How & Why Companies Use Visuals to Communicate ESG Goals and Progress.

September 2023

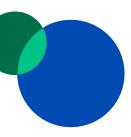


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Introduction

With a convergence of global factors like regulations, voluntary frameworks and standards, and stakeholder interests reaching a turning point, it is important for companies to set transparent and measurable environmental, social and governance (ESG) goals in line with their ESG and business strategies. It is, however, not sufficient just to set goals. Companies also need to effectively demonstrate tangible progress toward meeting them. One way to quickly communicate progress is to use clear and compelling visuals.

In this thought piece, we explore different visual elements U.S. companies have used in their annual ESG reports to display progress towards meeting their ESG goals.

Including Transparent Visuals in ESG Disclosures

Until recently, corporate ESG reporting has been largely voluntary and unregulated. But this is changing. The new Corporate Sustainability Reporting Directive (CSRD) and its European Sustainability Reporting Standards (ESRS) will impact over 50,000 U.S. based companies starting in 2024¹. The ESRS will require that companies share forward-looking information, including their sustainability targets, indicators and progress. While CSRD will require changes in financial reporting, information shared in non-financial ESG or sustainability reports should be consistent.

In addition, the ESRS will require demonstration of alignment to the Paris Agreement (15°C-2°C limit)², which necessitates that companies set science-based emissions reduction targets and demonstrate year-over-year progress towards meeting them. The ESRS, the new international reporting standards from the International Sustainability Standards Board (ISSB), and the proposed climate rules from the U.S. Securities Exchange Commissions (ESC) all build on the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), meaning that they ask for a discussion of climate targets and metrics used to measure progress. These evolutions in ESG reporting make it important that companies communicate their ESG goals, targets and progress in transparent ways.

Visual tools can help companies do just that. Thoughtfully organized financial and ESG or sustainability reports that employ information design principles like visual tools make it easier for stakeholders like regulators, investors, employees, ESG ratings agencies and others to find and understand a company's goals and the progress they have made toward them.

Using visual tools helps to:

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- Maintain a consistent and standard practice among a company's financial and ESG reporting that aligns with company branding and communication guidelines.
- Allow stakeholders to more easily and accurately understand a company's ESG progress year over year (YoY).
- Potentially shorten already long reports by using visuals instead of text.
- Create a compelling storytelling component that a company can repurpose for presentations, websites, social media and other platforms.

Visual Examples

U.S. companies use a variety of reporting practices to showcase their goals, targets, metrics and the progress they have made toward them YoY. Let's explore some effective ways to demonstrate progress visually in ESG reports.

AMERICAN EXPRESS 2022 ESG REPORT

Progress on 2025 Environmental Goals

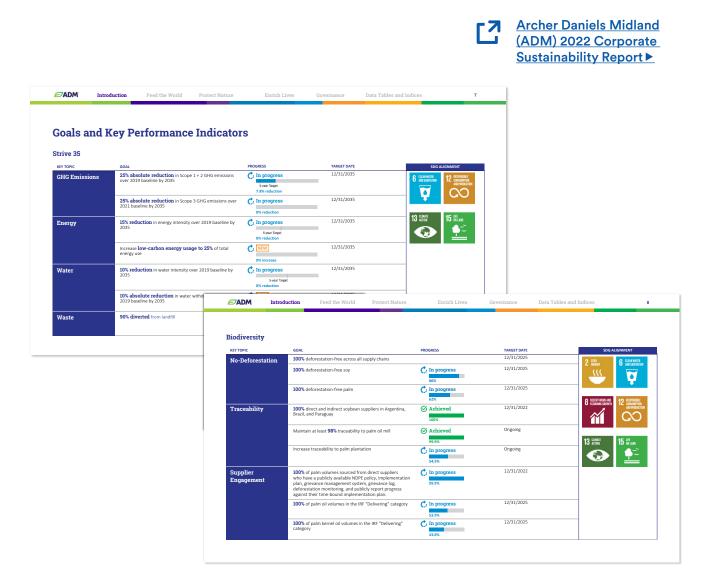
American Express uses a clear chart format that outlines their environmental goals by sub-category, a high-level overview of each environmental goal, and their performance toward achieving that goal represented with a progress bar. American Express also shows this YoY, making it easy for stakeholders to track.



ARCHER DANIELS MIDLAND (ADM) 2022 CORPORATE SUSTAINABILITY REPORT

Goals and Key Performance Indicators

ADM also uses a chart format with a progress bar visual to track progress toward goals but goes a step further by including the specific target date for each goal, alignment with the United Nation's Sustainable Development Goals (SDGs), and inclusion of humans rights goals.



AT&T 2022 PROGRESS TOWARD GOALS

AT&T takes an entirely different approach toward tracking their progress toward goals. They include individual progress trackers in their ESG summary, and also publish a separate report on their website called Progress Toward Goals that uses a chart format to efficiently and effectively display this progress.

AT&T 2022 Progress Toward Goals►

AT&T 2022 SUSTAINABI



Carbon Neutrality

Climate change is one of the world's most pressing challenges. Our connectivity can be part of the solution.

Guided by our <u>Climate Strategy and Transition Plan</u>, we're acting to address climate change and prepare for its impacts. We have set a goal to be carbon neutral targeting net zero Scope 1 and 2 greenhouse gas (GHG) emissions' for our operations by the end of 2035, guided by a science-based target (SBT) aligned with keeping global temperature increases to below 15 degrees Celsius.

We continue to progress toward our carbon neutral and SBT ambitions, having reduced emissions by more than 41% at the end of 2022 (2015 baseline).³ Looking beyond AT&Ts operations, we've achieved our objective for

a least 50% of our suppliers²⁰ to set their own science-based targets (page 29). We've also committed to supporting a gigaton of customer emissions reductions through our <u>Gigaton Goal</u> (page 26).

PROGRESS: REDUCE SCOPE 1 AND 2 GHG EMISSIONS GIV, BY VEAR-END 2030 412% Induction) Targeting ETN: induction by year-and 20 PROGRESS: ACHIEVE NET ZERO SCOPE 1 AND 2 GHG EMISSIONS BY VEAR-END 2035

41.2% reduction Targeting 100% by year-and 20

 READ MORE

 • Energy Management. Issue Brief
 • Climate Change & Greenhouse



Enhancing our efficiency

Our greatest opportunity for emissions reductions is to reduce electricity consumption and accelerate our energy efficiency efforts. Being smarter with purchased electricity also brings financial savings – as we drive kilowatts out of the business, we remove both emissions and energy-related costs.

From 2015 through 2022, we've implemented approximately 161000 energy efficiency projects across the organization. These projects reduced our Scope 2 emissions and amounted to gross annualized savings of approximately \$663 million.²¹ We will continue to act on opportunities to drive down energy consumption in support of our carbon neutral goal.

161k >7M MWh energy efficiency projects implemented since 2015

MWh \$6 al gross savings cost 15 since

\$663_M gross annualized cost savings since 2015

Reducing fleet emissions

Our carbon neutral goal also includes reducing emissions from our global fleet. We expect to reduce our fleet emissions – which currently account for 51% of our Scope 1 emissions – at least 76% by 2035. Our strategy involves optimilary routes, switching to hybrid and electric vehicles and reducing the overall size of the fleet.

AT&T 2022 SUSTAINABILITY SUMMARY

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FORD 2022 ACCELERATING PROGRESS

Ford uses a chart format but includes a more narrative approach to their goals. They also include alignment to UN SDGs and their sustainability aspirations.

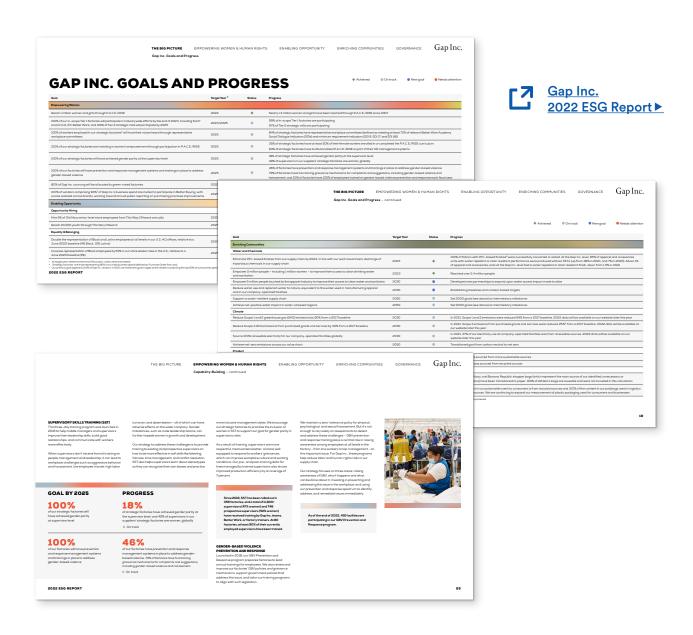


Ford 2022 Accelerating Progress►



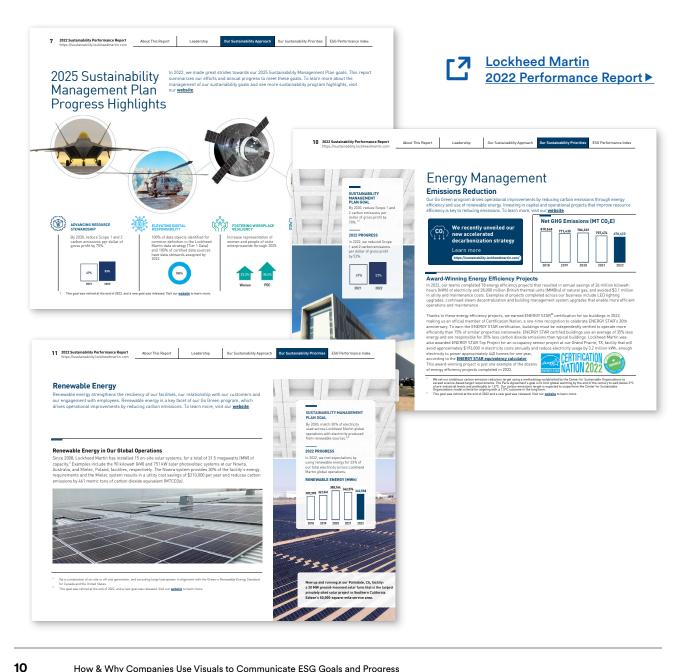
GAP INC. 2022 ESG REPORT

Gap's report provides transparent disclosures and updates on progress toward their goals in a table in the front of the document and progress trackers along with quantitative information about each of their goals. In addition, they include a status icon in which they are transparent about goals that are achieved, on track or need attention. They then add more context around each goal and progress towards meeting it. in relevant sections of the report.



LOCKHEED MARTIN **2022 PERFORMANCE REPORT**

Lockheed Martin established a Sustainability Management Plan (SMP) to track short and long-term goals, and their report focuses on explaining progress toward these goals. They include both a highlights page that shows progress toward specific goals under the SMP, and then show progress toward each goal throughout the report.



KRAFT HEINZ 2022 ESG REPORT

Kraft Heinz

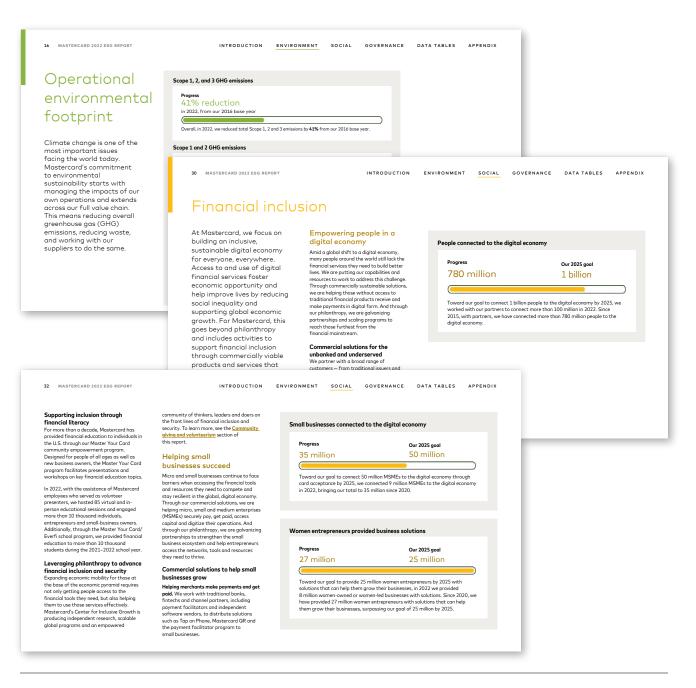
Kraft-Heinz compiles all of its ESG goals in an easy snapshot visual that quickly communicates their goals and progress towards meeting them.

INTRODUCTION HEALTHY LIVING & COMMUNITY SUPPORT ENVIRONME	NTAL STEWARDSHIP RESPONSIBLE SOURCING APPENDIX	Kraft <i>Hein</i>
2	021 Progress on ESG Goal	5
Healthy Living & Community Support	Environmental Stewardship	Responsible Sourcing
Improve product health & nutrition by achieving 85% compliance with Kraft Heinz Global Nutrition Targets by 2025.	Achieve Net Zero carbon emissions by 2050, halving same by 2030.	Source 100% of eggs globally from cage-free or better* hens by 2025.
Reduce total sugar in our products by more than 60 million pounds across our global portfolio by 2025.	Reduce energy use intensity by 15% across our manufacturing facilities by 2025 (per metric ton of product made).	Source 100% of eggs in Europe from free-range hens.
Reduce sodium by an additional 5% in our BBQ Sauce and <i>Kraft</i> Salad Dressings in North America by 2025.	Procure majority of electricity from renewable sources by 2025.	Improve broiler chicken welfare in the U.S. by 2024 and European chicken commitment by 2026.
Improve use and transparency of simpler ingredients by 2025.	Reduce water use intensity by 20% in high-risk watershed areas by 2025 (per metric ton of product made). PROMES ON TRACK - 12.2%	Purchase 100% sustainably-sourced Heinz Ketchup tomatoes by 2025.
Increase our plant-based offerings.	Reduce water use intensity by 15% across our manufacturing facilities by 2025 (per metric ton of product made).	Purchase 100% sustainable palm oil by 2022.
Provide 1.5 billion meals to people in need by 2025 against our 2019 baseline.	Reduce waste to landfill intensity by 20% across our manufacturing facilities by 2025 (per metric ton of product made).	Purchase 100% traceable palm oil to the mill by 2022.
50% of our global management positions will be filled by women by 2025.	Aim to make 100% recyclable, reusable or compostable packaging by 2025.	Continue to work with animal welfare experts and suppliers on best practices to eliminate painful procedures and promote sustainable practices.
30% of our salaried U.S. employee population will identify as people of color by 2025.	Create a fully circular Heinz Tomato Ketchup Bottle in Europe by 2022.	

MASTERCARD 2022 ESG REPORT

Mastercard includes their 2025 goals and progress in bar trackers that easily and effectively communicate their headway, while also including narrative that describes the progress in more detail. They include these trackers for all goals included in the report.

Mastercard 2022 ESG Report►



Conclusion

As regulations, voluntary frameworks and stakeholder demands for more detailed ESG information continue to advance, it has become more important than ever that companies ensure their ESG reporting is as accurate, clear and reliable as possible. We suggested that companies consider demonstrating their ESG goals and performance in visual ways in order to enhance communication with all of their stakeholders.

Citations

pwc, 2022 What US companies need to know about the EU's CSRD <u>https://www.pwc.com/us/en/services/esg/library/eu-corporate-sustainability-reporting-directive.html</u>

CDP, July 2022 European Sustainability Reporting Standards (ESRS) Comment from CDP <u>https://cdn.cdp.net/cdp-production/comfy/cms/files/files/000/006/299/original/CDP's_comment_</u> <u>on_the_European_Sustainability_Reporting_Standards.pdf</u>



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