, including those that "could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term."
Timeline	Voluntary beginning in 2024, Mandatory beginning in 2026, Within 3 months after the end "of the fiscal year or simultaneously with release of financial statements, whichever comes first beginning in 2027 and beyond.
Source	Brazil to Require Mandatory Sustainability Reporting from 2026 – ESG Today

China
China Stock Exchanges – Reporting Requirements

Applies to	Larger companies, including those on the Shenzhen 100, SSE 180 and Shanghai Science and Technology Innovation 50 index, as well as dual-listed companies with securities on both domestic and foreign markets. Small and medium enterprises are included on a voluntary basis.
Requirements	Rules across a broad range of environmental, social and governance categories, including climate change, ecosystem and biodiversity protection, circular economy, energy use, supply chain security, and rural revitalization, as well as anti-corruption and anti-bribery. Also included: reporting on Scope 3 value chain greenhouse gas emissions.
Timeline	Mandatory reporting beginning 2026, for the 2025 reporting period.
Source	China Stock Exchanges Announce Mandatory Sustainability Reporting Requirements for Companies – ESG Today

Canada
OFSI B-15 (Climate Risk Management)
S-211 (Fighting Against Forced Labour and Child Labour in Supply Chain Act)

Applies to	Large banks and insurers and larger institutions. (OFSI B-15) Private companies in the mining and apparel manufacturing industries. (S-211)
Requirements	Annual Scope 1, 2, and 3 emissions and stress testing to assess the potential impact of climate change on risk management and governance strategies (OFSI B-15) Report on efforts to prevent forced or child labour use in their supply chains (S-211)
Timeline	End of 2025 (OFSI B-15) End of FY 2024 (S-211)
Source	Dawn of a new age in ESG disclosure | Canadian Lawyer (canadianlawyermag.com)

European Union
Corporate Sustainability Reporting Directive 4

Applies to	All companies with securities listed on an EU-regulated market; Large EU companies that are not listed but that exceed certain asset, revenue and workforce size thresholds in two consecutive years (including an EU subsidiary of a U.S. company); EU companies that are part of a "large group" and not listed (including U.S. subsidiaries.)
Requirements	Report on how environmental and social matters influence their development and how their operations impact the environment and society (a.k.a. "double materiality").
Timeline	June 2026
Source	ESG regulation in 2024: Everything you need to know (sustainablefuturenews.com)

India
Ongoing CSR Policy

Applies to	Companies with an annual turnover of 1,000 INR and more, or a net worth of 500 crore INR and more, or a net profit of five crore INR.
Requirements	Spend at least 2% of their average net profit in the previous three years on CSR activities.
Timeline	Ongoing
Source	CSR Policies Around The World – The CSR Journal

Source Summary

Footnotes were used throughout to share sources. Whenever possible, the direct link – functional at time of publication – is included. This list does not include academic sources.

- Accenture
- Allison Worldwide
- Ares Management
- Bain & Company
- Benevity
- Chief Executives for Corporate Purpose
- Deloitte
- Edelman
- Fidelity Charitable
- Global Risk Management Institute
- Global Strategy Group
- IBM
- JUST Capital
- KPMG
- Kroll
- McKinsey & Company
- Mercer
- Morgan Lewis
- PwC
- RepTrak
- SkillSoft
- Task Force on Climate-related Financial Disclosures (TCFD)
- UN Global Compact
- WeSpire
- Weber Shandwick
- YourCause by Blackbaud