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Out Front On ESG: Firms Stake Out Their Positions In A Quickly Evolving Field

Within the past several years, ESG has become one of the corporate world's hottest acronyms, with companies across a broad spectrum of industries looking to quickly get a better handle on how they quantify and report their environmental, social and governance strategies and initiatives.

Part of the impetus for this ESG awakening may be an altruistic desire to help make the world a better place. A more urgent driving force, however, has been a strong push by the regulatory and investment community to compel companies to disclose their ESG efforts in a more streamlined and transparent manner – that is, something more akin to their financial reporting. The SEC, for example, last month sought comments on highly anticipated new regulations concerning the disclosure of climate risks and related financial impacts, as well as data on greenhouse gas emissions in certain filings.



In other words, the standard is now moving from touting ESG initiatives as occasional feel-good PR announcements to one of mandated data-driven disclosures that can be easily compared across companies. Even though only public companies are staring down mandated disclosures in the current conversation, many others are trying to get out ahead on ESG on a voluntary basis, seeing it as not only the right thing to do but perhaps only a matter of time before the requirement of such information spreads.

Not surprisingly, many organizations have found themselves ill-equipped to jump into this brand of ESG-related reporting with as much ease and certainty as they have financial disclosures, not only because it represents such a new and unfamiliar dynamic, but also because the applicable standards and frameworks remain in flux (though the International Financial Reporting Standards Foundation and Global Reporting Initiative continue to work toward a universal framework).

A recent **Deloitte** survey of 300 senior finance, legal and sustainability leaders found that less than a quarter of respondents (21%) have an internal ESG council or working group in place to drive strategic attention to ESG topics, and 82% believe they will need additional resources to generate comprehensive ESG disclosures. Further, 3 in 4 respondents indicated they plan to obtain assurance over their ESG disclosures in the next reporting cycle, indicating the importance of applying independence and objectivity to enhance the reliability of this information.

That's where accounting firms like Houston-based **Weaver** come in. Having tracked the rise of ESG since 2017 and anticipated the coming wave of new reporting requirements, the \$165-million IPA 100 firm

launched a dedicated ESG reporting service line in the first quarter of 2020. The multi-disciplinary ESG practice has seen a steady uptick in demand over the past two years as more and more clients begin to understand the impact these evolving requirements are going to have on their operations – not to mention how unprepared they are to adequately address them.

“There has been a transition from sustainability reporting, which is very environmentally focused but also sometimes more of a press release activity, to the broader ESG mentality that we see today,” says **Greg Englert**, a partner in risk advisory services and a key leader in the Weaver ESG practice, which combines resources from the firm’s governance consulting and advisory, energy compliance, and IT advisory and data analytics teams. “It’s now a larger, more purpose-driven effort, which provides a lot more information to the readers of these reports but is also a lot more work because the categories are so much broader and wide-reaching. And because Weaver has such a mix of experience throughout the organization, we’re a good fit for these broader categories that we see today in ESG.”

That experience, Englert notes, spans a wide range of disciplines throughout the firm, and includes IT, and chemical and environmental engineers who can dig deep into some of the reportable components.

“I think our ESG team looks a lot like our firm – it’s multi-disciplinary,” he explains. “It’s a mix of CPAs and non-CPAs that come together to cover everything from a process perspective. We’re really focused on how clients can get all of this information pulled together and what that process looks like.”

National strategy leader for large market and public entities **Alyssa Martin** says that as of today, Weaver’s ESG service is primarily an advisory function – covering everything from strategy and benchmarking to materiality assessments and reporting frameworks – mainly because there’s not a lot of attest or assurance demand right now. But, as with all things ESG these days, that tide may shift in short order.

“Things are turning very quickly and we’re starting to see where attest and assurance are going to be required in ESG,” Martin says. “Our outlook is changing every day as things become more and more focused on the repeatable processes that can be validated.”

Also changing are the types of clients seeking out the firm’s ESG services. Weaver is widely known for its experience in the energy sector, and Martin says oil and gas companies indeed made up most of the early ESG business. But while energy is still a big area, the firm is seeing growing interest from financial services, non-profit and socially conscious e-commerce organizations as well. Another shift is in the stance these clients are taking toward ESG and, therefore, the reasons they’re seeking out Weaver’s assistance.

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“When we started this two years ago, it was all about how to get started,” Englert says. “Now it’s more about how Weaver can help them feel better about the information they’re putting out and their validation and process design. There was a lot of reluctance and confusion right out of the gate, but as companies start to see that they can do this, they want to understand how they can better set goals and set strategies to tell the story they need to tell.”

Another IPA 100 firm making ESG a big part of its client offerings – while simultaneously focusing on its own ESG journey – is Chicago-based **BDO USA**. Earlier this year, the \$2-billion firm launched its ESG Center of Excellence to provide counsel and resources on ESG-related sustainability regulatory and reporting requirements – not only for clients, but for its own people as well.

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“While the idea of sustainability isn’t new, it has become a business imperative,” explains BDO partner and executive team member **Christopher Tower**, who was recently named the firm’s ESG strategy and services leader. “BDO believes we have an obligation to make an impact and do our part to be a force for positive change, which is why we’re integrating ESG into everything we do. As a firm, we are focused on building a sustainable business – one that prioritizes long-term stability and creates lasting value for all stakeholders.”

Alongside its internal efforts, the firm’s ESG client services – which span everything from materiality assessments to roadmaps for data controls and processes to reporting frameworks – comprise areas including reporting and attestation, tax strategy, supply chain sustainability, climate risk, human capital and sustainable finance and investing. Tower says the **ESG Center of Excellence** was developed as a cross-firm initiative to gather the insights and experience of senior professionals from multiple disciplines who could play a leading role in the ESG journeys of both BDO and its clients.

“Each of our professionals will have a role to play, as ESG touches virtually every service line and every core business practice in some way,” he says, noting that the BDO executive team has identified ESG as a top firm priority and a key component of its strategic vision for the future. “The essential skills needed are broad, from digital transformation, data analysis and internal controls and reporting experience to workforce upskilling and communication. We will need to lean into each of these skills to truly transform our business and help our clients transform theirs.”



Tower says ESG services are a fast-growing area for BDO, with the firm seeing significant demand specifically for guidance on ESG reporting – even from private companies that won’t be subject to the SEC’s new rules. He points to a 2022 middle market [CFO survey](#) conducted by the firm in which nearly two-thirds (64%) of respondents expressed the belief that implementing an ESG program will improve

their long-term financial performance, and 41% said that ESG initiatives create value. And, in many cases, that value may even extend to an organization's quest for talent.

"In a competitive recruiting and retention environment, leveraging ESG is seen as a key workforce strategy," Tower notes. "Employees want to work in purpose-driven environments where they can feel confident that their values align with their employer's values."



ESG, then, represents an evolving and multi-faceted set of issues with which almost every organization is going to come to grips in some way, shape or form in the coming years – whether out of social consciousness, regulatory obligation, competitive survival or some combination thereof. And, just as they have for a variety of other key business needs, those organizations are going to increasingly turn to their trusted advisors for the guidance they need to get it right. While firms like

Weaver and BDO and their peers at the top of the revenue chain may have a head start when it comes to launching dedicated ESG practices, it will more than likely become commonplace throughout all levels of the profession in the coming years.

"Over the next decade, ESG services will continue to be a growth area for the profession," says Weaver's Englert. "You're going to see an effort to streamline and consolidate all of these various reporting frameworks toward a single standard that will provide more comparability across all companies, and that's going to drive more opportunities for accounting firms to support clients with complete and accurate ESG reporting. It's a fast-moving, ever-changing world, and as a profession we have to understand and anticipate what's coming next." ■IPA