

Tennant Company Public Reporting

- **Mandatory**
 - SEC
 - 10-K
 - Proxy
 - Regulatory compliance: emissions, water, etc.
- **Voluntary**
 - Corporate Sustainability Report (GRI as a guideline)
 - “Profiles of Making a Difference”
 - GRI Index
 - Corporate Giving – Live, Work, Play
 - Carbon Disclosure Report (public) at the request of Coca Cola

Global Reporting Initiative (GRI)

- **Vision – A sustainable global economy where organizations manage their economic, environmental, social and governance performance and impacts responsibly and report transparently.**
- **Mission – To make sustainability reporting standard practice by providing guidance and support to organizations.**
- **Goal – to make sustainability reporting mainstream.**
- **G4 is the result of multi-stakeholder engagement and several public comments periods**

Significant Changes G4 v. G3.1

- **Application levels**
- **Boundary**
- **Discussion of management approach required for all aspects on which are reporting**
- **Governance**
- **Supply chain**
- **Increased disclosures on emissions (Scope 1, 2, and 3)**
- **Materiality – only report on aspects determined to be material**
- **Indicators increase from 70 to 100+, more indicators for key aspect, e.g. energy**

Application Levels

- **A, B, C levels eliminated – misunderstood to indicate “quality” of report, grading scheme.**
- **Replaced by “In Accordance” system**
 - In Accordance Core – mandatory reporting on 36 standard disclosures
 - In Accordance Comprehensive – mandatory reporting on all standard disclosures
 - Including executive remuneration and comp ratios
- **Not in accordance with, should include statement: “This report contains standard disclosures from the GRI Sustainability Reporting Guidelines.”**
- **“In Accordance with” does NOT indicate report quality.**

“Expect most US-based companies to balk at reporting “in accordance” with the GRI’s new G4 guidelines because the requirements on labor disclosures are unpalatable to most US corporations.”

Peter T. Knight, Chairman, Context Group

Report Boundary

- **Boundary**
 - G3.1 – the organization
 - G4 – extended to include the supply chain
- **Supply Chain both in standard disclosures and reporting aspects**
 - Assessment for supplier labor practices
 - Environmental impacts
 - Social impacts
 - Scope 3 emissions
 - Percent screened
 - Negative impacts and actions taken
- **A challenge for companies with complex or long supply chains**

Remuneration, G4-51 through 55

- **Remuneration policies for senior executives – fixed pay, performance pay, bonuses, termination payments, etc.**
- **How is remuneration determined, consultants independent of management**
- **How are stakeholder views on compensation gathered?**
- **Ratio of highest paid executive in each country of significant operations to median pay of all employees excluding the highest paid individual**
- **Ratio of percentage increase for organization's highest paid individual in each country and the median increase of all other employees**

Energy Aspect Expanded

- **Scope 1 and 2 as in G3.1**
- **Add Scope 3, value stream (WRI, GHG protocol)**
- **Add GHG intensity, denominator?**
- **Report reductions in GHG versus base year (CDP)**
- **Report emissions from Ozone depleting substances**

Some Concerns

- **Will report become so complex only “experts” can interpret and apply?**
- **Additional burden of deep disclosures**
- **Less transparency in report as reports opt for “not in accordance” to avoid the complexity**
- **Costs of adhering to “in accordance”**
- **Implications on SEC reporting. If disclose in CSR, then also disclose in Proxy/10K? Audit costs?**
- **Alignment or not with SASB?**

SASB – A FASB for Sustainability

- **Formal reporting standard in contrast to GRI**
- **Sustainability reporting would be included in mandatory SEC filings**
- **Sustainability reporting must meet the same standards for completeness and accuracy as financial metrics**
- **SASB disclosure guidance identifies sustainability topics by industry category**
- **Company responsible for evaluating materiality and discussing why aspect is not material**
- **CFO concerns, if in mandatory SEC filings then must be audited by external auditor, cost and resources**