

# **DFIN** SEC Filings - Trends in ESG Disclosure

October 14, 2021

## DFIN provides real-time access to the rapidly changing disclosure landscape

Corporations are beginning to disclose Environmental, Social and Governance (ESG) data in their SEC compliance filings. The SEC recently introduced new disclosure requirements designed to provide stakeholders insight into human capital—from the operating model, to talent planning, learning and innovation, employee experience, and work environment.

EDGAR Pro is the research and benchmarking platform designed to help you uncover intelligence from the rapidly evolving SEC filing landscape.

To stay abreast of this rapidly evolving disclosure landscape, our ESG weekly report, created with EDGAR Pro, provides examples, showing who is currently reporting ESG data to the SEC and how they are incorporating the data into their SEC filings.

Focus on – Sustainability Accounting Standards Board (SASB) – Corporations are beginning to disclose Environmental, Social and Governance data in their compliance filings. SASB offers comparability, a sector lens and focus on what is material for decision-making. SASB along with the Task-force on Climate Related Financial Disclosure (TCFD) provide insights into how a company connects governance to risk and opportunity and how this, in turn, informs strategy and capital allocation.

## EXAMPLE # 1:

**Registrant:** Etsy Inc.

**Ticker:** ETSY

**Topic:** Sustainability Accounting Standards Board (SASB)

**Document:** 10-K

**FYE:** 12/31/2020

2020 Goals	2020 Progress	2021 Goals
<p>Create and grow economic opportunities for creative entrepreneurs</p> <p><b>Target:</b> Double U.S. Etsy sellers' economic output by 2023.</p>	<p><b>Expanding our Economic Impact</b></p> <p><b>Target Met:</b></p> <p>In 2020, Etsy met and exceeded its 2018 goal of doubling sellers' economic impact by 2023 *</p> <p>In 2020, Etsy sellers:</p> <ul style="list-style-type: none"><li>- Contributed \$13 billion to the U.S. economy, a 142% increase from our baseline of \$5.37 billion in 2018;</li><li>- Created 2.6 million jobs in the independent worker economy, enough jobs to employ the entire city of Houston, Texas.**</li><li>- Generated nearly \$4 billion in income for sellers; and</li><li>- Produced \$6.8 billion in additional economic value by harnessing their creativity and bringing unique products to market.</li></ul> <p>* To calculate these results, Etsy commissioned its third economic impact study with ECONorthwest, an independent economic consulting firm, to explore the ways Etsy sellers in the United States contribute to the national economic landscape.</p> <p>** Houston, Texas has a population of 2.3 million.</p>	<p>Create and grow economic opportunities for creative entrepreneurs.</p> <p><b>Target:</b></p> <p>Set a new target and establish a baseline for delivering economic empowerment to our sellers.</p>
<p>Foster economic and personal empowerment among our stakeholders.</p> <p><b>Target:</b> Invest in social programs that:</p> <ul style="list-style-type: none"><li>- promote economic opportunities for creative entrepreneurs and</li><li>- provide musical education to people in need (Reverb).</li></ul>	<p><b>Philanthropy</b></p> <p>In 2020, we invested over \$2.6 million in charitable gifts, which supported community organizations and programs:</p> <ul style="list-style-type: none"><li>- to enable creative entrepreneurship,</li><li>- to advance racial justice,</li><li>- to help those most impacted by the pandemic (including with personal protection equipment and grants), and</li><li>- to provide natural disaster relief to Etsy sellers.</li></ul> <p>We also expanded our employee matching program from \$500 to \$750 matched annually and, through Reverb Gives, supported musical education initiatives globally.</p> <p><b>Community Engagement</b></p>	<p>Foster economic and personal empowerment among our stakeholders.</p> <p><b>Target:</b></p> <p>Invest in social programs that:</p> <ul style="list-style-type: none"><li>- promote economic opportunities for creative entrepreneurs and</li><li>- provide musical education to people in need (Reverb).</li></ul>

Excerpt for the Etsy Inc. 2021 10-K

We have started off 2021 by making some important new commitments related to our ecological impact, including:

- **Science Based Goals:** In January 2021, we set long-term carbon reduction goals that are aligned with science, doing our fair share to prevent the worst effects of climate change. Our new Net Zero by 2030 goal includes a 50% absolute reduction in our Scope 1 and 2 greenhouse gas emissions and a 13.5% absolute reduction in our Scope 3 greenhouse gas emissions.
- **New TCFD Framework:** Based upon feedback from the investment community, we have added the Task Force on Climate-Related Financial Disclosures (“TCFD”) framework, in addition to using The **Sustainability Accounting Standards Board’s** (“SASBs”) framework, to our Impact reporting. You can find this disclosure on pages 32-35 herein.

Looking forward, we have more exciting business strategy-aligned Impact work in the pipeline. Below are details of our economic and social pillars, including longer term diversity goals for Etsy and Reverb, and additional goals related to marketplace and supply chain sustainability and diversity.

## EXAMPLE # 2:

**Registrant:** W R Grace & Co.

**Ticker:** GRA

**Topic:** Sustainability Accounting Standards Board

**Document:** 10-K

**FYE:** 12/31/2020

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**W R GRACE & CO (GRA) 10-K filed 2/26/2021**

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reprocessing of spent catalysts. As part of our commitment to RESPONSIBLE CARE<sup>®</sup>, we systematically track safety and environmental performance through a comprehensive, global EHSS management system covering the environmental, health, safety (including process safety and product safety) and security aspects of our operations, and track progress through pertinent metrics.

In 2019, we began reporting to the Carbon Disclosure Project (“CDP”). This year, we made our CDP Climate and CDP Water disclosures public for the first time. We also published sustainability disclosures aligned with the **Sustainability Accounting Standards Board** (“SASB”) standard for the chemical industry. In addition, we strengthened the governance of our sustainability and environmental, social, and governance (“ESG”) related activities by naming a Chief Sustainability Officer (“CSO”) reporting directly to the CEO, and established a Sustainability Leadership Council composed of the CSO and leadership from Grace businesses and integrated supply chain. We also established targets to reduce scope 1 and scope 2 greenhouse gas (“GHG”) emissions by 22% from a baseline of 2019 by 2029, as well as 10-year reduction targets for water consumption and waste generation.

**Product Portfolio**

As part of a strategic review of our product portfolio, in 2019 we identified the products that directly contribute to our customers’ sustainability objectives, including:

- Products designed for use-phase efficiency — defined by the SASB as products that “through their use—can be shown to improve energy efficiency, eliminate or lower GHG emissions, reduce raw materials consumption, increase product longevity, and/or reduce water consumption,” either through:
  - Improved products — by increasing the efficiency of a product during its use phase, or
  - Improved processes — by increasing the efficiency of the manufacturing processes used to make products;
- Meeting the strictest environmental standards — products that directly enable customers to meet environmental regulatory/legal requirements applicable to their products or manufacturing processes; and
- Cleaner, safer products to meet consumer demands — products that enable customers to reformulate their products to avoid or reduce to de minimis levels substances of concern to their customers.

This year, we reviewed the requested disclosures from SASB and CDP as well as other ESG ratings organizations and expanded our product categories to include products that make a significant contribution to the move toward a more circular economy through:

- Enabling material recycling and bio-feeds — products that are tailored to enable customers to replace petroleum inputs with bio-based and recycled materials, and FCC catalyst sales (not counted above) where we take back spent FCC catalyst for recycling, or otherwise enable the reuse or recycling of spent catalysts.

Together, the products in our portfolio, including those of our ART joint venture, that address these sustainability endpoints accounted for approximately \$1.1 billion, or 49% of our total revenue in 2020. Looking to the future, we estimate that 62% of our R&D projects are linked to at least one of these customer sustainability objectives. We expect to see further opportunities as we continue to develop technologies for advanced plastics recycling and renewable fuels.

**ESG Rankings**

For 2020, we again earned a Gold Rating from EcoVadis, this year placing us in the 95<sup>th</sup> percentile of all companies ranked by EcoVadis on their sustainability performance. EcoVadis is a leading third-party entity that evaluates suppliers on a complex scale of sustainability and ESG factors. CDP increased our 2020 Climate Disclosure score to a B-, above the average achieved by our chemical industry peers and above the North American average. Also in 2020, the ESG Risk Rating<sup>1</sup> from Sustainalytics placed us in the top quintile of both chemical and specialty companies. <sup>1</sup>Source Sustainalytics.

Excerpt for the W R Grace & Co. 2021 10-K

In 2019, we began reporting to the Carbon Disclosure Project (“CDP”). This year, we made our CDP Climate and CDP Water disclosures public for the first time. We also published sustainability disclosures aligned with the **Sustainability Accounting Standards Board** (“SASB”) standard for the chemical industry. In addition, we strengthened the governance of our sustainability and environmental, social, and governance (“ESG”) related activities by naming a Chief Sustainability Officer (“CSO”) reporting directly to the CEO, and established a Sustainability Leadership Council composed of the CSO and leadership from Grace businesses and integrated supply chain. We also established targets to reduce scope 1 and scope 2 greenhouse gas (“GHG”) emissions by 22% from a baseline of 2019 by 2029, as well as 10-year reduction targets for water consumption and waste generation.

### EXAMPLE # 3:

**Registrant:** Boston Properties Inc.

**Ticker:** BPX

**Topic:** Sustainability Accounting Standards Board

**Document:** 10-K

**FYE:** 12/31/2020

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**BOSTON PROPERTIES INC (BPX) 10-K filed 2/26/2021**

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**Sustainability Accounting Standards Board ("SASB")**

The Real Estate Sustainability Accounting Standard issued by SASB in 2018 proposes sustainability accounting metrics designed for disclosure in mandatory filings, such as the Annual Report on Form 10-K, and serves as the framework against which we have aligned our disclosures for sustainability information. The recommended energy and water management activity metrics for the real estate industry include energy consumption data coverage as a percentage of floor area ("Energy Intensity"); percentage of eligible portfolio that is certified ENERGY STAR® ("ENERGY STAR certified"); total energy consumed by portfolio area ("Total Energy Consumption"); water withdrawal as a percentage of total floor area ("Water Intensity"); and total water withdrawn by portfolio area ("Total Water Consumption"). Energy and water data is collected from utility bills and submeters and is assured by a third-party, including all SASB 2019 energy and water metrics, which have been assured. During the 2019 calendar year, 45 buildings representing 42% of our eligible portfolio were ENERGY STAR certified. A licensed professional has verified all ENERGY STAR applications.

The charts below detail our Energy Intensity, Total Energy Consumption, Water Intensity and Total Water Consumption for 2015 through 2019 for which data on occupied and actively-managed properties was available.<sup>1,2,3,4,5</sup>

#### Energy

Year	Total Energy Use (MWh)	Energy Use Intensity (kBtu/SF)
2015	900,000	82
2016	880,000	78
2017	860,000	75
2018	840,000	72
2019	820,000	70

#### Water

Year	Total Water Use (kgals)	Water Use Intensity (gallons/SF)
2015	580,000	15.5
2016	560,000	15.0
2017	540,000	14.5
2018	520,000	14.0
2019	500,000	13.5

(1) Full 2020 calendar year energy and water data will not be available to be assured by a third party until March 31, 2021. 2019 is the most recent year for which complete energy and water data is available and assured by a third party.

(2) The charts reflect the performance of our occupied and actively-managed office building portfolio in Boston, Los Angeles, New York, San Francisco and Washington, DC. Occupied office buildings are buildings with no more than 50% vacancy. Actively-managed buildings are buildings where we have operational control of building system performance and investment decisions. At the end of the 2019 calendar year, this included 102 buildings totaling 40.9 million gross square feet.

(3) Floor area is considered to have complete energy consumption data coverage when energy consumption data (i.e., energy types and amounts consumed) is obtained by us for all types of energy consumed in the relevant floor area during the calendar year, regardless of when such data was obtained.

Excerpt for the Boston Properties Inc. 2021 10-K

**“Sustainability Accounting Standards Board (“SASB”) – The Real Estate Sustainability Accounting Standard issued by SASB in 2018 proposes sustainability accounting metrics designed for disclosure in mandatory filings, such as the Annual Report on Form 10-K, and serves as the framework against which we have aligned our disclosures for sustainability information. The recommended energy and water management activity metrics for the real estate industry include energy consumption data coverage as a percentage of floor area (“Energy Intensity”); percentage of eligible portfolio that is certified ENERGY STAR® (“ENERGY STAR certified”); total energy consumed by portfolio area (“Total Energy Consumption”); water withdrawal as a percentage of total floor area (“Water Intensity”); and total water withdrawn by portfolio area (“Total Water Consumption”). Energy and water data is collected from utility bills and submeters and is assured by a third-party, including all SASB 2019 energy and water metrics, which have been assured. During the 2019 calendar year, 45 buildings representing 42% of our eligible portfolio were ENERGY STAR certified. A licensed professional has verified all ENERGY STAR applications.”**

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