16 PEACE, JUSTICE AND STRONG INSTITUTIONS

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Deceived by the Numbers?

The Truth Behind ESG Reporting

Publicity Stunt? | Greenwashing? | Surface Deep? | Truth or Trick?

Often times, some things seem too good to be true. This could be said of the numbers we see on the ESG reports released by companies. Leaving us wondering whether the numbers even reflect the reality. Due to this, public loses faith and interest in corporations. Leading us to ignore these disclosures, when in fact, we should be doing the opposite.

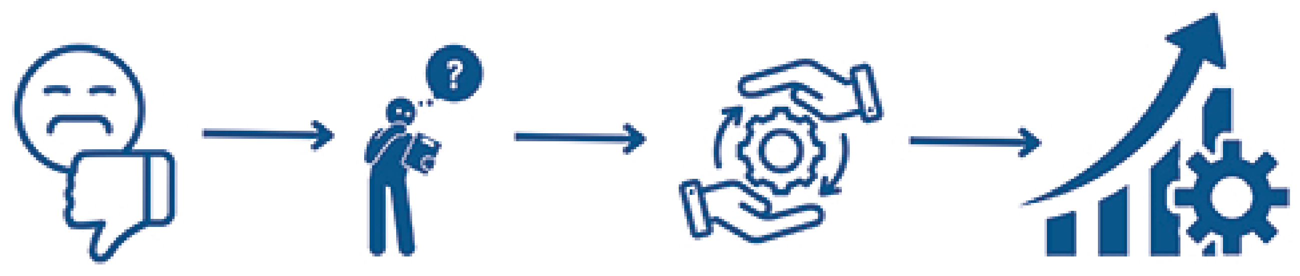
This is why it was crucial for us to dig deeper into the figures and bring forth what was happening behind the scenes! Here's what we found...

The Numbers You See In Fact:

Drive Change

The public, empowered by media, demands social progress through ESG.

Opposite of what we suspected - ESG figures being misleading - public scrutiny and rising social expectations actually push for ESG improvement. Additionally, the media amplifies public concerns (specifically around diversity, equity, and inclusion). During our internship, we saw that most companies were putting in an added effort to improve in these aspects. This shows that rather than being deceived, the public is actually heavily involed in shaping companies' ESG performance.



Attract Long-Term Investors

Companies showing better performance appeal to responsible investors who demand real change.

In today's market, transparency is currency. Investors are starting to prioritize ESG disclosures in deciding how their portfolio is structured and where their capital goes. We have learnt that the stakeholder theory suggest that companies need to address the needs of all stakeholders, including the ones who demand sustainable practices (Freeman, 2010). Better figures attract responsible investors, who in turn expect better performance, and the cycle continues, enhancing the companies' ESG performance.

Improve Internal Performance

Tracking and disclosure enhance accountability and goal-setting.

We found that putting these figures out there is not just for the show, they make up a powerful internal management tool. The transparency of reporting in fact increase the board's awareness of goals and creates space for accountability. Research also shows that ESG tracking supports gradual improved environmental and social performance (Gray et al., 1995). During our internship, we witnessed companies using past ESG disclosures to evaluate performance and set KPIs. Transparency turns ESG from a PR issue into a performance issue, encouraging real change from within the company. This shows these figures are not just some publicity stunt, but important tools for internal reform.

Create Industry Role Models

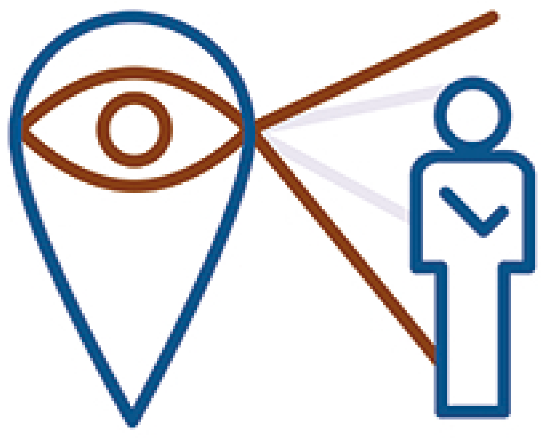
Benchmarking ESG efforts allows companies to learn from leaders.

ESG reporting allows other companies to compare their performance with peers and industry leaders. This way, newcomers or companies that are not doing so well can replicate the practices of role models. During our internship, we helped companies conduct this comparison to see how they can improve. We also helped preparing for the ESG Awards our Community Partner presented, awarding the role models. Achieving these awards puts them on spotlight, increasing visibility and creating incentive for others to replicate their actions. These top companies help set the standards, inspiring and guiding the rest of the industry, leading to collective progress of their respective industries.

Enable External Oversight

ESG data is used by the media and NGOs to hold companies accountable, reducing greenwashing.

ESG data in the public eye empowers watchdogs, NGOs, and investigative journalists to hold companies accountable. These external stakeholders can independently monitor and evaluate companies' performance. This oversight acts as a shield, protecting against greenwashing and false reporting. We have also learnt that legitimacy theory explains how companies seek approval from society (Suchman, 1995), and being transparent is an important step to achieving that. Additionally, our previous coursework related to media reviews on controversial ESG cases also revealed that external pressure based on disclosed data brings about corrective action. In short, companies cannot get away with false reporting with so many people watching.



Conclusion

We set off to critically analyse the big promises and attractive figures that companies put on ESG reports. Our academic knowledge and internship experience verified that false reporting does more damage than good for companies. In fact, the various benefits of disclosure and quantification were uncovered through this process. Also, the importance and benefits of transparency and oversight were confirmed too.

Call to Action: You Hold the Power

Your voice matters. Your expectations shape how companies behave.

By supporting top ESG performers and holding firms accountable through media and activisim, you push the corporate world forward.

Ask questions. Read the numbers. Make informed decisions.

Take the first step by scanning the QR code on the right to test your knowledge!

Freeman, R. E. (2010). Strategic management: A stakeholder approach. Cambridge university press.
Gray, R., Kouhy, R., & Lavers, S. (1995). Corporate social and environmental reporting: a review of the literature and a longitudinal study of UK disclosure. Accounting, auditing & accountability journal, 8(2), 47-77.
Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. Academy of management review, 20(3), 571-610.

SUSTAINABLE DEVELOPMENT GOALS