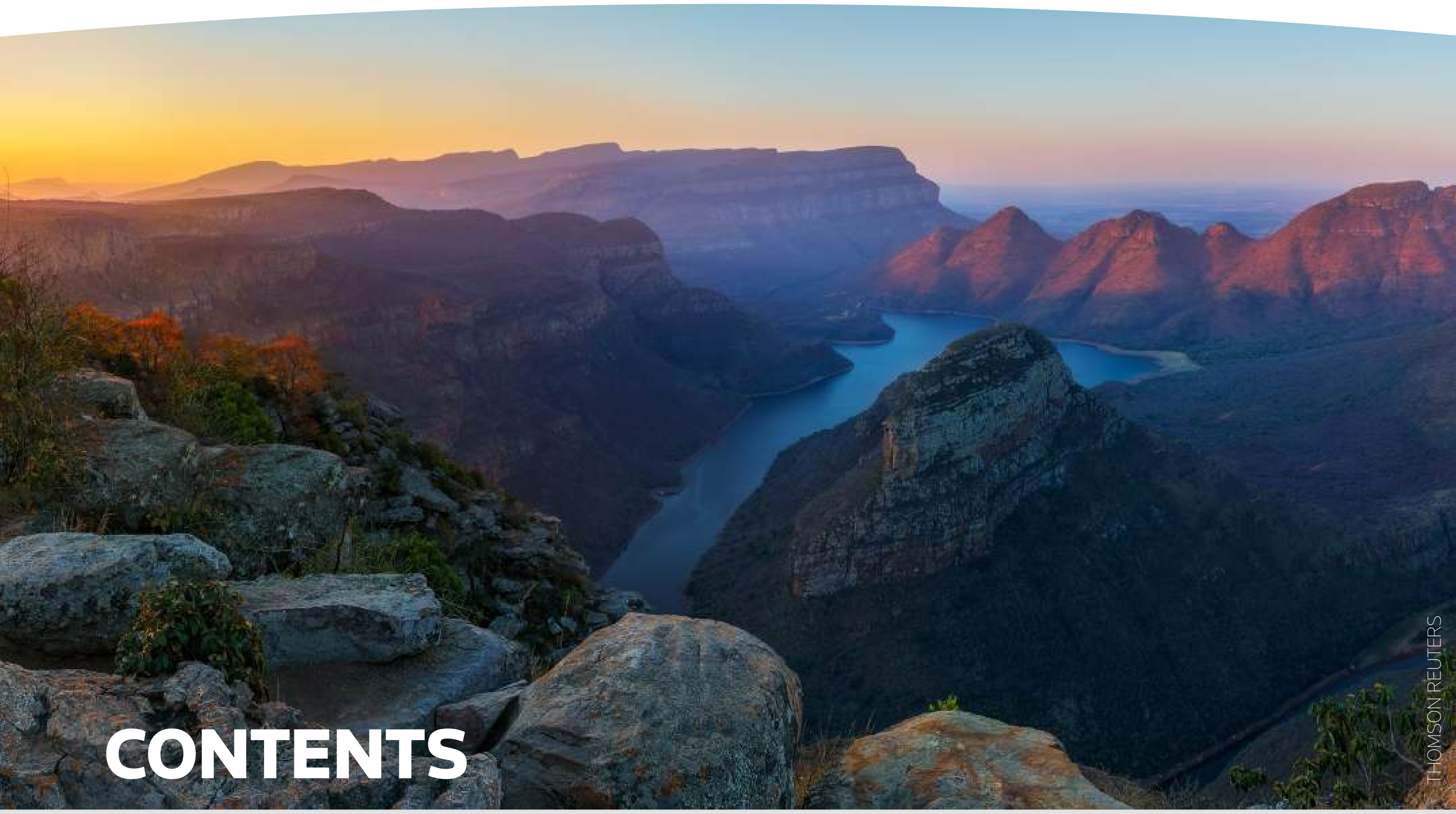
THE STATE OF SUSTAINABILITY REPORTING BY UNITED STATES BUSINESS IN 2025

Commissioned by Reuters Events, written by Richard Howitt



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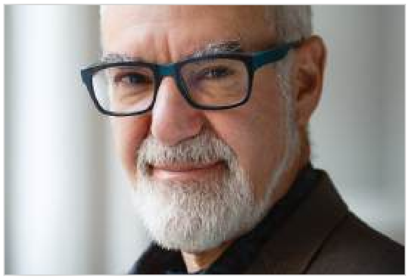

Andrew Behar
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FOREWORD

There is no more important time to take stock of sustainability reporting in the United States.

Given the critical debate taking place not simply about reporting, but about the whole conduct of business in meeting environmental, social and governance challenges, it is crucial to try to understand the true nature of what is really going on in companies across the U.S. market.

This publication is the latest of a series of White Papers, three of which have been written by this author, which seeks to bring real insight and analysis both from the extensive work of Reuters Events Sustainable Business and notably from sustainability practitioners themselves.

What follows seeks to be an up-to-date and comprehensive analysis of the very latest research on the conduct of sustainability reporting by business in the U.S..

Then, there are the results of detailed interviews with senior sustainability professionals from eight top American companies, seeking to provide in-depth understanding of the current practice of corporate sustainability reporting, innovations in how it is undertaken, assessments for its future direction and of the context in which all of this is taking place.

These companies are drawn from across manufacturing, services, science, technology and finance and it is hoped that their insights will be relevant to other U.S. companies in every sector and of every size.

Interviews take place with Joe Speicher, Chief Sustainability Officer at technology company for the construction and manufacturing sector, Autodesk; Scott Collick, Vice President, Sustainability for the science materials company, DuPont; Katy Hoellerbauer, Integrated Reporting Manager at automotive manufacturer, Ford Motor Company; from the technology sector, Luke Elder, Sustainable Reporting Lead at Google; and Fernando Reyes-Gonzalez, Director of Environmental Sustainability Monitoring and Reporting at Microsoft; Suzanne Hilker, Director of Corporate Sustainability and Impact for financial services company, Paypal; Marisol Hughes, Executive Vice-President and General Counsel at Recruitment Process Outsourcing (RPO) company, Wilson; and Beat Stocker, Senior Director, Global Sustainability for home appliance manufacturer, Whirlpool Corporation.

I would like to place on record my deep gratitude for the time and thought each put in into the interviews and my appreciation of their willingness to share their remarkable experience, for the benefit of all.

This White Paper does not seek to avoid the difficulties and current challenges present in sustainability.

But I have been personally inspired to even greater efforts through researching, conducting the interviews for this paper and hope in reading it, you will share in some of that inspiration.

Richard Howitt

OVERVIEW OF SUSTAINABILITY REPORTING IN THE U.S.A.

Sustainable business in the U.S.A is being caught in a pincer movement.

On the one hand, sustainability challenges are getting ever more acute, with 2030 goals both on climate and sustainable development approaching rapidly.

On the other hand, companies have been subject to unprecedented political and legal challenge against their efforts, which could be changing the entire terms of reference for what companies and investors are doing in the space.

This has been characterised as the Environmental, Social, Governance 'ESG Pushback'.

"ESG has become a four-letter word," according to former Fortune CEO, Alan Murray.

This White Paper studies the evidence for what is happening in response, both through evaluating the latest research and by gaining first hand evidence from practitioners, (see sections 6 and 7 below).

However, the first 'big truth' about corporate sustainability in the country, is that is firmly rooted and has been relentlessly rising over a number of years, irrespective of regulation - or the absence of regulation - in its favour.

American big business does sustainability, full stop.

> **ESG has become a four letter word**
>
> **Former Fortune CEO, Alan Murray**

The latest International Federation of Accountants 'State of Play' report[1] on sustainability reporting shows that 99 per cent of the largest 100 U.S. companies surveyed undertake sustainability reporting. Of these, 87.9 per cent also obtained third party assurance for their report. 93 per cent of sustainability disclosure was in the form of a separate sustainability report, rather than incorporated in an integrated or annual financial report.

Amongst the voluntary frameworks used by business to report, 93 per cent used or referenced the Sustainability Accounting Standards Board (SASB) Index (now incorporated in to the International Sustainability Standards Board (ISSB)), 88 per cent the Task Force for Climate Related Financial Disclosure (TCFD) Framework, 75 per cent the Global Reporting Initiative (GRI) and 72 per cent the United Nations Sustainable Development Goals (SDGs).

These findings are echoed by KPMG's latest biennial survey[2] of the top 100 companies in the U.S.A. which actually reported that all 100 undertake sustainability disclosure, 99 in the form of a separate sustainability report.

These findings indicate nearly half of the companies undertake a materiality assessment for their sustainability reporting, 11 per cent carrying out a double materiality assessment, (of external impact as well as financial consequences for the company itself).

A survey of the same top 100 U.S. companies by consultancy EcoOnline[3] shows that 93 per cent of large companies in the U.S. have dedicated budgets for sustainability reporting, and no less than 99 per cent plan to increase spending on sustainability and compliance reporting in the next three years.

This is also shown as being taken seriously at the highest level in the company, with the board or CEO having accountability or oversight of sustainability strategies and compliance, already in 40 per cent of cases.

Many suggest that value chain reporting provides some of the biggest challenges for companies. Yet the same report shows that already 80 per cent of the companies are asking their suppliers for Scope 3 (indirect) emissions data.

The 'business case' for sustainability was supported with 74 per cent saying it has a positive impact on revenue growth, and 95 per cent reporting a positive impact on brand value from sustainability initiatives.

A Teneo study[4] of the wider top 250 companies showed 80 per cent reporting that their sustainability goals are on track; 78 per cent undertook a materiality assessment, of which 10 per cent undertook a double materiality assessment; 88 per cent had an online sustainability micro-site (tripling from two years previously); slightly more companies use the term 'ESG Report' (35 per cent) compared to 'sustainability report' (33 per cent); with reports published most frequently in April (28 per cent), compared to May (25 per cent) and June (23 per cent).

The same research showed that the average length of sustainability reports had increased from 70 to 82 pages over the previous two years; and that third party sustainability assurance was applied to 62 per cent of the reports, (a rise of 9 per cent over the previous two years).

Although the U.S. ranks low in international comparisons, still amongst 44 per cent of companies[5], sustainability performance is used to assess executive compensation. 85 per cent of business executives believe that climate change is real[6], (well above the national average of 64 per cent).

But if sustainability reporting is continuing to grow for large companies, how far is this true amongst the broader range of U.S. companies?

Wolters Kluwer[7] reports that 99% of companies in the S&P 500 already report on ESG metrics in some way.

A survey of the Russell top 1000 companies[8] shows that 90 per cent undertake sustainability reporting, in some form.

A survey of more than 300 American 'middle market' companies[9] ("too big to be small and too small to be big") shows that a large majority (75 per cent) are taking steps to comply with sustainability disclosure requirements

A survey of more than 16,000 American small business (SMBs) showed that over half (53 per cent) believe that sustainability reporting can enhance their reputation, more than a quarter (27 per cent) already undertake some sustainability disclosure, with up to 56 per cent saying they may do so in the coming year.

Another survey[11] of more than 2,000 U.S. small businesses[10] (defined as fewer than 100 employees) showed that 72 per cent believe sustainability is very or extremely important, with 65 per cent taking actual steps to reduce environmental impact.

A separate detailed study of 75 U.S. small businesses[12] showed 78 per cent engaged in recycling and waste reduction; 63 per cent pursuing renewable energy; whilst just under 20 per cent had sought external evaluation of their sustainability efforts.

68 per cent of the small businesses interviewed said that sustainability expenditure led to a positive return, whilst 41 per cent said that sustainability gives them competitive advantage.

This range of evidence of companies of all sizes suggests that the difference in sustainability reporting rates between large and small companies, should not be used to conclude that small business is less interested or committed to sustainability issues.

American business does sustainability.

ESG INVESTMENT

Meanwhile the growth of ESG investment in capital markets, whilst clearly subject to the backlash perhaps more than for companies, still shows healthy signs of growth.

Morningstar reports a global net inflow into ESG investment of $10.4bn during the third quarter of last year. Although the same source shows that only 11 per cent of these global funds are in the US, there remained an overall inflow to U.S. ESG funds over last year (2024) overall, despite many headlines suggesting otherwise.

The US Sustainable Investment Forum says that investments with a sustainability or ESG label in the United States stood at $6.5 trillion by the end of 2024, based on public disclosures. Nearly three-quarters (73 per cent) believe the market will continue to grow in the next two years.

A Schroder Investment Management North America Inc. survey[13] of institutional investors including over 200 from the United States, found that 77 per cent are investing in the energy transition or plan to do so within the next two years.

Meanwhile, the long-term trend for U.S. investment remains to increasingly address ESG issues. Morgan Stanley's "Sustainable Signals" investor survey[14] shows rising awareness of ESG issues and evaluates how younger, faith-based and women investors represent a generational increasing shift towards ESG investment, in future years.

PEOPLE

But what do people - employees, customers, citizens - think about corporate sustainability? Notwithstanding current political debates, how far has it enjoyed popular support over time?

Survey information[15] suggests seven-in-ten job seekers in the U.S. assess their prospective employer's environmental record in deciding whether to apply. Business sustainability is now found in nearly half (46 per cent)[16] of the top 100 US Master of Business Administration (MBA) programs.

Meanwhile 60 per cent of American consumers[17] say they are willing to pay more for sustainable products and 78 per cent[18] say that a sustainable lifestyle is important to them.

An opinion poll[19] of 1,261 registered American voters showed 76 per cent wanting companies to positively impact their communities, which represented 82 per cent amongst Democrats, but still a strong 69 per cent amongst Republicans.

Another poll[20] shows 54 percent of self-described conservative Republicans now believe that human-induced climate change is real, (compared to 35 per cent in 2009).

Across all groups, there appears to be strong support for the values and objectives which underpin corporate sustainability reporting.

The evidence across each of these analyses is forthright.

Big and Small American business does sustainability. U.S. investors do sustainability. U.S. employees and consumers want sustainability.

Long-term trends remain relentlessly upward.

There will be those who read these figures with skepticism or disbelief.

It markedly differs from today's narrative, of course.

It is acknowledged that there is countervailing evidence and this White Paper will consider this in detail.

But the statistics don't lie. Sustainability is a fundamental issue for U.S. business, because the fundamental indicators almost uniformly show it to be so.

Perhaps the best challenge to this conclusion is that there is a difference between what companies say and what they do, between words and actions?

The evidence above suggests otherwise, but that can be tested in the detailed examination which follows of the experience of the eight U.S. companies selected for this White Paper.

WHERE ARE U.S. COMPANIES IN THE 'SUSTAINABILITY JOURNEY'?

It may be a cliché, but there is no doubt that U.S. companies are on a sustainability journey, evidenced by the steady growth of companies both starting to report on sustainability, and by advances in maturity by those who do.

The Governance and Accountancy Institute survey[21] of S&P500 companies (representing 80 per cent of US. market capitalization), showed that 20 per cent undertook sustainability reporting in 2011, 53 per cent by 2012, 75 per cent by 2013, 90 per cent by 2019, rising to only just under 100 per cent today.

They describe this as 'hockey stick' growth.

Meanwhile a measurement of the comprehensiveness of sustainability reporting[22] in a survey of 750 U.S. companies, rated according to governance, skills, data management, digital technology and value chain, saw 31 per cent of U.S. companies reaching 'leadership' status. U.S. business is ranked third highest globally, (only behind France and Japan), in being able to meet sustainability assurance requirements.

US business is **ranked third highest globally** in reaching assurance requirement

For the eight companies interviewed for this White Paper, where do they see themselves in the sustainability journey?

Autodesk sees the benefit of having developed its sustainability reporting for over a decade.

"Reporting from a sustainability perspective feels as though it's exploded on to the scene," says Chief Sustainability Officer, Joe Speicher.

"Fortunately, we have been doing this from a voluntary perspective for many years.

"So it is not a big jump for us, as a business, to meet the moment and deliver on our reporting requirements, as they transition towards the mandatory."

For DuPont, there has been a steady increase both in the volume of disclosure and about where the company chooses to disclose. The increasing emphasis has been to move away from simply reporting according to external frameworks, to focusing on sustainability benefits or 'handprint' of the company's individual products.

"DuPont's been doing sustainability for a long time. It actually was the first publicly traded company to name a Chief Sustainability Officer. So this is in our blood," says Vice President, Sustainability, Scott Collick.

"If I look at the last five years, we've moved from following the frameworks to beginning to expand what we report on, increase the transparency and really actually start to pivot more to talking about the handprint of the innovations we can make.

"We're beginning to talk about very specific case studies, showcasing innovations and in how they deliver sustainable value to our customers."

We did our first Social Impact report 26 years ago and the company was told then it shouldn't do it, but our Executive Chair felt very strongly that it was imperative to our business and to our purpose, so fought for that and here we are 26 years later

Katy Hoellerbauer, Integrated Reporting Manager, Ford Motor Company

Katy Hoellerbauer, Integrated Reporting Manager at Ford Motor Company, explains how leadership has always been important in the company's sustainability reporting.

"Five years ago we moved to integrated reporting, recognising that this was the future, that more and more companies were integrating across ES&G and linking that to their financial reporting - that it was an industry best practice.

"We wanted to offer a holistic view, our rationale being that it isn't just finance that matters, but environmental and social performance too.

"We say that to our investors and have received a lot of praise for how we've done this. We hope our influence will cause other automakers to do the same."

Google emphasizes how it has moved from simple but important commitments, to a much greater level of complexity in its reporting.

"Google's sustainability reporting journey...showcases a transition from establishing core environmental commitments and achieving early milestones (like carbon neutrality and initially achieving a 100 per cent renewable energy match), to a more mature and integrated approach focused on tackling complex, intersectional challenges like achieving net-zero across the value chain, responsible water stewardship and fostering a circular economy," explains Sustainable Reporting Lead, Luke Elder.

Microsoft made new, highly ambitious targets for sustainability in 2020 and sees its current reporting as crucial in measuring progress towards their achievement.

"We look back at 2020 which was a huge year for sustainability at Microsoft, when we announced all of our carbon negative, water positive, zero waste and land protection commitments," says Director of Environmental Sustainability Monitoring and Reporting, Fernando Reyes-Gonzalez.

"We're now at that point in time where we're reaching the halfway milestone, looking back at the progress that we've achieved, looking back at the challenges that we've overcome and looking still forward at the challenges that we have yet to solve."

Meanwhile, Paypal questions whether evolving requirements will be able to be met through a single sustainability report in future years.

"Our impact reporting is in a pretty mature place. There's a quite a bit of depth in data shared, paired with a really nice, concise, organized narrative," explains Director of Corporate Sustainability and Impact, Suzanne Hilker.

"As we're moving into regulatory reporting, I'm not quite sure that we can satisfy all of our stakeholders plus regulators with one document anymore. I think that's going to challenge us.

"Instead of being on this path up the hill, the hill itself is shifting."

For Whirlpool Corporation, the company is very committed to publishing its sustainability report, alongside its financial reporting.

"Typically, we submit it at the same time we do our annual report and our 10K and proxy. So we're super coordinated about all the other reports that come out at a similar time frame from our company," says Senior Director, Global Sustainability for Whirlpool Corporation, Beat Stocker.

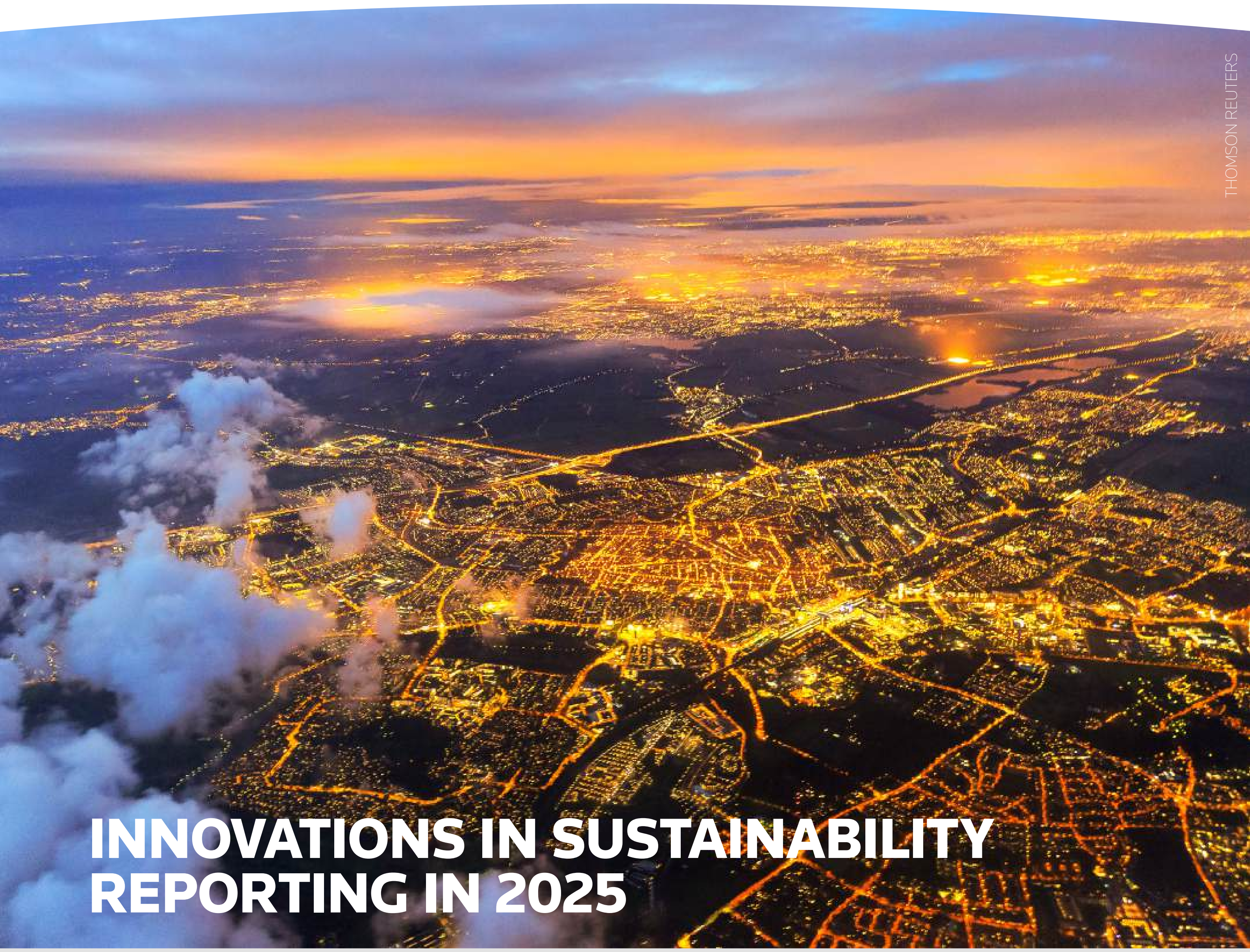
"We're always motivated to shine a light on the progress that we're making, to remind everyone of the goals that we have, really bringing the focus on our products, our people and our plants."

As a services company, Wilson identifies the strengthening of its sustainability reporting as coming from learning from their own clients.

"ESG, sustainability, those concepts, 5-10 years ago, were thought of as typically for manufacturing companies and factories. They were the ones that had to reduce their carbon footprint and improve the environment," says executive VP and general counsel, Marisol Hughes.

"That has just changed so much in the past few years. We started learning more and more about ESG through our clients, who are in some of those spaces.

"As soon as we started looking into it, we realised that sustainability is something that any company can participate in and make an impact. Once we made that commitment to doing whatever we can to increase our efforts there, it became ingrained in the company and in all our processes. So, it quickly went from not being on our radar to being front and centre."



INNOVATIONS IN SUSTAINABILITY REPORTING IN 2025

Every company is seeking to develop its sustainability reporting, to match best practice and seek to be at the leading edge where possible.

What are examples of particular innovations in reporting practices in the companies interviewed, from the current year?

A major emphasis for Autodesk this year is in support for the energy transition, both through direct investment and in providing technological assistance to the sector.

"We're underwriting the deployment of renewables on the grid and we think that's a

valuable and innovative way to use our resources in this space," says Joe Speicher.

"We're also looking at how we provide further support from a technology perspective, to the engineers and the construction companies that are building those renewable energy sources on the grid.

"We recognize where we sit in the value network. The best thing we can do is help to bring down the cost curve of low carbon technologies, so that others might participate and we leverage our resources to do this.

"We're driving innovation by working both the supply and demand side of the equation for low carbon technologies, both supporting those companies with capital and and supporting their technology journey."

DuPont sees benchmarking of its current report as a very important part of the process.

"As a founding member of the World Business Council for Sustainable Development (WBCSD), we use their independent benchmark of our sustainability report," says Scott Collick.

"We get that report card, which I think is so important and our team looks at it and decides what we're going to change next?

"Each year we've been listening to the report card and adding more disclosure and beginning to portray things differently."

For Ford, the company didn't want its shift to a more data-driven, technical report to lose the report as a story-telling tool.

Katy Hoellerbauer comments:

"We knew we were moving to a more technical report, to meet the new reporting guidelines and to be ahead of them. But we really wanted it to be a document that our employees could still pick up and understand what's going on. We really focused on case studies and introduced business strategy highlights.

"The main audience for the report are investors and regulators, who are very aware of the technical frameworks and the metrics, but I'm proud that we didn't lose the storytelling."

Given its business, it is not surprising that Artificial Intelligence (AI) has played an increasingly important role in Google's sustainability report this year.

"A major theme in our 2024 report is the role of AI for sustainability, both in developing solutions for climate action (through AI's core capabilities across information, prediction, and optimization) and in managing the environmental impact of AI itself."

For longer discussion on the role of AI in sustainability reporting, see section 8.

Paypal emphasizes the importance of improvements of governance in relation to its sustainability reporting over the past twelve months, bringing a much broader company-wide involvement to the process.

"We've really strengthened our governance structure over the past year'" explains Suzanne Hilker.

"We have a steering committee, which is composed of directors and VPs meeting every other week. We have an executive council that gets briefed on a monthly basis and we also have quarterly time with our nominating and corporate governance committee of our board."

Whirlpool Corporation highlight the simple benefit of introducing much greater conciseness to their report and an overall 'flow' in how it is presented.

"When I joined, the body of the report was 97 pages. We probably had 50-60 independent authors, that were collecting everything, then we were packaging it up under our framework and it turned into a pretty big report," explains Beat Stocker.

"How we streamlined in the last two years was by really focusing on a core team - we essentially call them the story collectors - and in making sure that we prioritize what mattered most.

"We gave the right space to the report, put information in the right place in the report and then worked with our agency to make sure that that the stories flowed together much better than previously.

"I would say we were super conscious about how we wanted that report to flow end-to-end and how do we get away from the idea that we've got 60 hands in the cookie jar, constantly tweaking things and then at the end having a really big report that doesn't flow very well."

"So in two years we've reduced in half the page count.

Key to its own business, Wilson stresses the greater role of employees in their report this year.

"There is much more employee-driven input leading to more granularity of data. Our employees are driving the journey," says Marisol Hughes.

"We ask our employees to participate in surveys, for example, what's their usage of electricity, heat, air conditioning, commuting and so on.

"The innovation is definitely in what and how we are tracking and then reporting on information. But at the same time, including the ways that we can drive our employees to help us in the sustainability journey, since we're a people first company.

"We don't just track and report though. We educate and inspire our employees, so they can learn what else they can do to help create a more sustainable world."

EMERGING SPECIFIC THEMES IN U.S. SUSTAINABILITY REPORTING

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(I) IMPACT / DOUBLE MATERIALITY

A key issue in sustainability reporting is in whether companies choose to adopt a single (financial) materiality approach exclusively; or whether they adopt double materiality, which assesses the external impact which companies have, on people and planet.

Interestingly, DuPont, Google, Paypal and Wilson have all embarked in double materiality reporting - with Autodesk intending to do so in future, based on what they regard as the success of the existing impact approach of their philanthropic work.

DuPont describes undertaking a double materiality assessment (DMA) as 'interesting' to the company, while Google say this is important for balanced reporting, which shows 'highlights and lowlights'.

For Suzanne Hilker at Paypal, understanding the DMA was a transformational moment for the company.

"We did go through a double materiality assessment this past year and that was the first time that we really engaged more of our risk folks and put numbers to the opportunities and risks in terms of our financials, as well as how it affects our communities and environment and people.

"I think by using more of a mathematical equation and putting actual dollars to the issues, we were able to raise the visibility of corporate sustainability and impact issues.

"I believe it's more impactful when there are numbers attached to something rather than simply feelings."

Suzanne Hilker adds that impact is important for stakeholder engagement with the company, as it develops its sustainability strategy:

"We take the opportunity as we're putting the report together to remind those leaders inside the business that this impact work is important to our stakeholders, we share what our stakeholders are telling us," she says.

Paypal is also stressing its impact in terms of support for small and medium-sized businesses (SMBs), going forward. The basic case for double materiality reporting is summed up by Whirlpool Corporation's Beat Stocker:

"At a very high level without getting stuck on the requirements of CSRD [the European Union's Corporate Sustainability Reporting Directive], it just makes sense for us to understand that landscape.

"We've done materiality assessments before. So the idea of doing a double materiality assessment was not a foreign concept or a leap for us. It just made good sense.

"The second thing I'll say is clearly investors have also started asking about those relationships, the double part of the materiality.

"I'd say fundamentally, regardless of what happens to CSRD,

THOMSON REUTERS

double materiality is an important tool, to be able to understand the risks and priorities as we as we pursue our future paths."

(II) MITIGATION VERSUS ADAPTATION

As projections from climate scientists about levels of global warming continue to rise, there is increasing argument that mitigation efforts (to prevent and minimise climate change), need to be accompanied by adaptation efforts, (helping countries and communities manage the consequences of climate change).

However, Autodesk says the financial equation makes it even more important for companies to prioritise mitigation.

Joe Speicher puts the case:

"Last year, there were $2 trillion in renewable energy investments globally. There were also roughly $320 billion global spend on disaster response, the vast majority of which is associated with more frequent and severe climatic events, essentially wildfires, hurricanes, tornadoes, the whole shebang.

"Society get a return on investment for that $2 trillion, you can actually calculate the RoI.

"Financially to society, we don't get value out of that $320 billion, a number which is increasing year over year.

"I want us focused on the investments that are going to yield the most societal return.

"I want investments which will help us reduce GHG emissions into the environment and subsequently will reduce the need to invest in resilience and adaptation for future generations."

From a humanitarian point of view, it is difficult to ignore demands for adaptation altogether, but this is a timely reminder that companies need to weigh the balance carefully and perhaps prioritize mitigation, when determining their own sustainability strategy.

(III) USE OF INTEGRATED SOFTWARE PLATFORMS

Much is written on sustainability technology and the potential for R&D breakthroughs, which are almost certainly indispensable for climate targets to be able to be met.

But as a 'Design & Make' technology company specialising in supporting the construction and manufacturing sectors, Autodesk puts special emphasis in how integrated software platforms can ensure sustainability objectives can be better realised.

"We have not carried the digital thread from design, to build, to operations - too much data has been lost and it doesn't allow us to focus on outcomes," Joe Speicher argues.

"The asset owners carry the majority of GHG liabilities associated with the end product, like a building for instance. The engineering firms that are designing, are upstream of those downstream owners and we as technology provider are further upstream from them," he explains.

"So the idea is there is one model that the engineers and architects build, that the the contractors can use for construction documents and then subsequently the owner can validate the performance of the asset and ensure that they're getting what they want.

"That will enable more sustainable outcomes.

"That's what an open, interoperable end-to-end software platform can do."

(IV) SCOPE THREE

Several of the companies interviewed already report on Scope Three (indirect, value chain) carbon emissions, but this continues to be a challenging area, where DuPont, Microsoft and Wilson described how they are testing innovative approaches.

DuPont is moving from a 'spend' to an 'activity-based' approach, in which the carbon impact of individual products is calculated.

"When we started reporting five years ago, just like every other company, we used a spend-based model. Basically, how much did you spend times some sort of emission factor, and that's your carbon footprint," Scott Collick explains.

"However, what you really want to know is the actual carbon footprints of goods and services that you buy, take a product carbon footprint approach and then see that it goes down each year from your suppliers."

By working with suppliers to reduce carbon emissions in practice and develop robust ways to measure this, DuPont has been able to move away from theoretical calculations, which can only realise emissions cuts by reducing actual business.

Scott Collick explains how they have already been able to achieve this different approach for half of the business:

"In 2024 ready for what we're reporting in 2025, we're now at 50 per cent of our raw materials covered by engineering or life cycle assessment (LCA) and an increasing percentage is actually fully based on primary data received from our suppliers.

Meanwhile, Microsoft is using its ability to collect and collate data automatically from multiple, remote sources (telemetry), inherent in how widespread the business and its systems are used, to develop what the company argues is a new and innovative way to calculate a portion of its Scope Three emissions.

"Microsoft because of our access to telemetry data, ultimately it allows us to estimate to a very good representation, the electricity associated with our Xbox consoles or our Surface devices," says Fernando Reyes-Gonzalez.

"That was really the first item that went into our management criteria which diverges from the GHG Protocol, which asks us to report upfront for all the lifetime emissions from the usage of a product. We report our numbers using both the GHG Protocol and management criteria.

"But with this telemetry-based methodology, we have been able to better estimate annual emissions, better have the granularity of the energy efficiency initiatives that the teams roll out in the consoles and be able to really move the needle."

Reyes-Gonzalez uses this as an example where companies can have the confidence not only to follow recognised frameworks, in this case the GHG Protocol, but also incorporate innovative methodologies into their reporting while standards continue to evolve.

Although a much smaller company, Wilson demonstrates how changes in procurement can have a dramatic effect on Scope Three emissions, even for a services company.

"We've been able to really focus on our vendors, our suppliers, our landlords and all the people in our supply chain to help us achieve reductions.

"The other piece of it is that we're being much more selective in who we do business with. That's been really helpful because we've been able to forge some really strong partnerships and work with a lot of vendors that are like-minded."

There is no doubt from this experience, that companies are moving from using estimates to using real-life information.

There are no simple solutions to Scope Three, but these practice examples demonstrate that its reporting can become fully achievable, in years ahead.

(V) PRODUCT-BASED APPROACH

Sustainability reports from both DuPont and from Whirlpool Corporation, have moved from simply having aggregate figures for sustainability indicators, to being able to break these down for each company's specific product lines.

DuPont uses a bespoke methodology called 'portfolio sustainability assessment' applied to its products, which has allowed it to reach a point where 80 per cent of the entire company's R & D, meets sustainability objectives.

Scott Collick describes the methodology:

"Basically what you do is that you score products on four axes of sustainability: climate, circularity, water and nature and substances of concern.

"We score all products on those four lenses, and then we score them on a scale from minus two, which is the disadvantage compared to an alternative, minus one, zero would be neutral, so your product is no better or worse than an alternative.

"Then plus one would be one of those attributes would be advantaged. And then plus two would be multiple elements would be advantaged.

"So that's where 80 per cent of our R&D portfolio is scored on plus one or plus two. 70 per cent is +1 and 10 per cent has two attributes or more."

Collick describes how the company is working towards having this data for each of its seven lines of business.

"I will issue a CSRD report, but I also want to have systems that we build to make the CSRD report, but also to be able to generate internal reports so that the leadership teams of each one of our lines of business can see their data better, to be able to make better decisions and then they can click down to a product level. We're embedding that kind of functionality into our reporting structure," he says.

Collick also stresses that business customers want exactly this level of information:

"Nobody buys DuPont. They buy products from DuPont. So you've got to get sustainability data at more of a discrete, actionable level," he adds.

Meanwhile, Whirlpool Corporation explains how they have been working on life cycle analysis (LCA) for their products, for over a decade.

"We're a consumer product company; we realized pretty early that a life cycle analysis is the best way for us to understand the full impact of our products," explains Beat Stocker.

"Emissions are one dimension, the use of materials, what happens at the end of life are all included," he says.

But are the products included in the company's sustainability report, representative of the whole?

"We don't pick the best of the best, but choose what is the new innovation or feature which it is worth talking about?" Stocker says, advocating a case-by-case approach.

It may be that the move to product-level reporting, at least for companies involved in manufacturing and sakes, becomes the norm in the future.

(VI) OPPORTUNITY - THE HANDPRINT NOT JUST THE FOOTPRINT.

Meanwhile, DuPont puts another interesting challenge to current reporting, saying that existing practices focus far too much on risks rather than also on opportunities.

"I have yet to see sustainability reporting frameworks really materialize on reporting on opportunity. It's a Wild, Wild West on the opportunity side; what are your benefits, how do you help your customers, because it's much more complicated than reporting on your footprint?" says Scott Collick.

"At the end of the day, we want to obviously lower our global footprint, but companies need to make money and that's on the opportunity side, where we see tremendous opportunity."

Collick gives an example of DuPont's insulation for Residential and Commercial Buildings.

"We sell a product called Styrofoam insulation, about 10 centimeters thick by one square meter," he explains.

"As sustainability professionals, if all we talk about is the footprint, we would just make the insulation thinner and thinner - but then it's not going to do its job.

"This is the whole concept of carbon fluency: The ability to understand handprint and footprint and then the trade-offs associated with them, that is the next phase."

The concept of 'handprint' was first identified by Dr Geoffrey Norris of the Massachusetts Institute of Technology in 2008, recognising actions to have a positive impact on the climate, over and above reducing your own footprint.

Many in sustainability talk about opportunities, it may indeed be a characteristic of the next phase that these are better addressed.

(VII) DATA PACKS

The shift to assurance in sustainability reporting as well as technological advance, is putting new emphasis on the quality of data in sustainability reporting.

Several of the companies interviewed, including Google, feature extensive appendices to their sustainability report, in which detailed data, methodologies and assurance are included.

Like many companies at this transition moment, Paypal has invested in an entirely new data system to support its sustainability reporting this year.

Microsoft have taken this one step further and release a data fact sheet, separate to their sustainability report.

"The fact sheet is, if you are interested in the data, that's the place to go," says Fernando Reyes-Gonzalez.

"All the tables, all the metrics for all the years since 2020 and we include the guidelines which we're adhering to and that it's subject to third party assurance."

Given the proliferation of different indicators which companies are being asked to report and the complexity of different methodologies and frameworks, it may be companies will increasingly use separate data publications alongside their sustainability reports.

(VII) A NEW ROLE FOR ACCOUNTING

This even greater emphasis on data has seen the emergence of accountancy professionals being used to work on sustainability reports, frequently using the term ESG Controllership.

It is reported[23] that over half of large companies in the U.S. have appointed to such a role.

Microsoft is one such company which has done so and Fernando Reyes-Gonzalez sees the benefits of sustainability and accountancy coming together.

"I have lived in the ESG voluntary reporting world. It's interesting to see how terms in this world resonate in corporate accounting and to see the change in mindsets.

"I do believe that professionals who are able to speak both languages are going to be really key and perhaps the most successful in this transition.

"I always say the data that is used to calculate emissions or energy never lives in one place, there's always some detective work involved to find and consolidate it.

"It's a source of excitement, anxiety, but definitely in terms of direction, where it needs to be."

Reyes-Gonzalez also highlights given the multiplicity of information demands on sustainability which companies receive, that ensuring consistency of data provided is now a major task.

Microsoft have sought to respond to this by creating what they call a Methodology Governance Council, comprising different internal stakeholders.

"Whenever there's a customer request, there's going to be a metric put together," says Reyes-Gonzalez.

"The process itself calls for the right stakeholders to get together, so that whatever our response is to customers, it aligns with what we're reporting in our corporate sustainability report or fact sheet.

"Or if for some reason it has to be different, then it comes with a necessary caveat or footnote explaining why.

"I feel that process has been super valuable because there's been a lot of methodology development that has happened and been incorporated and has still to be incorporated in future years.

"We want to make sure that we're consistent and that the data we are sharing always connects back to our report."

(VIII) BELONGING

Diversity, Equity and Inclusion (DEI) programs have long been central to companies' sustainability efforts, but both Paypal and Wilson have taken this further by applying the concept of 'belonging' in this context.

"Belonging seems like such a basic concept in that everyone should be able to bring their whole self to work and not be judged or discriminated against," explains Marisol Hughes.

"And as long as people are working together, doing their job, being respectful and being professional, everyone feels like they belong.

"We've been Certified™ by Great Place To Work® for a few years now. One of my favourite things is that 91 per cent of employees who responded to the independent survey said that when they joined the company, they were made to feel welcome.

"To me, that's so important for so many other things the company does. It builds a great foundation."

Paypal's Suzanne Hilker adds:

"I think from efforts that used to be categorized under diversity and inclusion, what we're really trying to get to the result of that is in employees feeling like they belong.

"It's about the end goal, which is employees feeling that they belong, that they have a stake in what the business is doing, that they are happy to be at work, that they feel connected with the work they're doing and with their co-workers."

Paypal are directly asking employees about sense of belonging in their employee engagement survey and are intending to put the results in their sustainability report this year, for the first time.

Given some of the current political sensitivities around DEI, it may be that this new focus on belonging which applies to all employees, becomes more widespread amongst companies.

Meanwhile, Wilson has gone further and incorporated 'workforce sustainability' into its ESG program.

"A lot of organisations that struggle to achieve workforce sustainability - especially for hiring and recruiting –are too reactive. If they want to expand very quickly, for example, or open a new location, sometimes they stretch their workforces too thin and then hire rapidly to compensate," explains Marisol Hughes.

"Due to the rapid hiring, maybe they're not paying attention to what is the best hiring and the best skills for their organisation. So what happens is that the pendulum has to swing the other way.

"All of a sudden there are inefficiencies, the work and product aren't as good as they should be; and it leads to layoffs or closing down facilities.

"A true sustainable workforce relies on the strong foundation of balancing and aligning your talent strategies to your goals and being more proactive versus reactive. Continuous development of skills for right now, but also for the future is critical."

Clearly this is part of the core business of a recruitment company, but an interesting insight to all companies involved in transition to a sustainable business model.

The plea for long-termism isn't just restricted to carbon, but to people too.

(IX) BRINGING PEOPLE WITH US

In terms of interaction with people, a response to some popular criticism of corporate sustainability efforts, may be overt attempts to bring people outside the company along with its attempts to deliver on sustainability.

Beat Stocker takes pride in approximately 80 per cent of Whirlpool Corporation's products being manufactured in the United States, including at factories in Ohio and in Oklahoma.

He explains how sustainability is a new concept in many of these communities:

"Renewable energy is not common knowledge in everywhere that we operate. The idea of using wind turbines or solar in the future, just isn't normal practice in some of these communities.

"So partnering with our project developer, it's important that we engage our employees and communicate transparently with them and in those communities, because we're long-standing citizens with them.

"It's relatively easy just to define the project on a spreadsheet or in a presentation, it's more challenging to communicate effectively to communities on why we're doing this, what's the benefit, how do we bring this forward as a community project in addition to just a corporate project and to make sure we spend the time and energy on doing that?

"So how do we communicate effectively with our consumers and explain to them the things that we're trying to do and the products that that are on offer? How do we balance performance, cost and sustainability, to bring them something which they care about?" Stocker adds.

For both Whirlpool Corp. and Wilson, simple messaging is important.

Marisol Hughes comments:

"Sustainability can be complex and, depending on what industry you're in, it could mean a lot of different things. So, we try to simplify as much as possible and make sure that we're presenting information in a way which is easily digestible and from which we can start a conversation.

"So that if you take a tidbit from any section of our report, you can use it as a talking point."

At Whirlpool Corp., there is recognition that consumer behavior is also intrinsically connected to the company being able to meet sustainability goals.

This goes beyond seeking community support for corporate sustainability, towards company engagement with consumers to influence their personal sustainability actions.

"This is not about just standing on a soapbox and talking about where we need to get to," explains Beat Stocker.

"It's in the context of their home and their daily habits and what else are they doing in the home and the behaviors.

"If we think about environmental behaviors relative to daily life behaviors, we need to understand a much bigger perspective."

Stocker cites the company's twenty-five year relationship with Habitat for Humanity International to help build and improve homes, lives and communities and a U.S. program with Habitat called BuildBetter with Whirlpool, helping build climate-resilient, energy-efficient homes and to scale and implement best practices.

"One of my fundamental goals is not just deploying appliances in those homes, but it's actually understanding how those consumers interact with the product and with the solar panels and with energy management systems. It's the ecosystem that ultimately matters most when it comes to the use of our products," Stocker adds.

"We have a lot to learn yet, just to be humble.

"But I think that it's a continuous learning journey with our consumers and that will provide fuel for the next best ideas."

Consumer engagement is a rising theme for corporate sustainability and one that a consumer goods company like Whirlpool Corp. is well-placed to exploit.

(X) KEEPING HUMAN RIGHTS HIGH ON THE AGENDA

Ford was one of the first two automotive companies to produce a human rights report and believes respect for human rights must stay at the forefront of corporate sustainability.

The company's report includes a detailed human rights saliency section.

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"Considering the scale of what we're trying to do with electric vehicles, it is very important to maintain that commitment," according to Katy Hoellerbauer.

"We are in a mature industry that's scaling up in electric vehicles with batteries that require critical minerals in the mining industry and in supply chains that haven't always had the high standards that Ford has.

"We have a huge responsibility to ensure all the materials to make our vehicles are responsibly sourced and that the people doing the work are treated fairly."

(XI) THE ROLE OF B2B AND SERVICES COMPANIES

Much has been written that consumer-facing companies face very different pressures for sustainability, compared to those in business-to-business commercial activity.

Perhaps this too is changing.

"ESG wasn't something I had so prominently on my radar, five years ago," says Marisol Hughes.

"Today, it's become such a big piece of what I do and what we do at Wilson. Honestly, I'm really excited to be almost like an ambassador for sustainability.

"I want to encourage more organisations, especially services companies, to get involved and make it part of their company values."

Hughes also sees this as contributing to business success.

"To be able to offer our clients advice and guidance on sustainability and workforce sustainability is something we're proud of. It's all really come full circle for us. I'm just excited that we can keep going and keep improving year to year," she added.

This sentiment is echoed by Autodesk's Joe Speicher.

"We are a technology company, and we report in a way that supports others in their sustainability journeys, particularly because we serve industries that tend to be GHG intensive," Speicher says.

"I will say that a lot of my conversations are with our customers who tend to becassociated with more carbon emissions on a per capita basis than we are.

"A lot of it is talking them through our journey, where we've been and where we're going. I always talk about our solutions.

"Every one of our customers wants to start with how are we being sustainable. What are we doing?

"From a customer perspective, it's about where we've c ome from, where we're going and how we can help them get there too.

"We think we're at the leading edge, that we're using our resources in a way that brings others along, as opposed to pushing and forcing."

The power of example remains a very strong one in sustainable business. If not all companies can be leaders, every company can aspire to leading practice on one of the areas where it is active in sustainability.

Ask yourself - which is yours?


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THE RELATIONSHIP OF U.S. COMPANY REPORTING TO EVOLVING STANDARDS AND FRAMEWORKS

Almost all of the companies interviewed report according to multiple voluntary sustainability frameworks and advocate strongly that efforts must continue to bring about more convergence in reporting demands.

"We have heard over the past decade that all the frameworks are trying to work together and potentially come up with a single framework, but I haven't quite seen that yet," says Paypal's Suzanne Hilker.

"In this voluntary space I feel reporting exhaustion has been a thing since forever," according to Microsoft's Fernando Reyes-Gonzalez.

> **there's no one standard out there that we can adhere to**
>
> **Fernando Reyes-Gonzalez**

"The goal for any corporate who buys into being transparent and making progress, is convergence," says Whirlpool's Beat Stocker.

"It's because most of the focus should be on doing and not the reporting at the end of the day. If we swing that pendulum too far, we'll risk reporting more but doing less."

However, several of the companies still choose to report according to different frameworks, typically with some selectivity from each, according to the company's own position.

Google reports according to the SASB Index and also the TCFD, according to Luke Elder.

Whirlpool Corporation reports in relation to the SDGs, GRI, SASB Index and TCFD.

"It's not clear yet when you get down to the report that you might generate whether it's for California, CSRD, these other frameworks that exist, if truly we will converge to as much as commonly possible," comments Beat Stocker.

Wilson takes a different approach, putting big emphasis on the SDGs.

"The United Nations Sustainable Development Goals are featured in our report throughout as a common thread and are easily identifiable," explains Marisol Hughes.

"Even if you've never heard of Wilson or don't know anything about RPO, you can look at the report, look at those icons for the SDGs and say: yes, I know what that is. It helps people identify with what Wilson is trying to do here."

Microsoft reports on the GHG Protocol, GRI and CDP but - as with its Scope Three calculations (see above) - also reports using its own management criteria approach, involving innovative methodologies for a better representation of its metrics..

"There's not one standard out there that we can adhere to," explains Fernando Reyes-Gonzalez.

Interestingly, the switch towards mandatory reporting caused Microsoft to reappraise what it is reporting in the voluntary space and to choose to put more emphasis on the company's own message.

"Voluntary reporting, it's voluntary. It really pushed us to look at the bigger picture and evaluate what do we want to say to the world?" says Fernando Reyes-Gonzalez.

"It was almost like removing the noise of standards and reporting.

"Doing that exercise gave us the confidence that our progress is real and that remains.

"By having done that exercise has given us the confidence, if all else continues to fluctuate, this is what we as Microsoft want to get out into the world and to feel good about it."

Two of the companies chose to name what they hope will become the leading standard in the future.

DuPont reports according to GRI, SASB, TCFD, the GHG Protocol and CDP.

"I do actually want one standard and I do think it might be the ESRS standards associated with the CSRD," suggested Scott Collick.

Meanwhile, Paypal currently reports according to GRI and CDP, but sees possible convergence taking place in global standards and believes voluntary frameworks will become increasingly less important.

"I'm hoping that with ISSB that's going to do a little bit more of that," comments Suzanne Hilker.

"As we are moving towards regulation, we're going to have to prioritize those that are required, like ISSB and CSRD when it comes."

Autodesk also sees advantages in convergence to the ISSB global standards.

"We see ISSB gaining varying levels of popularity and adoption around the globe, which I think is great, because it's one underlying framework that's built on TCFD," says Joe Speicher.

"Many of those voluntary requirements will go into the mandatory approach, but there'll always be another mountain to climb to the summit, off in the distance.

"I mean from my perspective, when we reach the summit of one mountain, there will always be another horizon."

For Speicher, voluntary frameworks will continue to have this driving role, even in the new era of regulation.

For him though, the biggest priority remains climate.

"Where we can align and coordinate reporting requirements and really focus on what's important, is right now in GHG emissions and how we're managing those.

"That's my hope."

For Ford, it isn't a question of which framework they expect to become prominent, but what they are doing already.

Despite already reporting on a wide range of voluntary frameworks – GRI, SASB, GHG Protocol, TCFD and the UN Guiding Principles Reporting Framework – Ford has chosen to be an early adopter of Europe's Corporate Sustainability Reporting Directive (CSRD) and to apply it to their global operations, even though they were not required to do so.

They see is as a natural follow-on from reporting according to voluntary sustainability frameworks.

Katy Hoellerbauer comments:

"We'd seen the fruits of being an early adopter of some of the voluntary frameworks, to understand how they work, what are the best practices and to give us time to perfect the process.

"Some of the voluntary reporting became the framework for CSRD, so it was very natural for us to move into this framework.

"The Omnibus may be delaying things, but Ford takes a lot of pride in our reporting and transparency and we've done a lot of work on CSRD, so why not continue with the work we're doing and report what we have?"

It is clear from the view of American business that although the landscape of corporate reporting has been somewhat cleared, there is an equally clear demand for this to go further. The companies themselves do not push back against reporting standards, nor express concern where these are driven internationally, they simply want greater convergence.

HOW IS THE ESG BACKLASH IMPACTING U.S. COMPANIES?

It is unsurprising that a White Paper for Reuters Events Sustainable Business leans towards a pro-sustainability viewpoint.

Therefore, it is important to give hard, clear consideration to countervailing evidence and arguments.

Moreover, currents trends are changing practice in business - even if not in the way ESG critics might always appreciate.

It is a volatile and unpredictable environment, in which many in business are suffering high levels of uncertainty.

This situation is also so fast-moving, that it may well be that developments at the time of writing, quickly change.

Nevertheless, there is now clear evidence of how companies are responding.

In a debate which is arguably too often devoid of evidence, perhaps it is even more important to scrutinise what really is happening.

What is happening to companies and to investors? How are companies responding?

IT IS HAPPENING

First, it cannot be denied that the Backlash is happening.

A recent survey[24] of more than 100 large US companies, showed nearly half saying that they have already experienced ESG backlash, and 61 per cent expect it to persist or intensify in the next two years.

Some big name companies including Meta, Amazon, McDonalds and Walmart have announced plans to reduce Diversity, Equity and Inclusion (DEI) initiatives. However, others have stated[25] they will retain them including Apple, Costco, Delta Airlines, JP Morgan Chase, Microsoft and Patagonia.

Similarly, other companies including Accenture, IBM, Infosys, Wipro, Microsoft, SAP and Schneider Electric have publicly stated[26] their intention to maintain ESG initiatives.

In terms of board involvement in sustainability, the signs again are of some diminution, but levels remain high in comparison with the past.

A survey of more than 500 directors at U.S. public companies[27] showed around half (47 per cent) report that ESG issues are regularly on the board's agenda, down from 52 per cent the previous year but still well above 34 per cent reported in 2019.

Carbon emissions were discussed at least once by 67 per cent of boards over the past year, climate change by 60 per cent, and enhanced voluntary disclosure by 52 per cent.

In the finance sector in particular, there was a significant withdrawal from global sustainability initiatives, starting from the end of 2024.

JP Morgan, Citigroup, Bank of America, Morgan Stanley, Wells

Fargo and Goldman Sachs all withdrew from the UN-sponsored net zero banking alliance, (NZBA).

However, the Teneo study[28] shows that overall, rates of company sustainability reporting have been maintained without any drop.

Interestingly the same research shows 27 per cent of companies undertook 'double materiality' assessments this year, tripling from 9 per cent in 2023; and 94 per cent of companies continuing to use the term "DEI".

This is hardly a sign of retrenchment.

GREENHUSHING

Nevertheless, there are clear signs this year of 'greenhushing' - that the Backlash is leading U.S. companies simply to stay quiet in public about what they are doing on sustainability.

The Teneo report shows a 26 per cent reduction in companies issuing press releases about their sustainability reports over the previous two years, (from 76 to 50 per cent); and a 6 per cent reduction in companies producing a summary version of their sustainability report over the same period, (from 26 to 20 per cent).


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This is corroborated in The Conference Board study, with over a quarter (27 per cent) of companies saying they are reducing their level of external communication about ESG.

However, the simplest change is that the nomenclature "ESG" itself has become toxic, but is simply being replaced by reference to other inter-changeable terms.

The Conference Board survey showed nearly half the companies surveyed are now talking less about ESG and more about "sustainability," "corporate responsibility," or "responsible growth."

The Teneo report of the top 250 U.S. companies shows their reports this year were most commonly titled "Sustainability" (39 per cent), overtaking "ESG" (24 per cent, down from the top choice of 35 per cent in 2023). However, the "ESG" acronym still appears on average 62 times within 2024 Sustainability Reports, showing this is very much only a change in title.

HOW STRATEGY IS BEING ADAPTED

However, there are also signs that the Backlash is not just changing the way companies communicate, but is having a material effect on their sustainability strategy too.

Companies are choosing to emphasize those aspects of sustainability which most contribute to creating business value and which provide tangible returns irrespective of the political environment.

In The Conference Board study, a majority of companies (63 per cent) say that they are increasing their focus on the business case for ESG and how it connects with shareholder value.

In terms of spending, over three quarters of company Chief Financial Officers expect that their companies will maintain or actually increase sustainability investments in spite of the Backlash, according to a BDO survey[29] of 500 U.S. CFOs.

44 per cent of CFOs anticipate increasing sustainability investment – twice the rate of those planning to decrease – and 33% expect no change.

In terms of their priorities, sustainability is expected to increase or at least remain the same as a focus area by 80 per cent of the CFOs.

Once again, the 'business case' came to the fore, with the biggest benefits from sustainability identified by CFOs coming in increased innovation and new business opportunities, (37 per cent), increased revenue (36 per cent), access to favorable financing or investment opportunities (34 per cent), cost savings (30 per cent) and enhanced customer loyalty (also 30 per cent).

45 per cent identified ESG as an area of significant concern for the company's risk management.

However, the survey suggests that focus will shift away from environmental and social impact, and towards areas addressing stakeholder expectations and business operations.

Only 22 per cent of the CFOs reported plans to focus on carbon footprint reduction in 2025, 26 per cent on climate change mitigation and 26 per cent on DEI, compared with 40 per cent which will focus on employee health and wellbeing, 39 per cent on sustainable product development, and 34 per cent on sustainable supply chain management.

Therefore, although companies are largely maintaining their goals and targets at present, talking less about sustainability but still doing much of what they had done before, a slight shift can be detected towards actions more directly connected to business value, potentially at the expense of some social and climate issues.

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GOALS AND TARGETS

However overall, the vast majority of evidence is that companies are staying committed to their sustainability goals and targets.

The Teneo report of 250 companies records only 4 per cent changing their sustainability goals, 96 per cent maintaining their existing goals.

A KPMG study[30] showed 90 per cent of companies recently saying they planned to dedicate more resources to ESG, not less. Four in five business leaders are integrating ESG goals across departments and functions in the company.

This is not a sign of retrenchment or turning back.

Perhaps the most concerning trend which has started to be seen, is that companies appear to be less willing or able to report on actual progress in meeting their goals and targets.

Fewer companies in the Teneo study provided an ESG goals progress section in their sustainability report in 2024 (36 per cent) than in 2023 (46 per cent).

It may be too early to identify this as a firm development and it certainly does not represent the approach or commitment of the companies interviewed for this White Paper.

RELATIONSHIP TO INTERNATIONAL STANDARDS

The U.S. Chamber of Commerce has lobbied publicly against Europe's Corporate Sustainability Due Diligence Directive (introducing requirements for supply chain management with respect to the environment and human rights). One conservative think-tank wrote that the EU regulation is "a looming contagion that must be addressed".

In these debates about extraterritorial reach, it is also important to recognise how few U.S. companies would actually have to comply with these European sustainability reporting and due diligence rules.

Prior to the pending EU Omnibus proposals, Refinitiv[31] calculated that 3,236 American companies would be subject to sustainability reporting under Europe's Corporate Sustainability Reporting Directive.

However, if the reduction of scope is calculated at the same rate as for the overall Omnibus, that would leave just 647 U.S. companies affected in future.

315 US companies, even fewer, are projected[32] to be subject to the EU Corporate Sustainability Due Diligence Directive.

Given that these are clearly multinational companies with very large interests in the European Union, the EU Omnibus may well have removed the strength in the argument that American companies should be exempted altogether.

However, many business and political interests continue to have the regulations in their sights.

It could lead to a clash between Europe and the United States, with business squashed into the middle.

Meanwhile the U.S.A.'s Securities and Exchange Commission is a member of the IFRS Sustainability Jurisdictional Working Group and hence engaging with the production of global sustainability reporting standards by the International Sustainability Standards Board. It remains listed as a member for the last meeting publicly available in 2024 and no announcement appears to have been made about this under the new Administration. As the IFRS undertakes financial as well as non-financial standard-setting, it may be that this contact continues, but it has not been possible to get a firm indication about this in the preparation for this White Paper.

INVESTOR REACTION

In relation to ESG investment, there also some evidence that the impact of the Backlash has been on words much more than on action.

In a recent survey by research firm Cerulli[33], two-thirds (66 per cent) of institutional investors have a distinct allocation for responsible investment products, which has actually increased (from 41 per cent) in 2023. A majority (56 per cent) integrate ESG in their decision-making, evaluating material ESG risks and opportunities in investee companies. Climate change, renewable energy, and water are among the top themes addressed when investing.

A majority (54 per cent) said that ESG incorporation was leading to better returns.

The same report shows that political pressure has led to only about one in 10 investors discontinuing from incorporating ESG considerations into investment decisions.

The three reasons they give for this are time and cost (34 per cent), fear of litigation (24 per cent), and pressure from stakeholders (14 per cent).

Nevertheless, there is a distinct slowdown in the growth of ESG funds across America, Morningstar reporting that investors pulled around $20 billion from US ESG funds in 2024, compared with outflows of just over $13 billion in 2023. New funds still meant that the total value of ESG fund assets grew overall in 2024, albeit at a slower pace than previously. In contrast, mainstream funds enjoyed an inflow of $740 billion of net new money.

At the end of September 2024, the US had 595 ESG funds, down from 647 at the beginning of 2024, also according to Morningstar. Asset managers including BlackRock and Invesco reduced the number of new ESG funds for 2024.

This is probably best described as a consolidation in the market, rather than a contraction. It can equally be attributed to increasing scrutiny of the validity of green claims, contributing to a shake-out.

Investment in energy transition in particular, is growing steadily[34] and is set to continue. Once again, it seems only the nomenclature is changing, with investors referring to the renamed "energy security", rather than ESG investment.

There are also continuing signs that the ESG funds have the potential to bounce back.

Amongst U.S. asset managers, just 4 per cent surveyed were withdrawing from responsible investing, but 42% said that they will be cautious about messaging around responsible investment-related activities.

Efforts to dissuade investors from engagement on ESG issues appear to have partially succeeded, Reuters' own research[35] showing that CEOs mentioned ESG in earnings calls 155 times in Q2 2021, falling to 29 by Q4 2023.

In the Cerulli study, support for ESG investment amongst retail investors and individual savers has declined, but only by 2 per cent (from 48 per cent in 2023 to 46 per cent in 2024). 67 per cent of investors still say that they prefer to invest in companies that pay their workers a fair or living wage.

Meanwhile, a Texas court ruling in January this year which found that American Airlines had breached its fiduciary duty by investing in ESG funds, has also had a sobering effect on both investors and companies.

At minimum, a large volume of continuing litigation in the ESG space will continue to see heightened levels of uncertainty and confusion amongst business and investors.

Withdrawal from international sustainability initiatives also hit the investment sector. Days after BlackRock, the world's biggest asset manager, pulled out of the U.N. backed Net-Zero Asset Managers initiative, the whole initiative was suspended.

BlackRock's Larry Fink said he would stop talking about ESG altogether, saying that it had become politically "weaponized."

Greenhushing seems to have affected ESG Investment too.

It didn't stop BlackRock investing $550 million into one of the world's largest carbon capture projects in Texas, only last November.

Indeed, it seems U.S. finance wants to keep its involvement internationally, via the back door.

The Climate Action 100+ initiative has been a powerful collective

engagement tool for investors to put pressure on companies to pursue climate goals. So, although U.S. investor Pimco withdrew from the initiative, its parent Allianz Global Investors remains a member, whilst BlackRock also withdrew from the group, but simply transferred its membership to its international subsidiary.

The impact of new SEC guidance[36] seeking to restrict ESG engagement with companies, led the world's two biggest asset managers, BlackRock and Vanguard to at least for a temporary period cancel meetings with portfolio companies on ESG issues. A third major investor, State Street deleted references to ESG from its proxy voting and engagement policies. Industry analysts however, predict that the impact itself on engagement practices will only be temporary.

The picture here is a mixed one where investor behavior has clearly been affected and a marked sow down in the increase in ESG investment has taken place. However, the fact that at least 90 per cent of investors are maintaining their ESG funds, shows that this effect should not be exaggerated.

WHAT ARE THE CHANGES WHICH HAVE BEEN MADE BY THE NEW U.S. ADMINISTRATION WHICH IMPACT SUSTAINABLE BUSINESS?

Although commentary on the wider impact of changes introduced by the new U.S. Administration is outside the scope of this White Paper, it is important to set out the context for companies, by listing the principal changes to date, which are impacting corporate sustainability.

At a big picture level, withdrawal from the Paris Climate Accord clearly puts different pressures on companies who are pursuing net zero targets, numbering around 200 of the largest companies in the United States, according to the S&P Global Sustainable Net-Zero Commitments Tracker. The Administration's decision to withdraw support for the U.N. Sustainable Development Goals is similarly dramatic, not least because so many U.S. companies use them as a framework with which to report.

The decision of the Securities and Exchange Commission to withdraw from any defence in litigation of its proposed Climate Disclosure Guidelines, in effect is the death knell to mandatory climate reporting at the Federal level in the next years.

Interestingly, the SEC's 2010 interpretive guidance encouraging climate reporting, has not yet been over-turned.

The SEC is also now requiring investors to submit onerous '13D' forms where they engage companies on ESG issues, in an effort to constrain such engagement. The evidence above, suggests that this is having some effect.

One of the U.S. President's Executive Orders reversed the previous requirement for federal agencies to assess climate-related financial risks to the economy. Another is seeking to block U.S. input into the next Inter-Governmental Panel on Climate Change (IPCC) report, which could jeopardise its production of the world's authoritative measure of efforts to combat climate change.

Separate Executive Orders prohibits any company with a federal contract from using DEI programs and ends incentives for Electric Vehicle manufacture and sales, whilst all Electric Vehicle charging points in federal premises have been shut-off. An Executive Order was passed curtailing efforts to combat corruption, by suspending enforcement of the long-standing Foreign Corrupt Practices Act.

Amongst Federal Agencies, the Environmental Protection Agency has curtailed its own powers to regulate pollution in the atmosphere and removed the requirement for chemicals companies to have contingency plans for extreme weather events. The Federal Reserve announced its withdrawal from the 'Network for Greening the Financial System', with other central banks globally.

Meanwhile, several 'red' (Republican-run) states have continued legislative attempts to restrict or prohibit ESG in companies or investors. As of 2024[37], 35 of the 271 proposed anti-ESG bills have become law. However, out of 76 anti-ESG bills proposed in 2024, just seven passed, half the number proposed in 2023, indicating that this trend may be slowing.

These bills pitch politicians who believe ESG is contrary to fiduciary duty, against many investors who believe the opposite.

A March 2024 study by the Texas Chamber of Commerce found that municipalities were paying $270million a year in higher bond costs as a result of the state's 2021 anti-ESG law. A similar law was put on hold in Oklahoma after public pension fund holders sued.

A Republican-proposed PROTECT USA Act to shield U.S. companies from complying with Europe's Corporate Sustainability Due Diligence Directive or other third country ESG legislation is currently under consideration in the U.S. Senate.

If passed, companies would be fined (in the U.S.A.) if they do comply and fined (in Europe) if they don't. It's an unenviable choice.

It is worthwhile highlighting some key areas where changes have not been made, at least not yet. Tax credits under the Inflation Reduction Act (IRA), in particular its support for clean energy transition, have been maintained, efforts to secure Critical Minerals continue, as does support for Carbon Capture projects. Repeal of the Inflation Reduction Act would require a vote in Congress. Research shows eighty-five per cent of IRA funding flows into Republican-voting districts[38], making this unlikely.

However, with the Federal level withdrawing from regulatory ESG initiatives, there is an emerging trend that individual states (particularly 'blue' or Democrat-run states) are choosing to do so instead.

California has led the way, passing the Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act, mandating companies to report on Scope 1, 2, and 3 greenhouse gas (GHG) emissions and on climate-related financial risks.

Even here, legal battles have led the 2026 implementation date to be postponed.

Similar bills are being considered at the time of writing in Colorado, New York and New Jersey, together with signs that Washington, Illinois and Minnesota may follow suit.

Already, twenty-five states mandate quotas for minimum levels of renewable and clean energy usage, according to the Center for Climate and Energy Solutions.

HOW ARE ACTIVISTS RESPONDING?

This White Paper is primarily aimed at a business readership, but it is worthwhile giving short consideration to the activist response, as stakeholders of companies and shapers of the broader environment in which business operates.

A majority **(54 per cent)** said that ESG incorporation was leading to better returns

Ceres, the not-for-profit which has led advocacy for the sustainability transition for over thirty years in the United States, has led lobbies of Congress against diluting the Inflation Reduction Act, in joint representation with major U.S. companies including Amazon, IKEA U.S., Samsung Electronics America and Hitachi Energy.

Kirsten Spalding, who leads the Ceres Investor Network of sustainable investing advocacy group told Reuters that the major change she has seen has been in language.

"I am hearing some shifts in the language that people are using. They are not talking about ESG factors or sustainable investing. If they are looking at climate and other sustainability issues such as water or human rights, they are really focused on risk, opportunities and profitability," she said.

Ceres draws attention to the 2,000 U.S. companies who pledged support for the Paris agreement by signing a statement titled "We Are Still In," when the U.S. previously withdrew. The organisation believes Corporate America will have to decide where it stands, in time for the global COP30 Climate Summit later this year.

Elon Musk signed up to 'We're Still in' in 2017.

Meanwhile, Andrew Behar, Chief Executive Officer of the "As You Sow", the U.S. not-for-profit which promotes shareholder advocacy in favour of corporate sustainability, describes what he believes is behind the Backlash:

The strangeness of current times was summed up in Behar perversely finding himself having to advocate against DEI disclosure.

> **Our mission is to try to be a midwife for this great transformation into a world of sustainability and justice. I can tell you we must be doing something right, if people are pushing back against our work this hard**

"After the executive order that if you have diversity, you may lose your federal contract, a lot of companies called us to ask what should we do? I had to reply: 'We're your shareholders. We do not want to see you go out of business. Don't disclose right now until we understand if this executive order is even legal - in the courts. If the courts say the executive order is illegal, then you should disclose," he said.

Behar says the whole situation is one of paralysis: "Everybody's just frozen right now because this administration is so anti-business. They're so much trying to harm the economy that everybody says: put on the brakes because we just don't know what's coming at us next?"

'As You Sow' sees companies caught in the political divide.

"We're seeing red states still passing these anti-ESG laws, essentially preventing anyone from using data to make decisions. So red states are suppressing information. Blue states are saying we need more information, because we want to make educated decisions.

So you're seeing a real schism there."

Many in business will want to shy away from getting involved in what have been called political and culture wars over ESG.

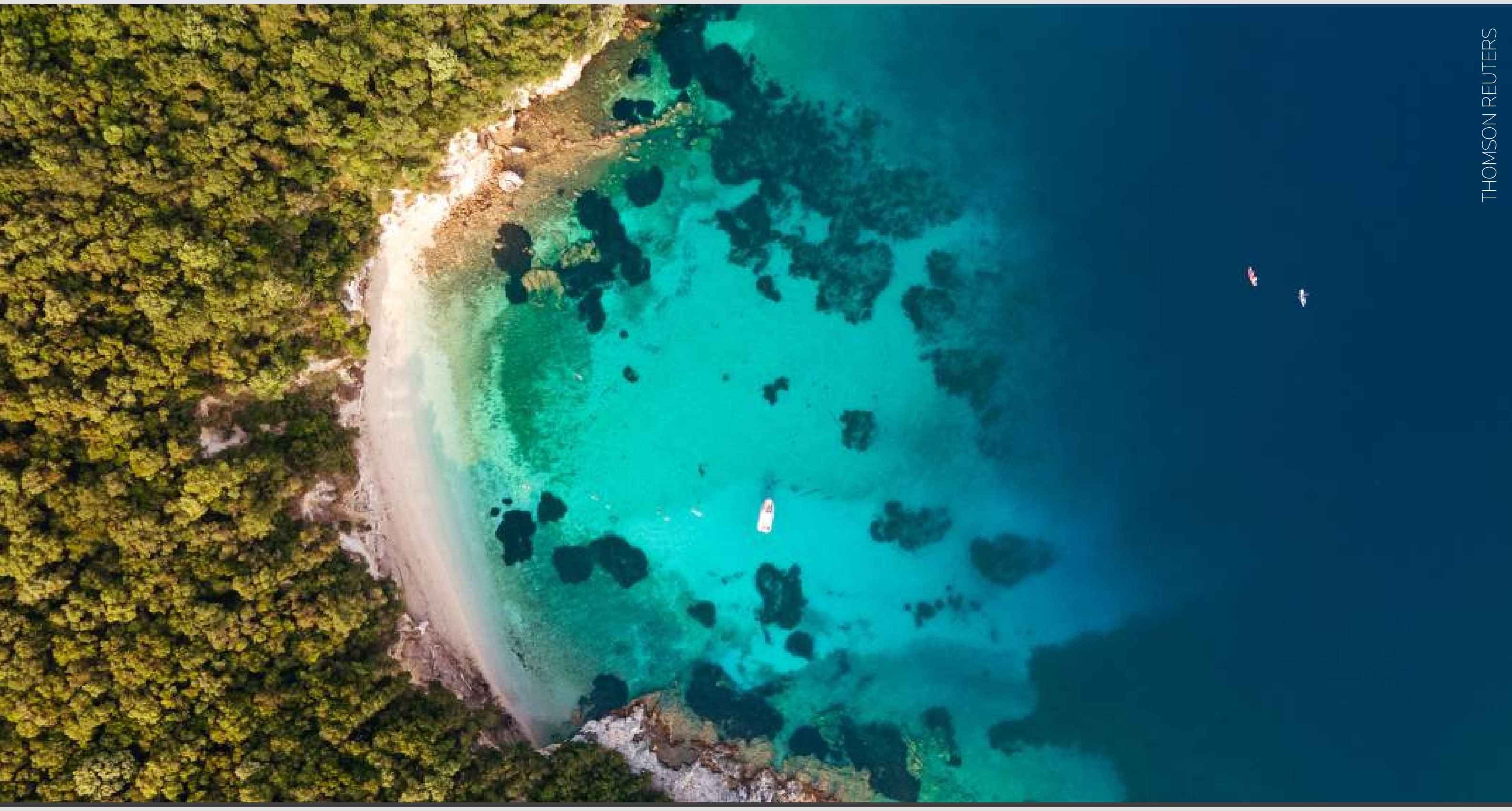
But Ceres says the issues themselves are just too important and appeals to business to bring its legitimate viewpoint to speak out in the debate.

For Andrew Behar and 'As You Sow':

"I don't know exactly how it's going to play out.

My sense is that that most of the corporations want to have a long-term future, that they actually want to have a livable planet for their children and grandchildren."

If this White Paper is intended to help companies reflect, that seems to be a thought worthy of such reflection.



THOMSON REUTERS

RESPONSE OF U.S. COMPANIES TO THE CHANGING REGULATORY ENVIRONMENT

THOMSON REUTERS

To test how these pressures are working out at the company level, each of the interviewees for this White Paper was asked to comment how the changing regulatory environment was affecting them?

Autodesk and DuPont explained that as global companies, they have to uphold sustainability commitments, which remain global expectations.

"The the world is on a secular march towards a low carbon future. We all generally agreed to this in the Paris climate agreement, even with the US now stepping back from that," explains Autodesk's Joe Speicher.

"Everybody else on the planet, save a handful of countries are working towards that future.

"We are a global company. We are looking to meet the needs of our global customer base. We understand and believe that we are marching towards that low carbon future. So we act to facilitate and support this with the the resources which we've got, which as a technology company, are our technologies that we can put forth into the world."

DuPont's Scott Collick agrees:

"Putting the politics aside, I think you have to follow science and follow customer demands.

We're a global company. We follow the science and we follow customer needs. 60 per cent of our strategic customers are aligned with the science-based targets initiative and have net zero commitments. That's why we chose to go to net zero."

Maintaining a long-term perspective is also key factor for Ford.

"We're so very proud to be at Ford in a moment like this with our business leaders who take the long view, who stand on our values and who are willing to do the right thing, even if it's politically unpopular," according to Katy Hoellerbauer.

"We have a very experienced senior team who have seen all types of political winds of change and who remain very focused on what is our purpose.

"We think in terms that are longer than any political cycle. In an environment where there's so much upheaval and even chaos, the company can remain steady by taking the long view of what are our goals.

"We focus on doing what's right for our business, for our employees and for the communities that rely on us."

Microsoft, Paypal and Wilson put emphasis that they have determined their own sustainability strategy and want to continue to pursue the targets which they have set.

"Our stance is again to be accountable and responsible on the commitments that we've made, that we've published, talking about the progress we've achieved," comments Fernando Reyes-Gonzalez.

The EU Omnibus has affected the company's priorities he says, with the Californian regulation becoming 'next in line' for the company's attention.

"Our focus remains to communicate progress on our commitments and ensure that we're going to comply with what's next in line, in this case the U.S. and in consistency in the message," Reyes-Gonzalez adds.

Paypal still sees the importance of reporting according to materiality criteria in both ISSB and CSRD standards and also sees no reason to change the company's established targets.

"With regulations coming out of the EU, we need to be focused on reporting exactly what is material for us, what's the best vehicle for communicating those data points," says Suzanne Hilker.

"But we're also still on track and achieving our net zero target by 2040.

"So we're not rolling back on any of our targets.

"We're moving forward with the programs and the commitments we have in place."

Paypal also says it is "well-prepared" for implementing ISSB standards.

Meanwhile, Whirlpool Corporation also stresses the importance of materiality in the new context.

"We need to stay close to our priorities. What are we working on and why? How do we drive business value in those areas or really connect to the business impact of that work?" comments Beat Stocker.

"The more material the subject, the more business relevance it has, by definition

"As a result of that, first and foremost, it's about really staying consistent in our priorities and using the materiality aspects around that. Consider that the true north."

Marisol Hughes at Wilson also emphasises continuity in the company's sustainability goals.

"The substance of what we're doing and what we're saying is, is very similar," she comments.

"We've not changed our view on the importance of, or in our commitment to sustainability, on bringing it to the forefront and getting our employees involved. All those elements are still the same.

"In discussing ESG with our CEO and our board, we don't intend on changing our focus. Administrations come and go, but our company values, our culture and our DNA have remained the same since we were founded in 2002. We're not going to change."

However, whilst maintaining company sustainability strategy and targets, Autodesk, Paypal, Whirlpool Corp. and Wilson all acknowledge that they will be prepared to be flexible in how these are communicated.

"You're seeing a hell of a lot less pronouncements and noise and hand waving but a lot more work," says Autodesk's Joe Speicher.

"2024 was the first year that we exceeded $2 trillion in annual investments and renewables on the grid and that's a four times increase from 2019.

"You're seeing more action, less words."

Paypal's Suzanne Hilker agrees:

I'd say we're being strategic in where we're talking about our corporate sustainability and impact content in our external reporting," she says.

Whirlpool Corp.'s Beat Stocker describes it as needing to be 'super-agile'.

"It'd be nice to say that we'll just stay 100 per cent on course with everything that we've got laid out and for the most part that's our intent," he explains.

"But we also need to be clear that there are a lot of shifting sands underneath our feet and we need to be really agile and really connected to what's happening, so we can adapt and adjust appropriately."

However, whilst maintaining company sustainability strategy and targets, Autodesk, Paypal, Whirlpool Corporation and Wilson all acknowledge that they will be prepared to be flexible in how these are communicated.

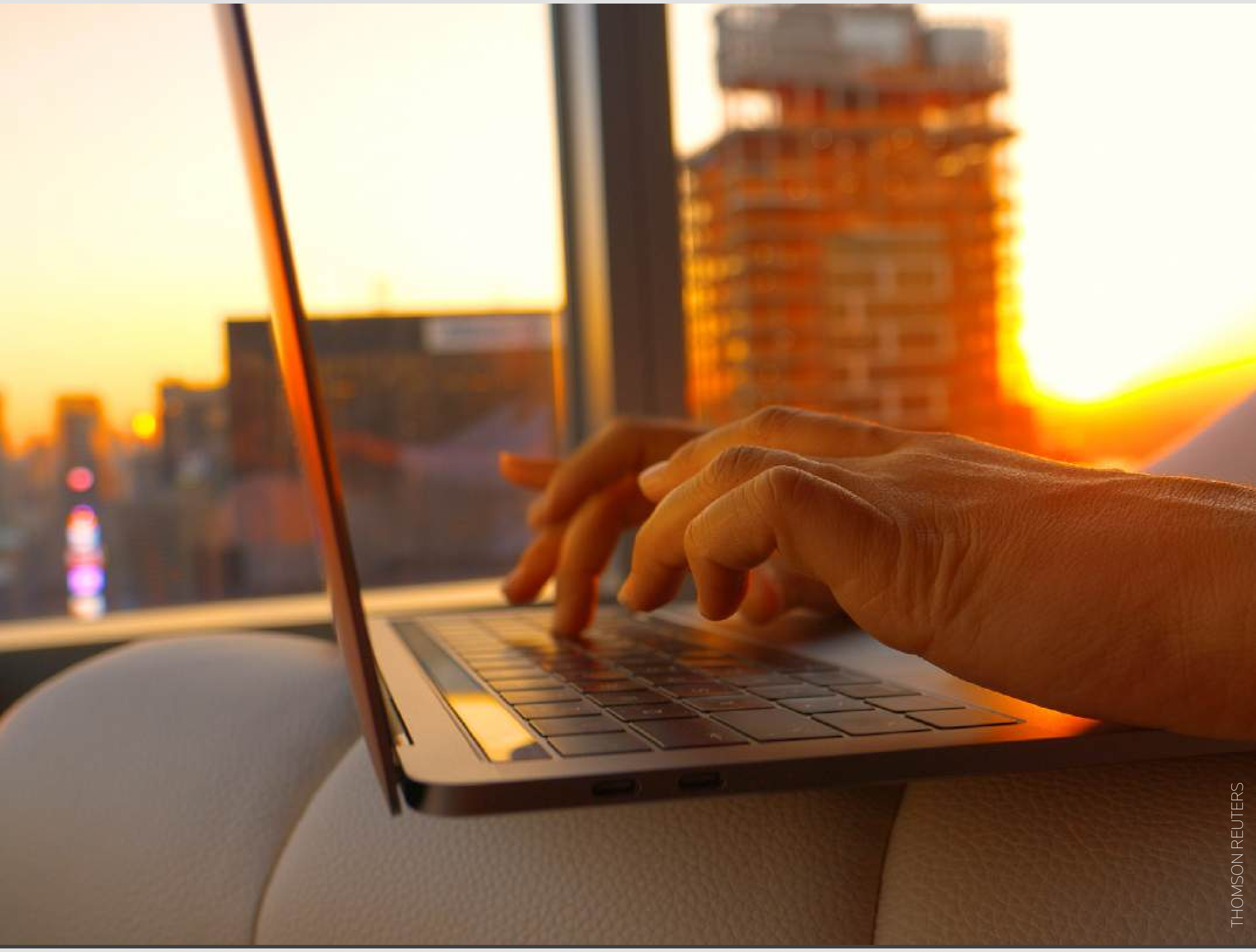
Wilson's Marisol Hughes says the company will also be careful in its messaging.

"We're not a political company, we are a 'for profit' business. We want to cater to all our clients and all our prospects. So, we're very careful that when we present information, we talk about values that are important to us, and are careful not to be polarising in doing so.

"In addition, we really try to reinforce points about the financial materiality of climate change, of social risk and framing those in a way that's it's more of a business topic and not an ideology.

"We believe that sustainability efforts and all the things that go into ESG do influence a company's bottom line. So, when we partner with clients, we make sure we work that into their talent strategies as well."

These responses suggests that a clash is taking place between politics and business, but that many companies are determined to stick to their own values, which they believe remain best for their business.



THOMSON REUTERS

FUTURE DIRECTION FOR U.S. CORPORATE SUSTAINABILITY REPORTING

It is important, perhaps even more important at this time, not to lose sight of long-term goals and ambitions.

Sustainability reporting and performance by business has been on a steady upward path over the last decades and many companies now will be thinking of next innovations and of anticipated developments in the next phase.

Each of the companies interviewed was able to give its own prediction, looking ahead.

Autodesk's Joe Speicher believes Scope 4 or 'avoided emissions' will become fully embraced. This allows companies to provide goods and services which not just lessen Scope 3 emissions in their use, but which potentially contribute positively to combating climate change.

"I would love to be reporting on avoided emissions for the industry writ large, based on an assumptive model that shows what our customers are doing and how we do that," says Speicher.

"But we're not there yet.

"So we report where this does show up, highlighting those cases where we're seeing significant sustainability outcomes from a specific project.

"Today, it is the exception rather than the rule. We're working towards making it the rule."

For DuPont, increasing customer demand for sustainable solutions will continue to drive progress.

"When we scaled up renewable electricity, it was not because we had an enterprise mandate, although we did, but it was driven because of customer demands," comments Scott Collick.

For both Google and Paypal, Artificial Intelligence (AI) is going to dominate sustainability developments in the next period.

"AI is disrupting and transforming and enabling every industry, and sustainability is no exception.," explains Luke Elder.

"The Sustainability reporting function is specifically ripe for AI enablement, given its highly qualitative and text-based, uses data that's largely unstructured and dispersed across many sources, covers various complex and technical disciplines, and lacks consolidation across many frameworks, standards, and regulations.

"

AI is disrupting and transforming and enabling every industry, and sustainability is no exception

Luke Elder, Sustainability Reporting Lead Google

"This makes AI a game-changer for sustainability reporting.

"We consider the AI opportunity set for reporting to span content generation and content interaction. We now use various AI tools—including Gemini, Gems, NotebookLM, and more—to support our content generation process.

"We use these tools to help us streamline content, clarify language, align tone, summarize supporting materials, and improve accessibility. We also use these tools to help validate green claims, and act as writing partners."

Elder describes how the company's 2024 Environmental Report included an AI tool to help readers create their own summary and selection of topics, according to their interest and to use a chatbot to interrogate any section of the report.

"We're excited for more ways to use AI alongside our reports in the future to better help readers engage with and comprehend our sustainability strategy," Elder adds.

Paypal's Suzanne Hilker also sees AI as providing real opportunity for the company's sustainability reporting, but also emphasises the company's commitment to responsible AI.

"We're looking at using AI to read and translate utility invoices. I think there's a lot that AI can do to help - to validate data, find discrepancies and trends. I think that's going to be the next phase," she says.

"We have definitely put a lot into the governance around AI. We have a center of excellence that brings together not only all of the expertise, but all of our processes and policies around AI.

"

Sustainability reporting is specifically ripe for AI enablement

Luke Elder, Sustainability Reporting Lead Google

"It's something that we've put a bit more content into the report this year around responsible AI, that is hopefully going to satisfy those stakeholders that have been asking more about it."

Both Whirlpool Corporation and Wilson emphasize the continuous nature of sustainability reporting, moving away from it being a once-a-year snapshot.

According to Beat Stocker:

"We should be collecting the stories as we go throughout the year. Our work is not in a calendar sequence, in line with creating a report. Sometimes in the storytelling and the report generation, they're too closely connected. So what we're trying to do is to collect things as we go and then simplify a lot the input side in the report process."

Wilson's Marisol Hughes adds:

"We want to focus more on offering more real-time information and data. What we really want to do in the future is develop more real-time dashboards within Wilson, so that our internal as well as external stakeholders can see how we're doing throughout the year, rather than wait for our annual report.

"We really want to make it more interactive as well, maybe include calculators based on our principles and allow our people to see how they can increase their ability to make an impact, for example on carbon footprint."

Wilson's Marisol Hughes also believes there is room for more stakeholder reporting, within the report itself.

"We really want to increase our stakeholder reporting. We'd like to get even more employees involved. We'd like to get our clients involved as well, maybe in the next report or two, just to make sure that everybody knows that it's really a partnership. Involving our vendors, our employees and our clients would truly make it more of a '360 degree' view."

For both Ford, Autodesk and Microsoft, the biggest change in the next few years, will be the transition from voluntary to mandatory sustainability reporting.

"In the next five years, we know what is coming. The European regulations will be coming in which we're already preparing and in really good shape for," explains Ford's Katy Hoellerbauer

"Longer term, I don't see it stopping. I think it's a growing space, which will continue to be regulated and which will continue to have a lot of eyes on it.

"Ford's ready."

According to Microsoft's Fernando Reyes-Gonzalez:

"Voluntary reporting calls for a specific type of reporting, activities and processes. Now mandatory reporting is bringing processes and activities and governance, that are new to this world."

"But that means there will be even greater need for clarity," he argues. "It is just transparency, clarity, avoiding confusion, building a muscle and continuing to build it.

"Microsoft has a long list of commitments and targets, as many other companies have. So I think just clarity, simplicity is the rule of thumb that I always keep.

"That I make sure shows up in in all the assets that we put out into the world."

That's a bold claim for a company of the scale of Microsoft - and a proper challenge to companies of all sizes and sectors across the country.

ENDNOTE ON PURPOSE

The sustainability professionals interviewed showed a remarkable degree of commitment and genuine enthusiasm for corporate sustainability.

Understandably, Microsoft, Paypal and Wilson all argued how it is much more important to focus on why companies pursue sustainability, rather than on the technical details of sustainability reporting processes.

Microsoft's Fernando Reyes-Gonzalez described this as:

"I feel like it's keeping our eyes on real progress and not getting hung up on textbook reporting requirement.

"It's a balance but never losing sight of real progress because that remains, whatever we go on to report on different things or to stop reporting.

"Real progress remains and that's the real impact."

Paypal's Suzanne Hilker adds:

"I just don't want sustainability reporting to become a compliance exercise. I think it was meant to share the challenges we're facing, as well as the successes we've achieved.

"So I want to ensure that this work is continuing to put into words what PayPal stands for, holding ourselves accountable to the goals we've set and also offering some inspiration to not only the company, but to other companies as well. I don't want to lose that as we go into the regulatory space."

Wilson's Marisol Hughes agrees:

"Make sustainability values, philosophy and goals first and then let everything else fall in place.

"Don't go into this trying to create a report first and then fit information in. Go into it with what do you want your ESG policy and philosophy to be and then report on how you're achieving this and what you want to do moving forward.

"Then the process basically repeats and constantly evolves."

A second strand of thinking arises from the fact that several of the interviewees come from an environmental science background.

"Follow the science," says DuPont's Scott Collick.

"I'm a chemical engineer. The first class that you take in chemical engineering is mass and energy balance. So when I took the sustainability job, I actually tried to do a mass balance of the earth. That helped me see that we're putting out emissions and extracting from the earth at more than its biological capacity.

"I found the planetary framework, which says we're exceeding it by 6 of the 9 planetary boundaries.

"Acid rain and ozone depletion are largely abated because we figured out how to do it.

"The issues that we're dealing with in climate change and forest cover are harder. But I really do believe in the power of science and innovation and I've seen it at first hand.

"I am excited. We need to do it."

Whirlpool Corporation's Beat Stocker also puts his faith in science.

"I'm obviously a little bit closer to math behind this and the science than maybe most," he says.

"We're at a point where it has to happen soon.

"We need to find more collective will and this is cross-industry, across geopolitical boundaries.

"There's actually a lot of knowledge and technology available to us.

"We have a limited window of time, to make progress."

"But I think we have the ability and the opportunity to do it."

Google's Luke Elder sees that this cannot be solved by any one company, but by companies working together to meet systemic challenges.

"We hope corporate sustainability contributes to a better world for everyone," he says.

"That's why we design a product sustainability strategy, engage in advocacy, build partnerships and develop technologies with a focus on creating systemic, positive impact beyond Google."

For Paypal, it is also about sustainability becoming fully integrated within the company and in remaining true to the company's own values.

"My hope is that sustainability is just going to become part of the business, part of everyone's job. It's not going to be a separate, siloed department," says Suzanne Hilker.

"I hope that it's something that is still a focus, there's still the need to bring all of the stories together, but it's something that should be spread out into every job within the company.

"I think right now is just such an interesting time in this area where we're really navigating new waters in sustainability reporting," she adds.

"I've never seen such a push and pull from stakeholders, that I'm seeing now. From a PayPal point of view, we just plan to continue to tell our story, to be transparent and to be true to our values."

Ford sees the importance of trust and belief in the company, from the company's employees and customers.

"it's not just a vehicle, it's about ensuring that people are proud to work here and to be associated with the Ford name.

The collective effort within the company of producing the report, contributes to this.

"We don't do this in a bubble. We work with hundreds of people across the organization to put it together and highlight all of the great stories from every aspect of the company," says Hoellerbauer

"Communications, marketing, technical experts, product development, engineering, compliance, hundreds of people contribute to the report. I think that the employees feel accountability for it, a responsibility for what's in the report."

Katy Hoellerbauer highlights that same trust in relation to the people who buy its vehicles.

"It's that our customers can trust that when they buy a Ford, that we're looking out not only for their safety of the vehicle, but safety in the way that we produce it, to protect the environment and local communities," she said.

Microsoft's Fernando Reyes-Gonzalez puts the emphasis on the seriousness of what is at stake for all of us. "Our planet, we have just one. There's just one atmosphere. It's just one. It's the truth," he says.

"I think it's just it's changing mindsets, and I really love that sustainability is making its way into meetings and conference rooms and teams who weren't really talking about this before and either blowing up their minds or making them disagree, but they're talking about it.

"That's awesome. That's perfect. I love that."

Whirlpool Corporation's Beat Stocker also stresses the length of the journey, but that at each stage, the focus should be on what matters.

"We established the Office of the Environment more than 50 years ago, probably before it was a phrase or a popular thing to do. So we're on a long journey here," he says.

"It matters to our employees, it matters to our consumers, so it matters to us."

"I think it's about rolling up our sleeves and getting things done and being humble enough just to be super transparent.

"Super transparent that we're a long ways from where we and everybody needs to be and that we have a lot to learn.

"But that we need to be willing to learn as we go and be willing to take those steps along the way."

Humility at the scale of the challenges before was shared by several of the interviewees. But none of them was daunted by what lies ahead, but are relentlessly seeking solutions to enable the challenges to be met.

CONCLUSION

This White Paper started with the 'big truth' that all the evidence is that sustainability has become deeply ingrained in American companies, investors and in its population.

Sustainability reporting by U.S. companies is growing in number and quality, with more resources devoted to it and more of the reports being subject to third party assurance.

Companies interviewed were able to describe the increased complexity in their reporting, the increase in awareness and understanding of the process within the company, the fact that it is very much a learning process - not least from clients and suppliers, and - most all - that real progress in achieving sustainability targets is being seen.

Interviewees identified some of the latest innovations in their sustainability reporting including recording enhanced support fir the energy transition, in the use of benchmarking, also in Artificial Intelligence, in improved governance arrangements within the company for sustainability reporting and in enabling much more employee-driven information to be included.

The White Paper considered in detail a number of emerging themes amongst the group of companies selected. Companies were seen to be choosing to adopt a 'double materiality' approach, even where they do not have to do so. Ways of achieving better outcomes on climate were identified by prioritizing mitigation, using integrated platforms from design to operation, and by moving to activity-based techniques for measuring Scope Three emissions. Data was shown to be a big focus in the current era, with companies starting to use 'data packs' separate from their sustainability reports, a new role for accountants in the process and the need to ensure a higher degree of data consistency in the company's different communications. New emphasis on opportunity or 'handprint' and a shift to product-level reporting and to the measurement of 'belonging' in relation to the company's employees, were each also identified as long-term trends.

In examining how far U.S. company sustainability reporting is using different frameworks and guidelines, it was striking that there was no pushback from the companies about internationally-agreed standards, but simply a strong desire for convergence and a recognition that mandatory reporting will soon supersede existing voluntary frameworks.

This White Paper's analysis of the impact of the so-called ESG Backlash is having a serious impact on companies and investors. There is a added focus from companies on the elements of ESG which most directly impact business value, potentially at the expense of some climate and social issues. ESG investment is seen to being subject to consolidation, but not a contraction. Moreover, companies were shown to be very largely maintaining their own sustainability goals and targets, with big names withdrawing from the ESG space, matched by equally big names pledging to stay in. Even where there is a diminution in some of the indicators around sustainability reporting, actual levels remain far higher than even a very few years ago. Some of the decisions of the new Administration were listed to describe the context for some of these developments, together with analysis that the regulatory push for sustainability disclosure may simply be switching from the Federal to the state level. The message from activists to companies was that they must not be paralysed by the current volatile situation, but have a duty to speak out in favour of sustainability commitments.

The companies interviewed were almost uniformly in the camp of sticking to their commitments, several saying that they are global companies, meeting global expectations. Sustainability targets had been chosen by companies themselves and reflected company values, so would not be amended because of political pressure. However, the companies reflected some of the wider research findings that they would be changing their communications to be sensitive to the current situation. The focus would be on action not words.

Several topics for future development of sustainability reporting were identified by interviewee companies. These include moving towards reporting of Scope 4 or 'avoided emissions', the likelihood of fast increasing customer demand for corporate sustainability, further widespread application of Artificial Intelligence and the incorporation of more reporting to be incorporated from stakeholders themselves. Several companies are working towards continuous reporting through the year, with additional interactive tools for report readers and users.

The biggest change going into the future, which the companies perceived irrespective of current regulatory developments, is the transition from voluntary to mandatory sustainability reporting.

Finally, the companies interviewed gave a parting reminder to focus on why companies do sustainability reporting and not just to allow it to become a compliance exercise. Use the science to recognise the scale of the challenges, but also in the potential for them to be met, it was said. A message to other companies was to recognise the systemic nature of many challenges, requiring business to work together. It was about building trust with all stakeholders.

The final message was: never forget the gravity of exactly what is at stake.

ABOUT THE AUTHOR:

Richard Howitt served for 22 years as a leading Member of the European Parliament, was its longstanding Rapporteur on Corporate Responsibility and proposed and negotiated Europe's first rules for corporate sustainability reporting. Subsequently he served as Chief Executive Officer of the global body which merged to form what is today the International Sustainability Standards Board. Currently, Richard works with companies as Strategic Advisor on Corporate Responsibility and Sustainability, Business and Human Rights. He is Senior Associate at the public interest law firm Frank Bold LLP, lectures at Audencia Business School and is Board member at both the sustainable investment pioneer, the Eiris Foundation and at the sustainability think-tank, r3.0. He is host of the responsible business podcast, 'Frankly Speaking'.

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