



The Future of Sustainability Reporting under the New Administration.

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Unsettled, dynamic and polarized.

That is how [Labrador's](#) most recent Sustainability Client Forum speaker described today's corporate sustainability or environmental, social and governance (ESG) reporting environment.

[Rob Main](#), Managing Partner at [Jasper Street Partners](#) and former Head of Investment Stewardship for the Americas at Vanguard, shared his take with Labrador's sustainability clients on the possible impacts the new US presidential administration might have on corporate sustainability reporting.

Rob shared that most large, institutional investors (BlackRock, State Street, Vanguard, etc.) and proxy advisors (ISS, Glass Lewis, etc.) are making minimal changes to their policy and voting guidelines. While they aren't scaling back their disclosure expectations around sustainability, they are pulling back from having a public voice on certain issues to stay out of the spotlight and not be pulled into polarized political debates. In the year ahead, we can expect mainstream investors to remain focused on oversight of strategy and core Board/Governance topics like CEO succession planning and Board refreshment.

At the same time, more extreme pro- and especially anti-ESG voices are getting louder. Progressive investors and pro-ESG activists appear to be standing their ground and continue to push companies to improve disclosure and make progress on sustainability matters. However, they may not make as much progress as they have in the last few years as companies are less willing to come to the table, especially if an activist is asking for too much. At the other extreme, the impact of the anti-ESG backlash is intensifying as the new administration, legal challenges, regulatory scrutiny, anti-ESG investors, and conservative activists continue to pressure companies on ESG matters, especially on diversity, equity and inclusion (DEI) and climate issues.

To add to the unsettled environment while to date the California climate rules are holding despite court challenges, that could change quickly. And the European Union is set to announce changes to the Corporate Reporting Sustainability Directive (CSRD) and related EU sustainability legislation soon, with rumors circulating that the requirements could be lessened and the deadlines extended.

How might companies proceed with their next sustainability report in this uncertain and polarized environment?

Rob shared several take-aways for companies to consider.

1 Hone your strategic awareness

As things are changing rapidly, Rob suggests monitoring the regulatory environment in the US and Europe and working closely with your legal and government affairs teams, especially around disclosures related to DEI.

2 Engage shareholders regularly

If you don't already, Rob suggests developing a year-round plan to engage regularly with your top shareholders and other stakeholders to deepen relationships, promote trust, learn about important priorities, and discuss any points of past or future friction. With the new SEC guidance on Schedule 13D/13G, large institutional investors, like BlackRock and Vanguard, will likely be less forthcoming in engagements, which places the onus on companies to raise—and convince the investors about—difficult governance and sustainability matters.

3 Refine your sustainability strategy and communications

Rob recommends several best practices to consider, including:

- Focusing on building Board and leadership acumen around your most important sustainability issues, especially those that drive long-term business success.
- Proactively identifying any potential disclosure vulnerabilities by reviewing your communications portfolio—including proxy statements, investor decks and sustainability reports—to see where unwanted attention or risk might lie.
- Aligning sustainability-related policies and communications with the priorities and vision of the business to try and prevent unwanted risks.
- Adding context to your disclosures to help stakeholders appreciate that your sustainability-related policies, goals or programs were thoughtfully developed to support the company's strategy.

The goal is to create trust with your investors and other stakeholders. For example, removing all DEI or climate-related disclosures from your next sustainability report might lead some investors to doubt other company decisions like acquisitions and new products or services. If a particular sustainability topic is core to your business, while you may use new language instead of current hot button acronyms to describe it, take the time to build the narrative about why it is important to the company's overall business strategy.

4 Continue to improve the quality and rigor of sustainability reporting

Today's polarized environment makes bringing controls and rigor to sustainability reporting even more important. Rob anticipates that we will continue to see companies expand third party assurance of key data, develop rigorous sustainability reporting audit controls and processes like those for financial reporting, and further embed sustainability-related risks and opportunities into company enterprise risk management, business resilience, and Board oversight processes.

What the Future May Hold Overall

Rob anticipates that this reporting season we could see shorter, tighter and more precise sustainability reports that have a stronger focus on sustainability topics tied directly to business success (i.e., financially material topics). Companies may then move other sustainability information to their websites or into other reports. In addition, companies may become more careful in how they talk about their achievements and progress—perhaps not shouting it from the rooftops but instead sharing select, third-party assured data with explanatory context around why such topics and data are key to their long-term success.

About Rob Main, CFA: Rob is a managing partner and COO at Sustainable Governance Partners (Jasper Street). Rob focuses on Board related matters, investor engagement, executive compensation, ESG strategy, and issue and financial activism.

Rob works with clients on critical ESG matters, board composition and disclosure, compensation governance, and how to optimize engagements with key investors and other stakeholders. He is an active industry thought leader and regularly speaks with executives, directors, investors, and other market participants on important corporate governance and sustainability topics.

Before founding Jasper Street, Rob was the Head of Investment Stewardship for the Americas and Asia at Vanguard. His responsibilities included company engagement, corporate governance research, policy development, proxy voting, and ESG integration. He spoke on behalf of the firm's stewardship program regularly at industry conferences and events, and actively contributed to thought leadership discussions and publications in industry. Rob's prior asset management industry experience included roles as director within Vanguard's investment manager due diligence team, head of active equity product management, and leader of the firm's new product development efforts.

About Jasper Street Partners: Founded in 2020, Jasper Street advises public companies across every sector on high priority matters that impact long- term value creation: shareholder engagement, proxy voting, activism advisory, and corporate governance. Our partners previously represented some of the largest institutional investors in the world in their investment, stewardship and proxy voting decision-making, and have relevant backgrounds in portfolio management, investment banking, investment stewardship, shareholder activism, corporate law, and sustainability.

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We collaborate together around a process that encompasses drafting, editing, designing and publishing across all digital and print channels. We are thrilled that communications prepared by Labrador have contributed to trustful relationships between our clients and their readers, whether investors, employees or other stakeholders.

In turn, our commitment to our clients has resulted in meaningful long-term relationships with some of the most respected public and private companies in the world.

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