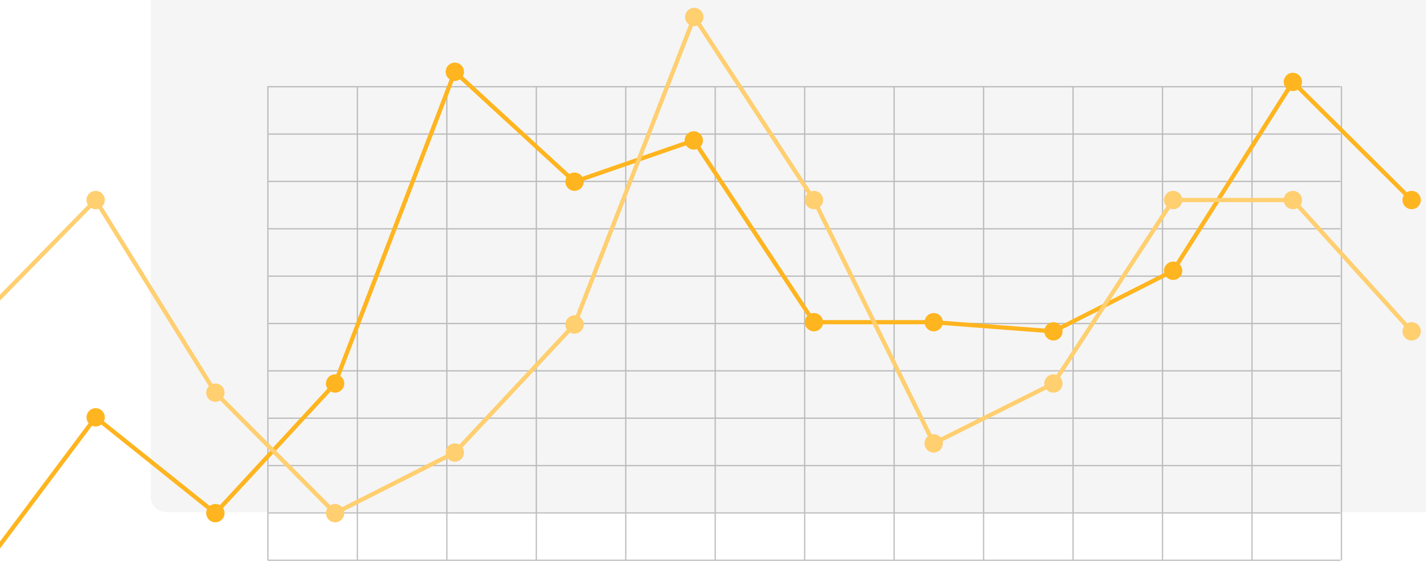
PERSEFONI

Climate Disclosure Trends in Investor Relations

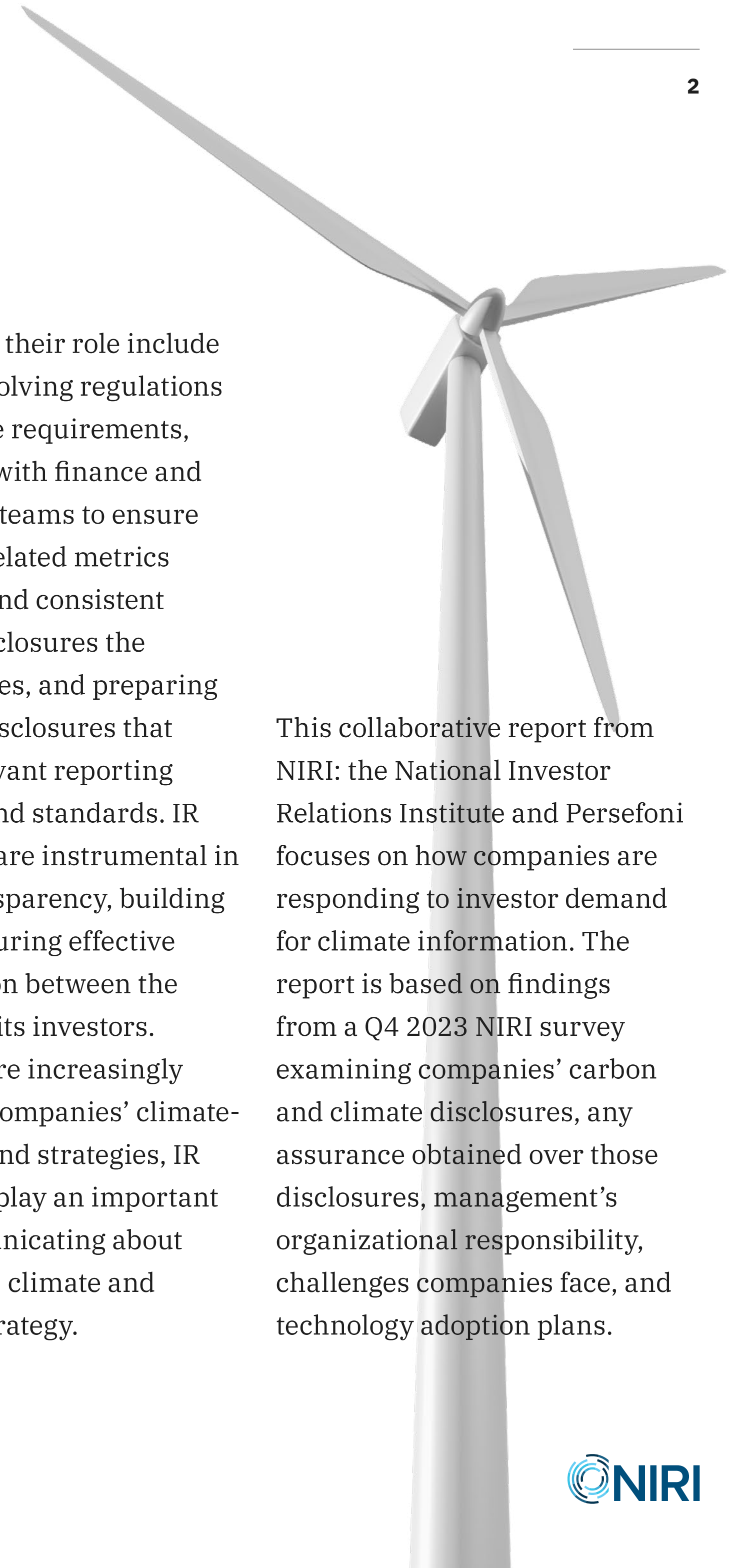


In Partnership with:

NIRI
THE ASSOCIATION FOR INVESTOR RELATIONS

Introduction:

Investor relations (IR) professionals play a crucial role in managing a company's climate disclosure by **facilitating communication between the company and its investors regarding environmental, social, and governance (ESG) matters**, including climate-related initiatives, goals, and performance.



Key aspects of their role include monitoring evolving regulations and disclosure requirements, collaborating with finance and sustainability teams to ensure that climate-related metrics are accurate and consistent with other disclosures the company makes, and preparing reports and disclosures that adhere to relevant reporting frameworks and standards. IR professionals are instrumental in fostering transparency, building trust, and ensuring effective communication between the company and its investors. As investors are increasingly interested in companies' climate-related risks and strategies, IR professionals play an important role in communicating about the company's climate and overall ESG strategy.

This collaborative report from NIRI: the National Investor Relations Institute and Persefoni focuses on how companies are responding to investor demand for climate information. The report is based on findings from a Q4 2023 NIRI survey examining companies' carbon and climate disclosures, any assurance obtained over those disclosures, management's organizational responsibility, challenges companies face, and technology adoption plans.

Report Highlights:

91%

of companies that voluntarily and publicly disclose goals, metrics, and/or other information on carbon emissions, climate risk, or any other environmental topics do so for scope 1 and 2 emissions, while **47% do so for scope 3 emissions.**

41%

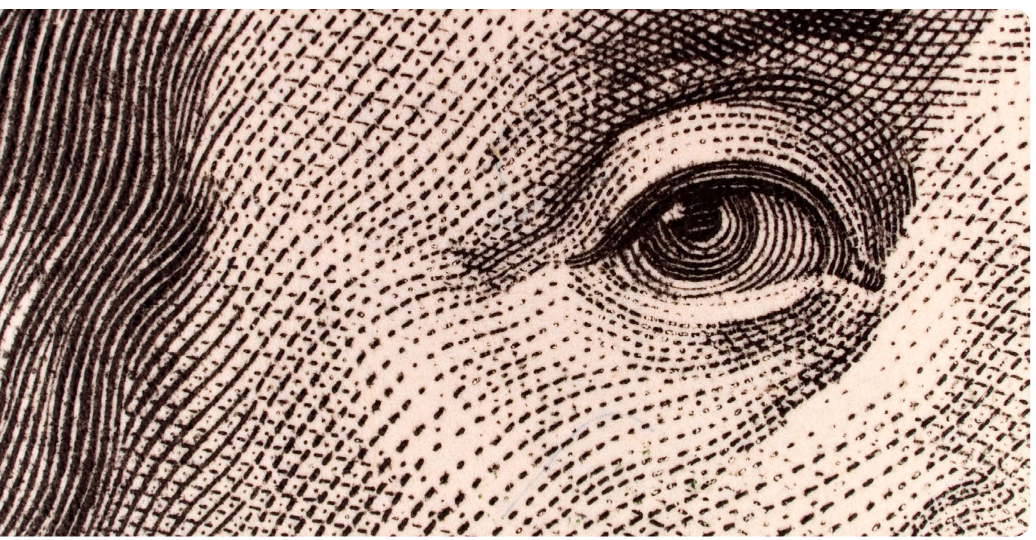
of respondents reported that the company's investor relations department has primary responsibility for climate matters.

36%

of respondents said that their company is deferring any compliance-related actions until the Final SEC Rule is issued.

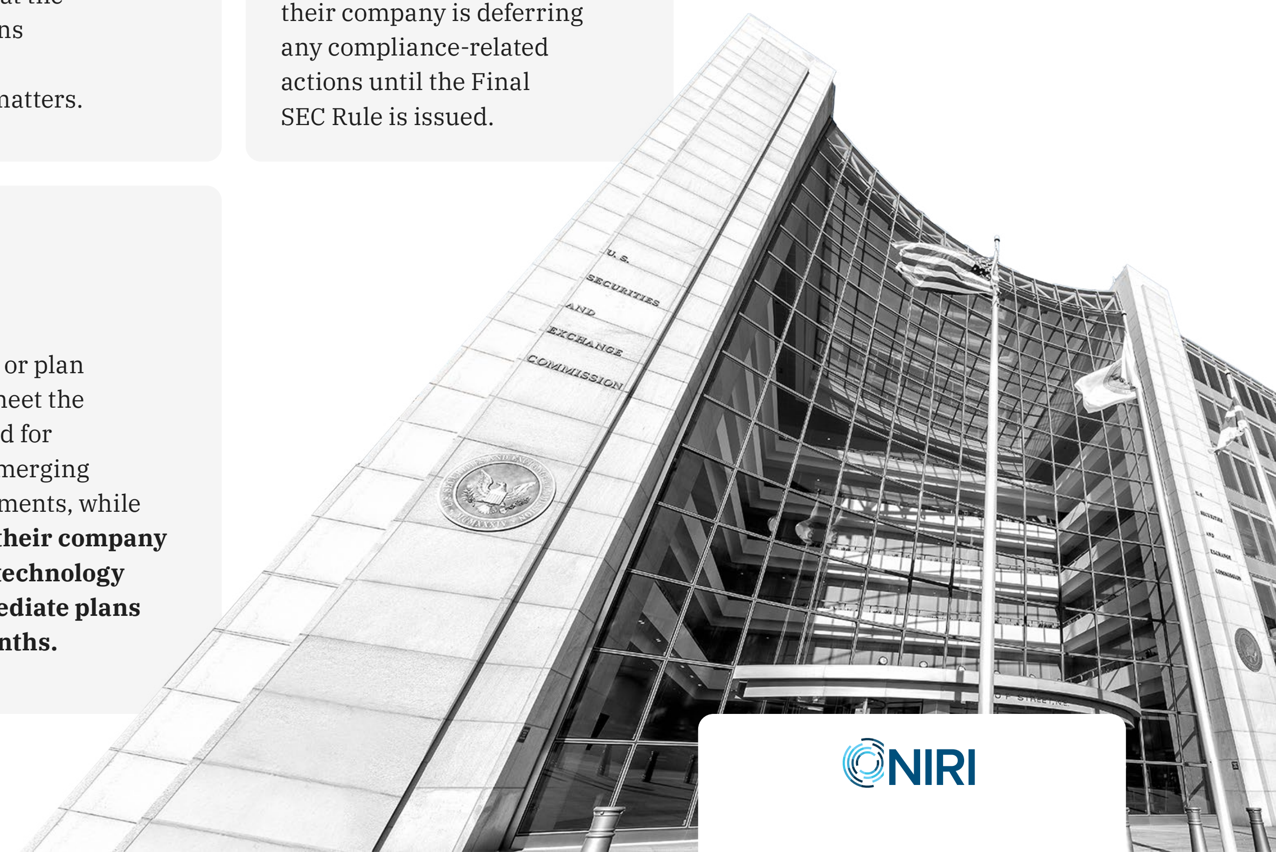
90%

of mega/large-cap companies have controls and procedures to track, monitor, aggregate, and report on (to the extent applicable) carbon emissions, climate risk, and/or other environmental metrics.



41%

of companies already have or plan to implement software to meet the increasing investor demand for information, and rapidly emerging climate disclosure requirements, while **38% of respondents said their company is interested in adopting technology solutions but has no immediate plans to do so in the next 12 months.**



About the Research:

The report and its findings are based on a survey distributed to investor relations professionals from companies of varying sizes and industries. In total, more than 70 investor relations professionals participated in the survey.

Respondents were 96% public companies and 4% private companies. Market-cap distribution of respondents: 9% mega-cap (greater than or equal to $100 billion), 22% large-cap (between $10.001 billion and $99.999 billion), 41% mid-cap (between $2 billion and $10 billion), 19% small-cap (between $300.001 million and $1.999 billion), 3% micro-cap (between $50 million and $300 million), 6% nano-cap (less than $50 million). Responses in this report are often referred to as mega/large-cap (between $10.001 billion and greater than or equal to $100 billion), mid-cap (between $2 billion and $10 billion), and small/micro/nano-cap (between $0 and $1.999 billion). Revenue distribution of respondents: 4% $50 billion+, 17% $10 billion- $100 billion, 32% $2 billion - $10 billion, 31% $300 million - $2 billion, 11% $50 million - $300 million, and 4% other (ranging from $0 to $30 million).

Industry distribution of respondents: 30% were in energy, resources, and industrials (e.g., industrial products and construction; mining and metals; oil, gas, and chemicals; power and utilities), 15% consumer (e.g., automotive; consumer products; retail, wholesale, and distribution; transportation; hospitality and services), 18% financial services (e.g., banking and capital markets; insurance; investment management; real estate), 13% technology, media, and telecommunications, 21% life sciences and health care, and 3% other (automotive and healthcare).

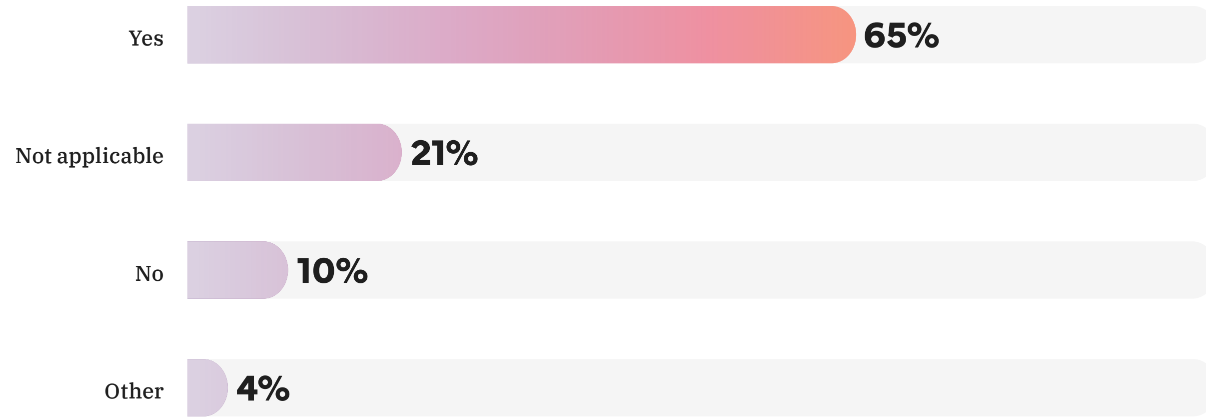
01

65% of respondents have controls and procedures to track, monitor, aggregate, and report on (to the extent applicable) carbon emissions, climate risk, and/or other environmental metrics. However, there is a significant difference when we take market cap into account:

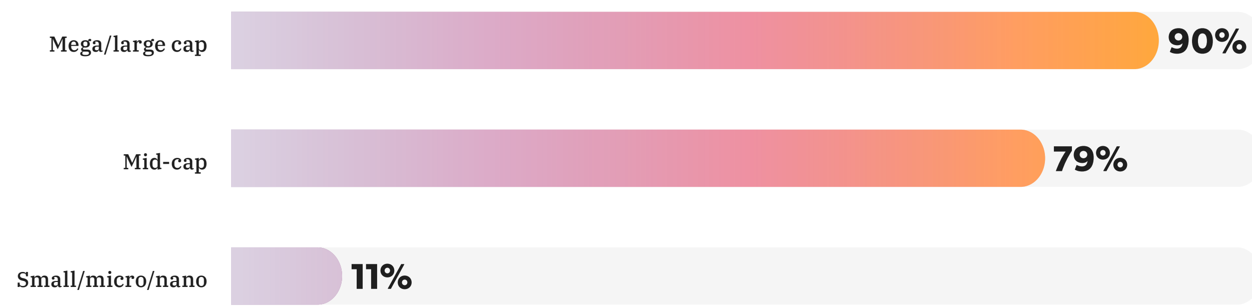
The **majority of companies have controls and procedures** to track, monitor, aggregate, and report on carbon emissions, climate risk, and/or other environmental metrics.

90% of mega/large-cap and 79% of mid-cap companies reported that they have controls and procedures to track, monitor, aggregate, and report on (to the extent applicable) carbon emissions, climate risk, and/or other environmental metrics, while only **11% of small/micro/nano-cap companies did so.**

Does your company have controls and procedures to track, monitor, aggregate, and report on (to the extent applicable) carbon emissions, climate risk, and/or other environmental metrics within your company?



By market-cap: Does your company have controls and procedures to track, monitor, aggregate, and report on (to the extent applicable) carbon emissions, climate risk, and environmental topics?



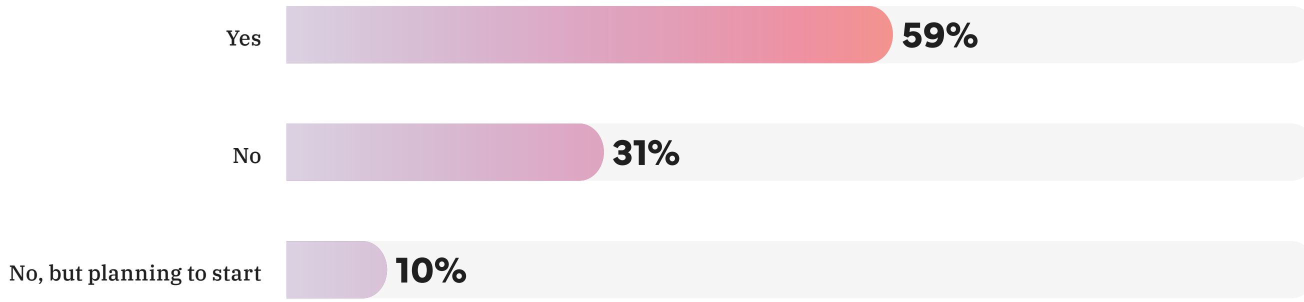
02

59% of respondents voluntarily and publicly disclose goals, metrics, and/or other information on carbon emissions, climate risk, or any other environmental topics.

95% of mega/large-cap companies **voluntarily and publicly disclose** goals, metrics, or other information on carbon emissions, climate risk, and environmental topics.

However, **95% of mega/large-cap companies reported the same,** while only **16% of small/ micro/nano did so. 18% of mid-cap companies said they plan to do so in the next 12 months.**

Does your company voluntarily and publicly disclose goals, metrics, and/or other information on carbon emissions, climate risk, or any other environmental topics?



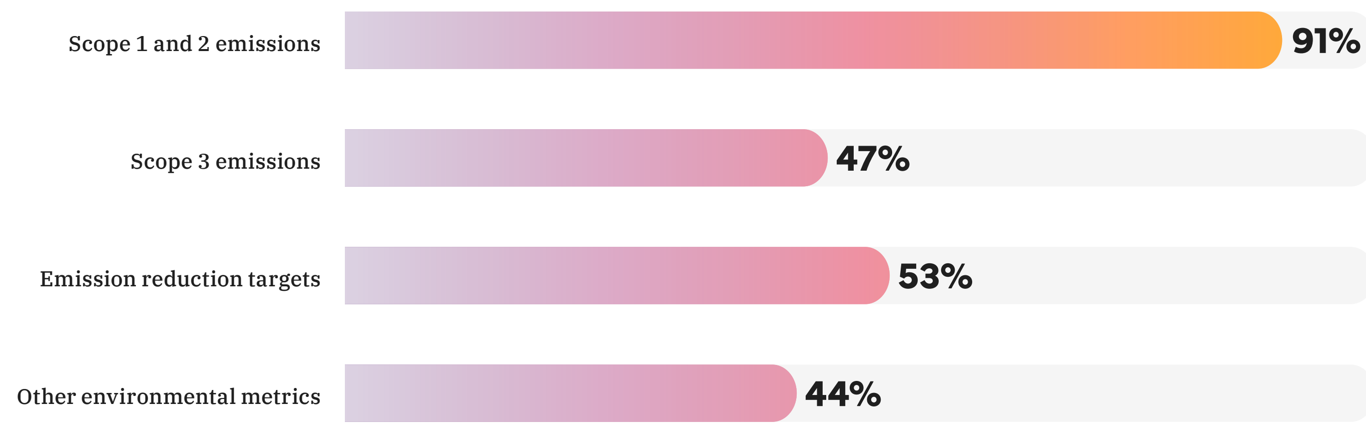
03

Of those who indicated that their company voluntarily and publicly discloses goals, metrics, and/or other information on carbon emissions, climate risk, or any other environmental topics,

More than 90% of those companies **disclose scope 1 and 2 emissions** voluntarily.

91% mentioned scope 1 and 2 emissions, 47% said scope 3 emissions, 53% mentioned various levels of emissions reduction targets and goals, and 44% include other environmental metrics and/ or targets such as water, waste, energy, etc.

Please specify **which climate goals, metrics, and/or other information** your company voluntarily discloses.



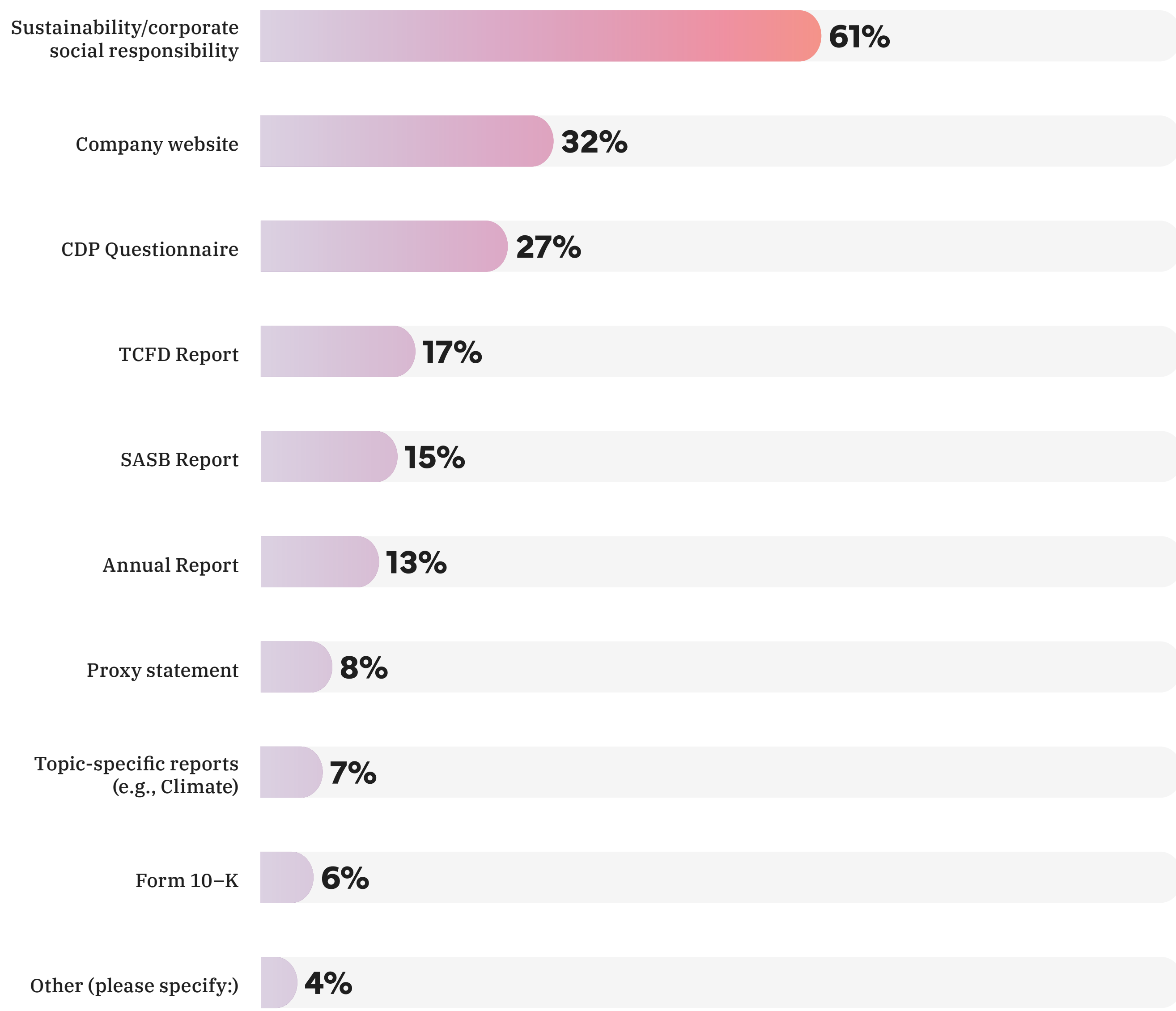
04

61% of respondents use the sustainability or corporate social responsibility report to voluntarily disclose carbon emissions and climate risk information, such as goals, emissions data, and/or metrics. That number shoots up to 90% for mega/large-cap companies.

The **sustainability report** is the most common place companies voluntarily disclose carbon emissions and climate information.

32% of all respondents said they disclose on the company website, 27% in a CDP questionnaire, 17% in a TCFD report, 15% in a SASB report, and 13% in an annual report. Only 6% reported that they voluntarily disclose climate data in Form 10-K.

Where does your company voluntarily disclose carbon emissions and climate risk information, such as goals, emissions data, and/or metrics?

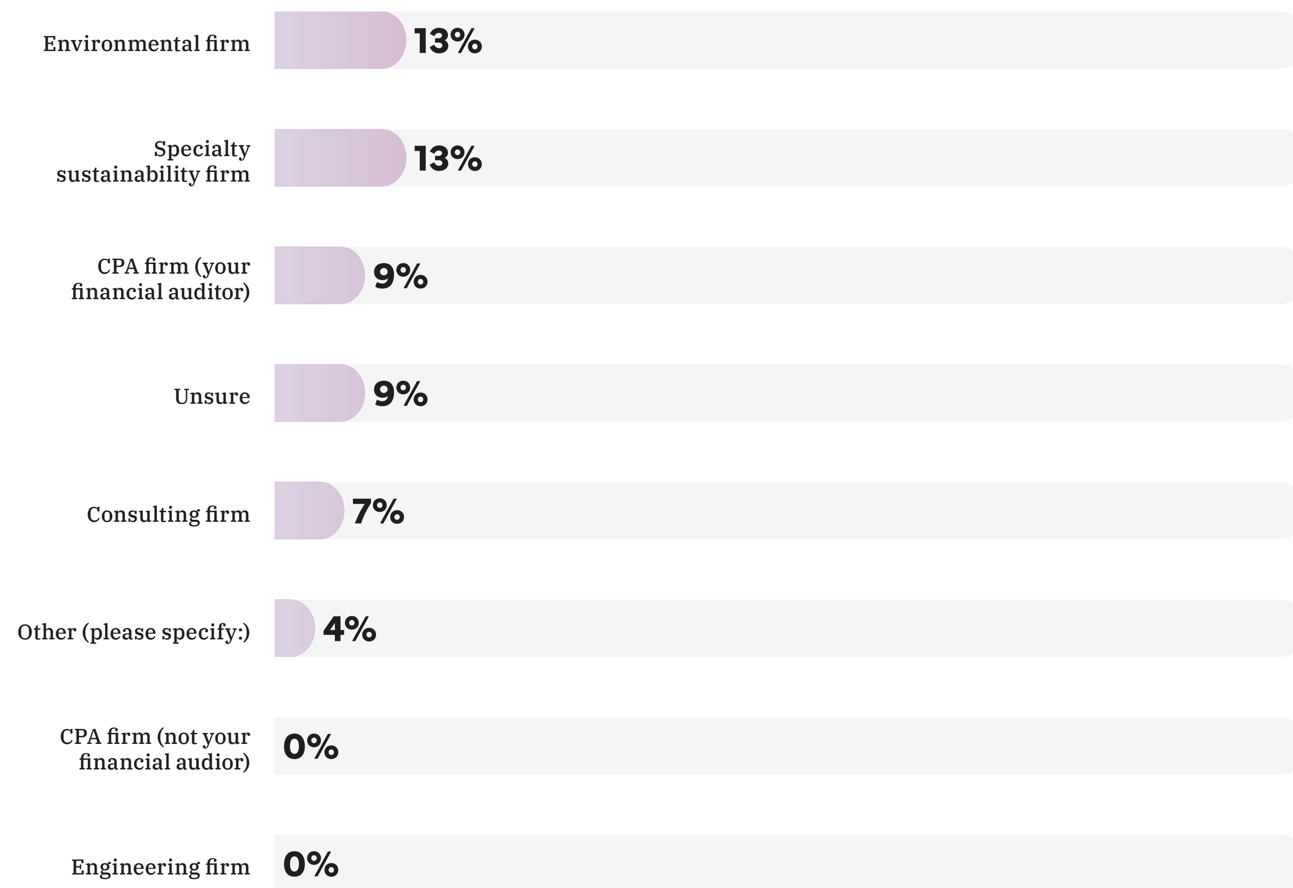


05

44% of companies receive **third-party assurance** of carbon emissions-related data that they disclose.

Of those that do, environmental firms and specialty sustainability firms are the most common type of organizations that respondents use for third-party assurance, followed by CPA firms (that also serve as their financial auditor), and consulting firms.

Do you use an outside organization to provide third-party assurance of carbon emissions-related data that you disclose?

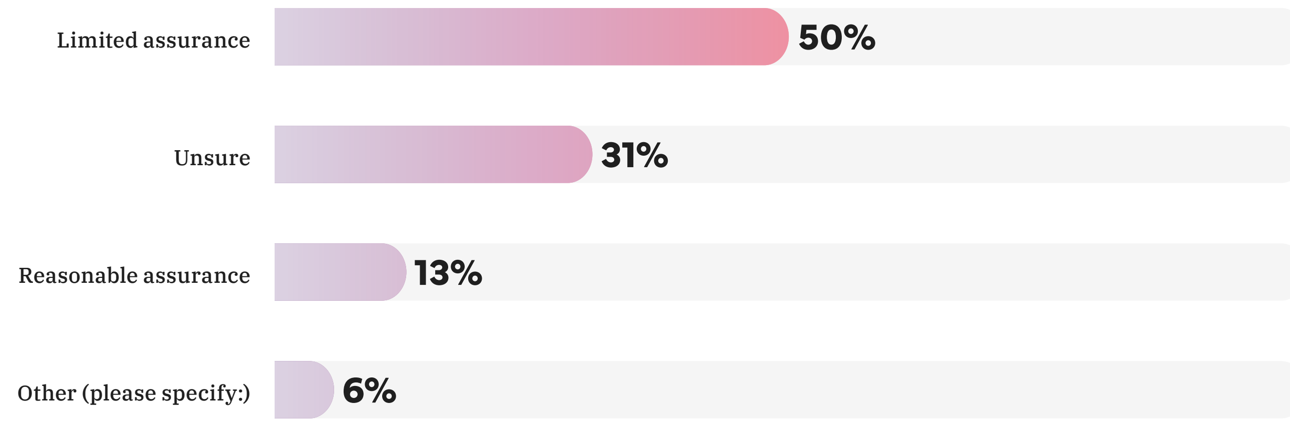


06

Half of those companies receive **limited assurance on their carbon emissions data** from an independent third-party.

Of companies that receive third-party assurance on disclosed carbon emissions-related data, **50% reported that they receive limited assurance, and 13% reported obtaining reasonable assurance.** 31% of respondents were unsure of their assurance level.

What level of assurance does the independent third party provide on your carbon emissions data?



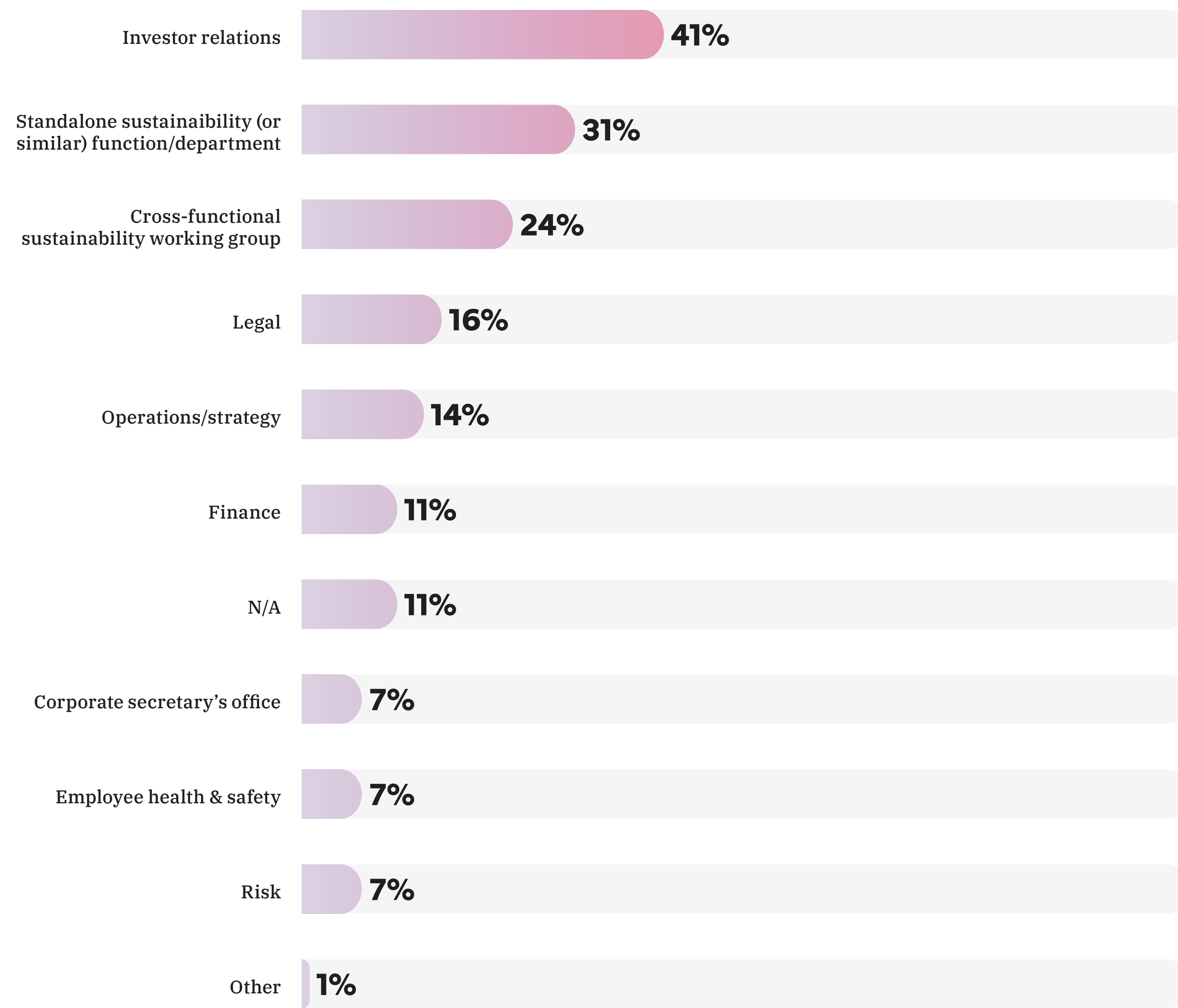
07

41% of respondents reported that the company's investor relations department has primary responsibility for climate matters: 31% said the standalone sustainability (or similar) department, 24% said a cross-functional sustainability working group, 16% said legal, 14% said operations/strategy, and 11% said finance.

Investor relations departments report that they are the most common departments with primary responsibility for climate matters.

Fewer mega/large-cap companies reported that the company's investor relations department has primary responsibility for climate matters (29%). Those large companies more commonly identified the standalone sustainability (or similar) department (48%) as the lead. Only 26% of mid-caps and 5% of small/micro/nano-cap companies said the standalone sustainability department has primary responsibility for climate matters.

Which functional area or department in your company has **primary responsibility for climate matters?** Select all that apply.



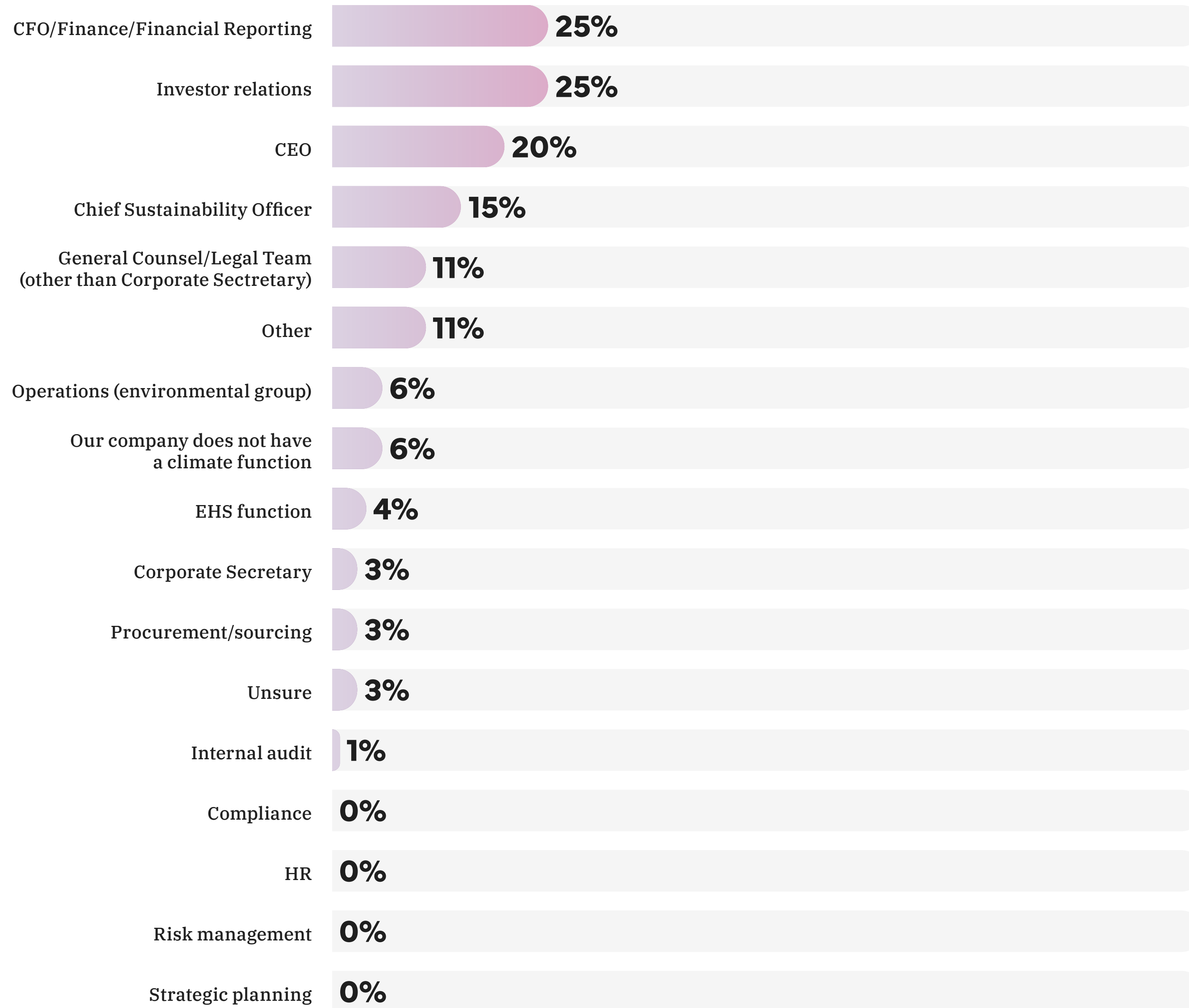
08

25% of survey respondents reported that their company's climate function (or broader sustainability/ESG function) reports to the Chief Financial Officer or Finance department, while the same percentage said the function reports directly to Investor Relations, closely followed by the CEO (20%), the Chief Sustainability Officer (15%), the General Counsel/Legal Team (other than Corporate Secretary) (11%), and other (11%) which included the CTO, COO, EVP of Marketing, etc.

25% of corporate climate functions report to the CFO or IR.

38% of mega/large-cap companies said that their company's climate function reports directly to the CEO, followed by Investor Relations at 29%. Mid-cap companies were divided between Investor Relations and the CFO/Finance (both at 29%) followed by the Chief Sustainability Officer at 25%. While small/micro/nano-cap companies trended toward the average with 32% reporting to the CFO/Finance and 21% to Investor Relations.

Where does your company's climate function (or broader sustainability/ESG function, if there is no stand-alone climate function) **report to** (i.e., direct reporting relationship)? Select all that apply.



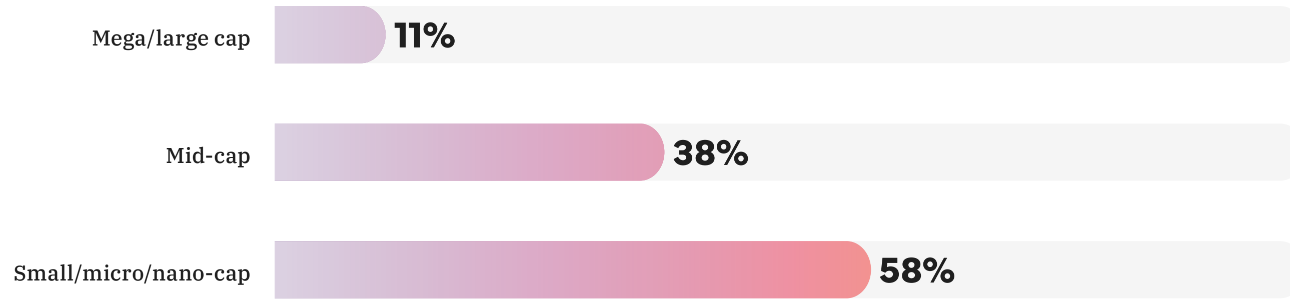
09

36% of respondents said that their company is deferring any compliance-related actions until the final SEC climate disclosure rule is issued, even with the recent adoption of California's Climate Corporate Data Accountability Act which requires disclosure of greenhouse gas emissions on a standardized basis.

Just over a third of companies are **deferring any compliance-related actions** until the SEC rule is issued.

However, only 11% of mega/large-cap companies said that they are waiting for the final SEC rule, compared with 38% of mid-caps and 58% of small/micro/nano-cap companies.

Our company is **deferring any compliance-related actions** until the Final SEC Rule is issued.

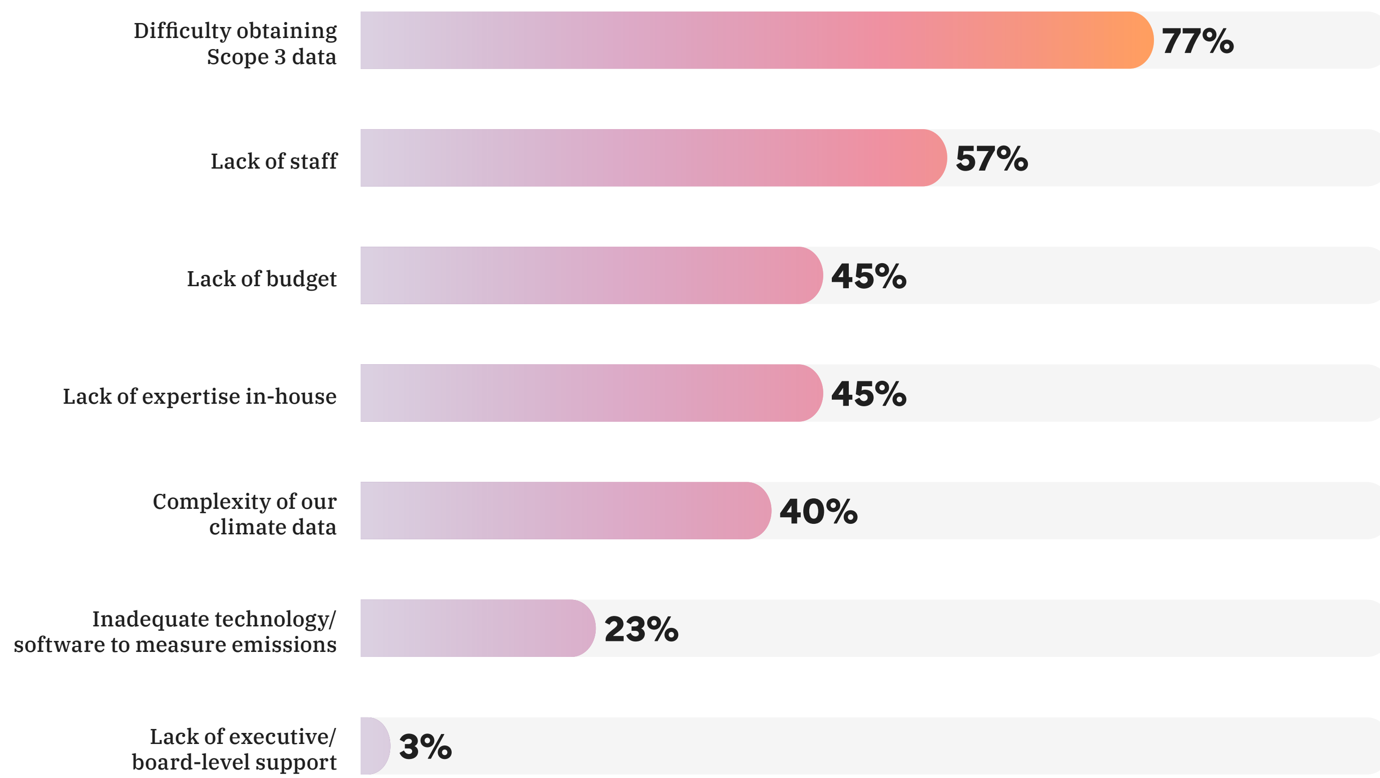


10

Over three-quarters of companies rated the difficulty obtaining scope 3 data as the biggest challenge in meeting carbon accounting and emissions disclosure requirements.

Respondents reported that the most common challenge in dealing with carbon accounting and emissions disclosure requirements was the difficulty obtaining scope 3 data (77%), followed by lack of staff (57%), lack of budget and lack of in-house expertise (both at 45%), the complexity of climate data (40%), inadequate technology/software to measure emissions (23%), and lack of executive or board level support (3%).

As your organization makes changes to meet the demand for increased carbon accounting and emissions disclosure requirements, **which of the following do you anticipate representing the biggest challenges?** Please select the top 3 most challenging.

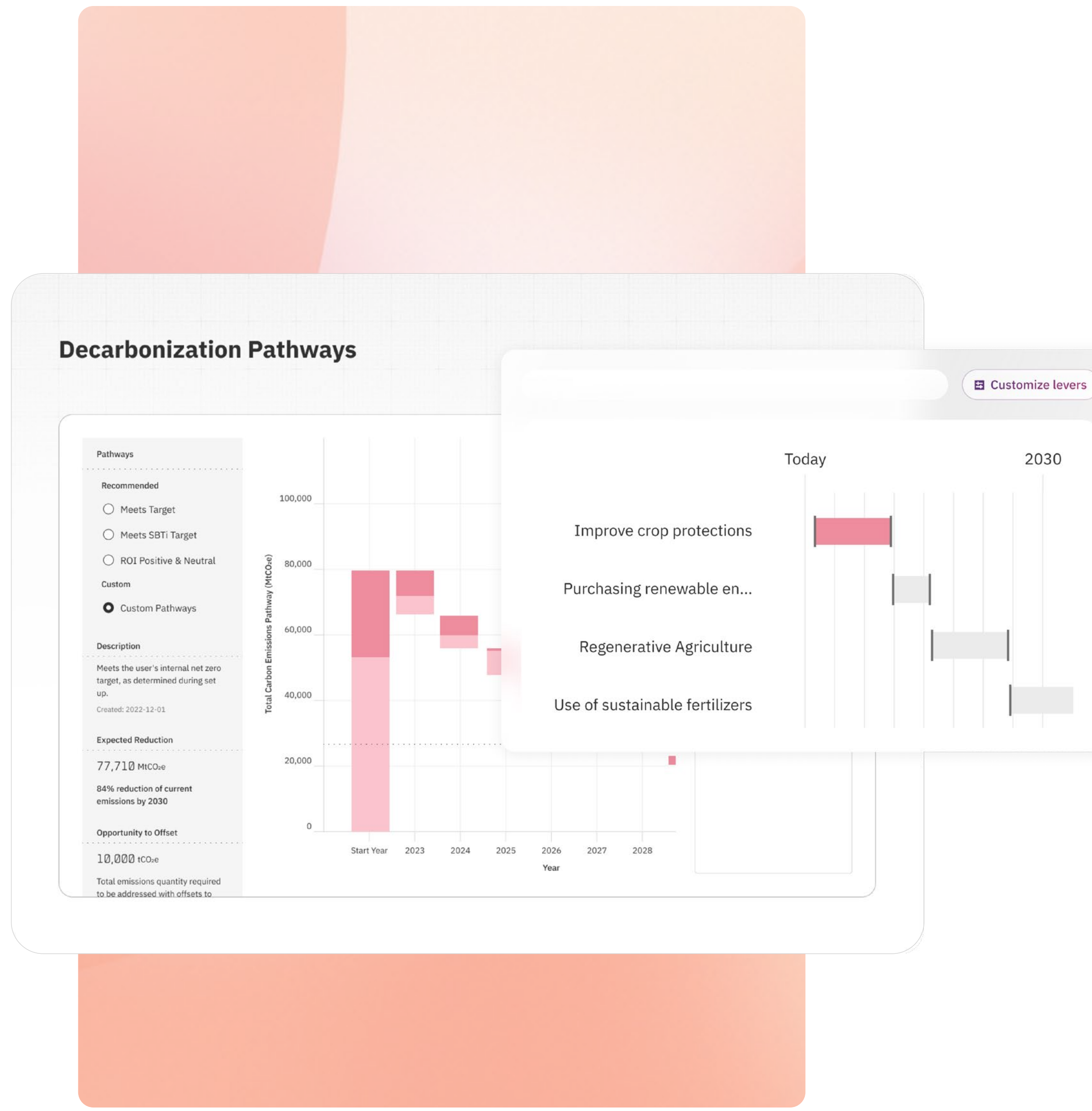


11

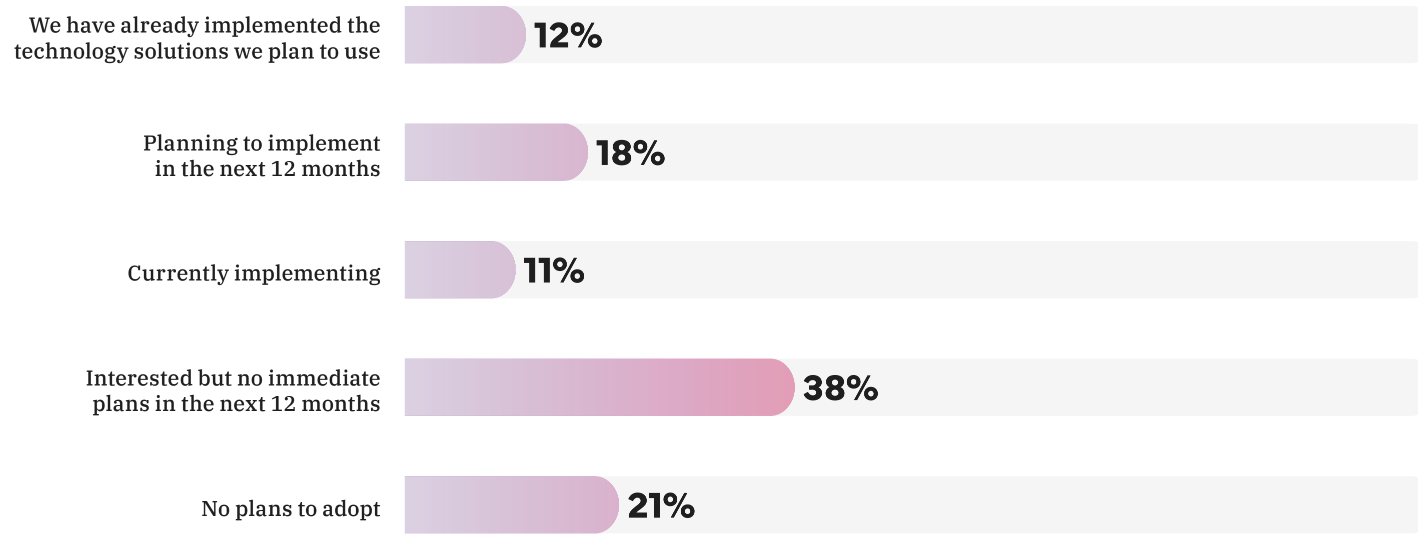
38% of respondents said their company is interested in adopting technology solutions to meet the demand for increased carbon accounting and climate disclosure requirements but have no immediate plans to do so in the next 12 months.

Over 40% of companies have, or plan to adopt, **technology for carbon accounting** and climate disclosure.

41% of respondents already have or plan to implement technology for carbon accounting and reporting in the next 12 months, while 21% have no plans to adopt such technology for the foreseeable future.



What are your firm's plans to **adopt technology solutions** to meet the demand for increased carbon accounting and climate risk disclosure requirements?



Conclusion:

This research reflects the growing significance of corporate sustainability and climate-related reporting and the importance of IR professionals in company efforts to disclose carbon emissions and climate-related risks. Backed by institutional pressure, investors have played a pivotal role in urging companies to enhance their climate disclosures, while technological advancements have improved the accuracy and efficiency of carbon accounting processes. IR professionals are increasingly responsible for ensuring that investors and regulators have a comprehensive understanding of the company's climate-related initiatives and the associated risks and opportunities.

PERSEFONI

Persefoni AI Inc. provides businesses, financial institutions, and governmental agencies the software fabric for managing their organization's climate-related data, disclosures, and performance with the same level of rigor and confidence as their financial reporting systems. The company's software enables users to simplify the calculation of their carbon footprint, identify decarbonization strategies and perform climate trajectory modeling aligned to temperature rise scenarios set forth by the Paris Agreement, and benchmark their impact by region, sector, and/or peer groups.

For more information about Persefoni, please visit persefoni.com.

NIRI

Founded in 1969, NIRI is the professional association of corporate officers and investor relations consultants responsible for communication among corporate management, shareholders, securities analysts, and other financial community constituents. NIRI is the largest professional investor relations association in the world with members representing over 1,500 publicly held companies and $12 trillion in stock market capitalization.