What's ESG Got To Do With It?

The Current State of U.S. Sustainability Reporting

Teneo Insights / Fall 2022

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Executive Summary

In 2022, global companies have encountered a fractured ESG landscape marked by widely divergent views. On the one hand, regulators are mandating more robust ESG disclosures from both companies and institutional investors. Regulators are also cracking down on so-called "greenwashing" – trying to hold companies accountable to ESG commitments. On the other hand, the anti-ESG movement is increasingly vocal, with some questioning the very legitimacy of stakeholder capitalism and ESG investing. To complicate matters further, an increasingly bearish stock market is presenting the first real stress-test of ESG matters in the eyes of markets and investors.

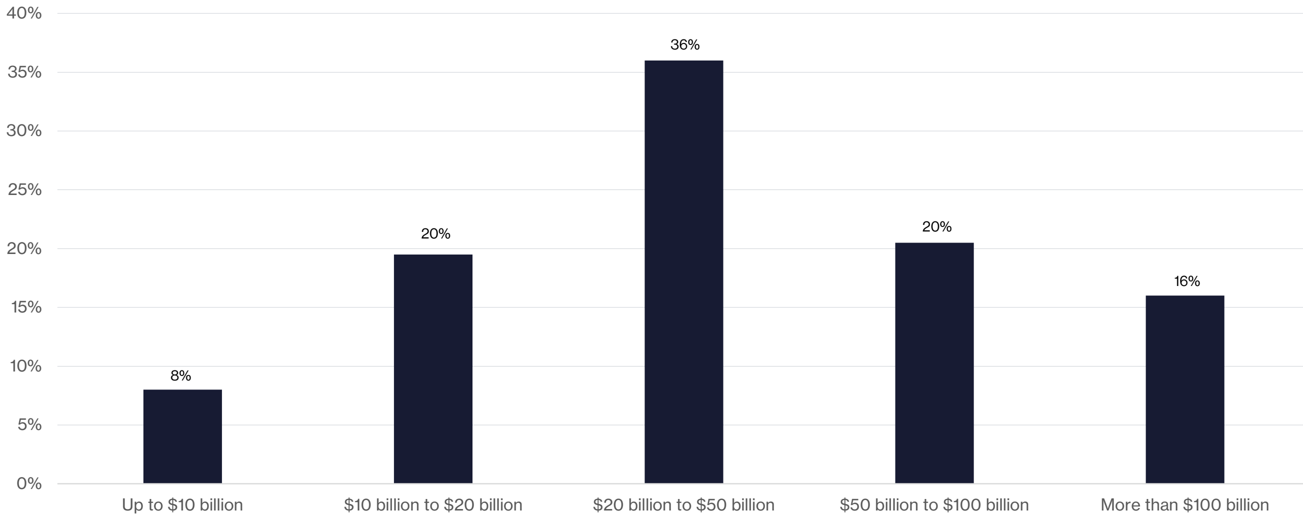
We believe it is imperative for companies to stay sharply focused on the ESG issues that are most important to their businesses and stakeholders. Large investors have expressed a strong belief that certain ESG factors can have a material impact on a company's long-term financial health, and there are no signs that investors are backing away from that stance. In fact, as discussed in our annual proxy season review, "anti-ESG" shareholder proposals fared poorly again in 2022, averaging less than 3% support, with many failing to meet the 5% threshold for resubmission. Investors are likely to continue demanding that companies proactively manage their material ESG risks and opportunities appropriately. However, as companies continue to act on ESG, questions remain over what companies should disclose and how.

To help companies answer these and other important questions around ESG disclosure, Teneo analyzed 200 sustainability reports from S&P 500 companies published between January 1 – June 30, 2022 ("Sustainability Reports"). In this report, we have highlighted common content and design elements of 2022 Sustainability Reports, along with useful examples and recommendations.

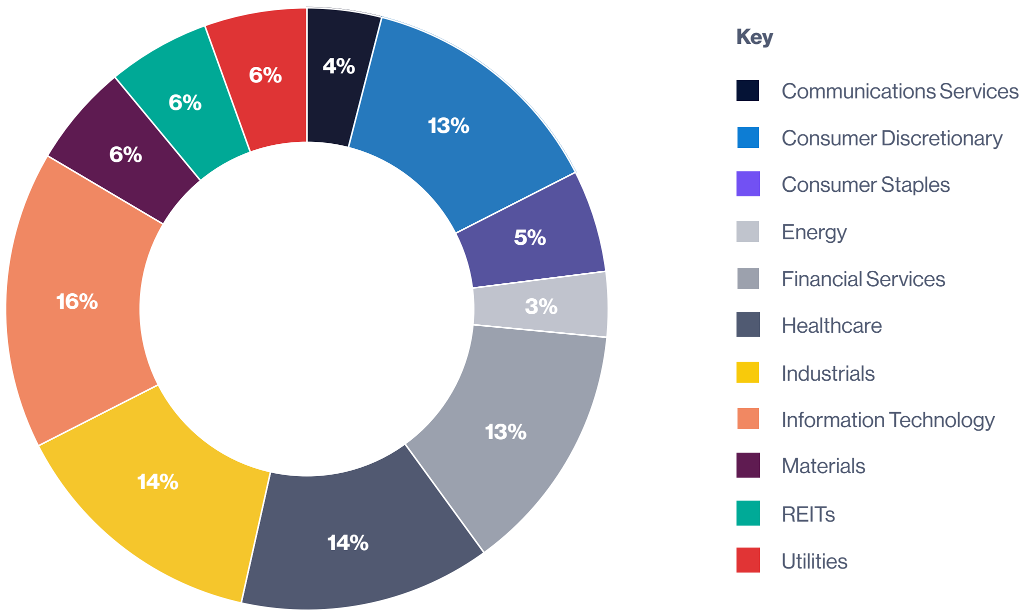
Methodology

Teneo analyzed 200 sustainability reports of S&P 500 companies published between January 1 – June 30, 2022, covering the company's prior fiscal year ("2022 Sustainability Reports"). For the purposes of this report, all references to 2022 Sustainability Reports refer to any annual ESG disclosure report regardless of the report's actual naming convention. The majority of sustainability reports reviewed were published by large-cap companies. The sector breakdown of companies reviewed also generally aligns with the sector breakdown of the S&P 500.

Market Capitalization of Companies Reviewed (US$)



Sector Breakdown of Companies Reviewed



Future State

2023 Sustainability Reports

Ten Strategic Considerations

1. **Follow the Rules (and the Money)**
   Global regulators are moving swiftly to mandate ESG disclosures from both companies and investors, and large investors continue to prioritize ESG matters. Don't let the ESG debate in the public square distract you from managing your company's material ESG issues.

2. **We Are (Still) Living in a Material World**
   A materiality assessment is an essential element to a company's ESG strategy, helping to identify which ESG issues are most important to the business. Since no company can be everything to everyone, a materiality assessment can also serve as a useful filter for inbound ESG requests from stakeholders.

3. **Regulators Give SASB and TCFD the A-OK**
   Both the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD) disclosure frameworks are being used as foundations for various ESG disclosure initiatives around the world. Ensuring that your company is robustly disclosing to each of these frameworks is now also a way to help ensure regulatory compliance.

4. **Don't Hesitate to Show Your ESG Report Card**
   It is imperative for companies to be thoughtful and transparent in reporting progress on ESG goals. If they do not, watchdogs are likely to disclose for them, perhaps in an unfavorable manner.

5. **Consider Disclosing "Dynamic" Diversity Data**
   While the disclosure of basic employee demographic data is still critical, diversity data relating to promotion, retention and hiring has become much more prominent in 2022.

6. **They Want Their ESG (Data)!**
   Summary ESG data tables continue to be an effective way to satisfy investor inquires, especially if the data is downloadable in Microsoft Excel. Providing supplemental, three-year trend data is particularly well-received.

7. **It's A Matter of Trust**
   Stakeholders now expect external assurance of at least some ESG data. Based on our analysis of comments on the climate disclosure rule proposed by the U.S. Securities and Exchange Commission (SEC), limited assurance of ESG data seems to be acceptable to most investors – at least in the near-term.

8. **You Blinded Me with ESG**
   Well-intentioned efforts to bring ESG microsites to life can backfire if information cannot be easily located and/or if hyperlinks are broken over time. Certain regulatory requirements will also likely prompt closer consideration around how ESG data is stored and displayed.

9. **Everybody Wants to Rule the World**
   Regulatory developments in other markets can also impact U.S. companies as investors and other stakeholders push for greater global consistency of ESG disclosure.

10. **Under Pressure**
    Pressure on companies from stakeholders to weigh in on social issues has never been greater. However, commenting publicly comes with risks. Having a thoughtful decision-making framework can help companies determine whether or not to publicly speak out on a specific ESG issue.

Essential Design and Amplification Considerations

Disclosure requirements increase each year, thereby increasing the scope and size of sustainability reports. Whether a report is 20 pages or 120 pages, a thoughtful, creative strategy will ensure your company's sustainability content is communicated with clarity and impact.

The following best practices can elevate your report's effectiveness and amplify your ESG story to all key stakeholders.

1. **Simple and Clear Navigation:** Reports presented as interactive PDFs should include global interactive navigation (usually divided into "chapters" or main sections) and cross links. Be sure to provide links to the table of contents, references/footnotes and specific data throughout the report so readers have quick access to the content of most interest to them. Maintaining your readers' attention is critical, and clear, universal navigation provides essential wayfinding and a consistent user experience.

Genworth's 2021 Sustainability Report includes global navigation positioned at the top of every page. When the reader clicks on a specific section, the heading is highlighted in a different color.

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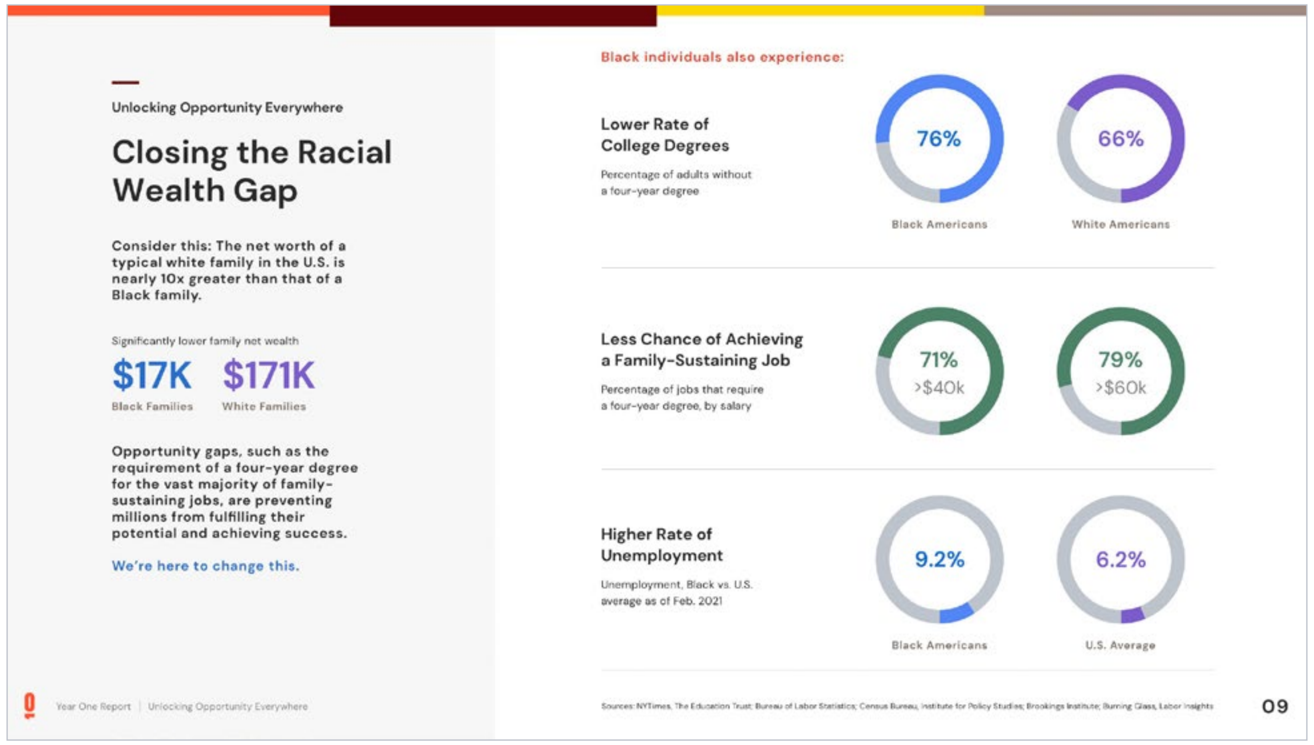
2. **Layouts that Allow Content to Breathe:** With increased reporting requirements comes a temptation to include as much content as possible on each page. However, we recommend thoughtful ways to include white space throughout the report to create better content flow. Consider a design layout that allows all elements on a page to breathe, allowing the reader to focus on one element at a time without being overwhelmed. Useful tips include:

   - Begin copy and graphics at a consistent position on every page, leaving the areas above the margin clear of content with the exception of wayfinding elements such as page numbers or section headings.
   - Start each major section of the report with its own "opener" page that includes introductory copy and a key visual element, such as an image. This layout helps with wayfinding and prepares the reader for the content to follow.
   - Create visual balance on the page by inserting data visualizations and infographics that support and amplify the story. Framing elements with rule lines or shading will draw the eye to help readers grasp and retain information.



For OneTen's Year One Report, ample white space and impactful infographics allow the reader to easily digest content.

3. **Branded Visual Assets that Engage and Differentiate:** The most visually compelling reports utilize bespoke graphic assets – original artwork that is unique to the company. When used effectively, these visuals set the tone, bring personality and depth, and differentiate the report from peers. Most importantly, a unique and bespoke design reinforces the brand and helps to build trust with internal and external stakeholders. Following are considerations to visually distinguish your next ESG report:

   – Use **original photography**, such as images of actual employees and office locations, hybrid working, community involvement, etc. This will foster engagement and connection to the written content in a way that stock photography cannot. If stock photography must be used, try to avoid over-used visual tropes (lightbulbs, people in a huddle with their hands in, cupped hands holding a plant, etc.), as they will not add value to the report.

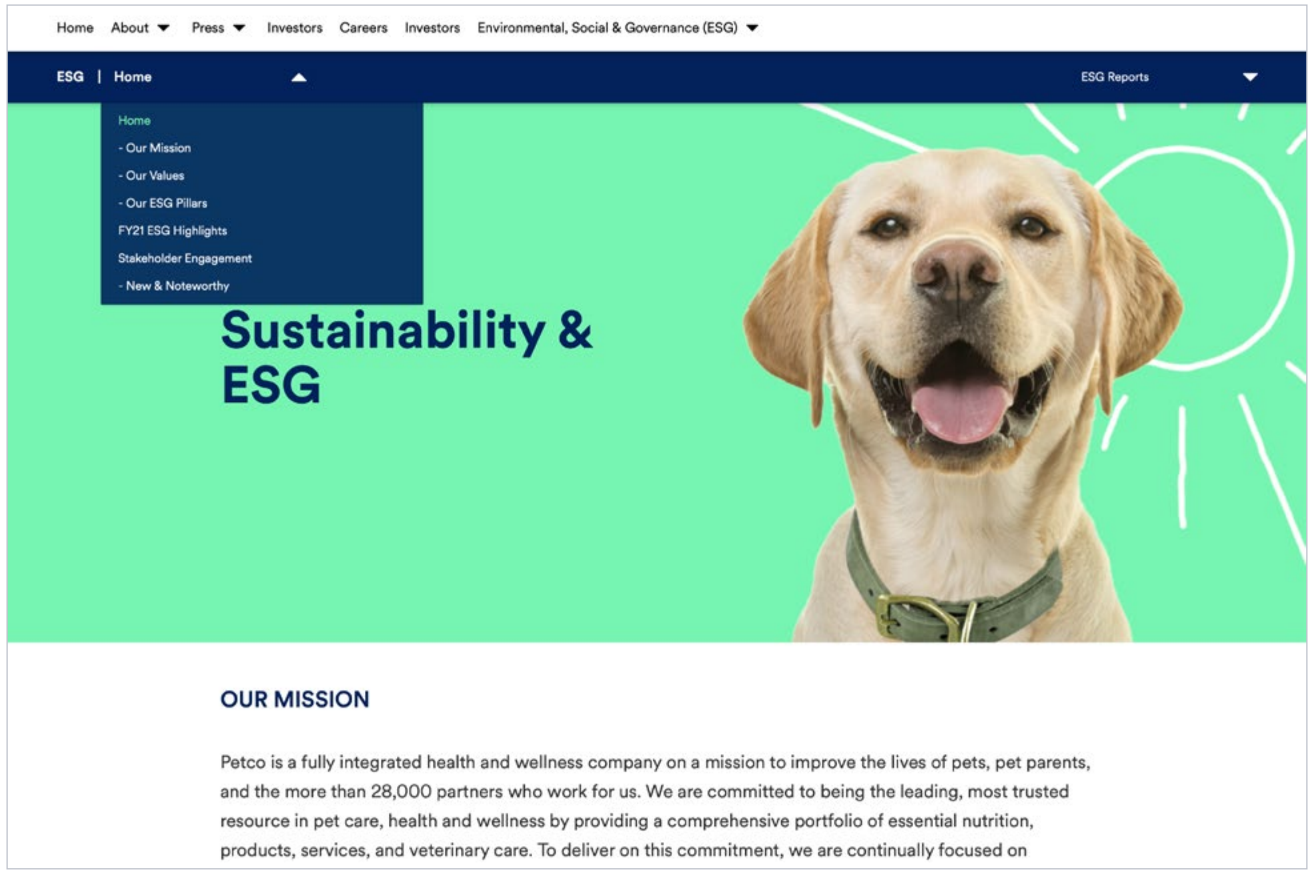
   – **Illustrations**, which can be more conceptual in nature, can elevate storytelling, particularly when paired with callouts, data visualizations and client stories. Illustrations can also help brands express their personality and corporate culture.

   – **Brand colors and typefaces** are two of the most recognizable ways to evoke a brand. Effective and consistent use of the primary color palette can unify all visual and copy elements. An extended palette can be used to make sense of complex information such as data. Typography should always promote legibility and help communicate the message, tone and sentiment of a design piece. Ensuring that the corporate typeface comes in a variety of weights allows for maximum flexibility for use across the report. Effective use of typography also contributes to visually attractive designs that are clean, attractive and easy to read.

American Express' ESG Report incorporates a range of visual brand assets, including photography, illustrations, icons, infographics, color palette and typography to reinforce the brand and elevate the company's ESG story.

4. **Digital First Experiences that Amplify Storytelling:** Even a best-in-class report will fall flat with audiences if content is difficult to understand or find. Developing a clear strategy for posting and sharing content across owned channels, and potentially including paid promotion, ensures key audiences can access content through multiple entry points and drives deeper engagement.

   – **Prominently featured on company website** Many companies create stand-alone ESG microsites or ESG sections within their corporate or investor relations websites. At minimum, ESG report content should be highlighted on and/or linked to pages with related content. Clear navigation, tagging, labeling and signposting is critical for wayfinding. Including branded or visual assets (e.g., facts and figures, pull quotes) will highlight key messages on the page and make content easy to skim.



For Petco's ESG report, a microsite was developed around the report to surface key messages and data points as interactive modules so that audiences could browse and engage with content of their individual interest. Through the microsite, news and updates can be dynamically added throughout the year.

Special consideration should also be given to Search Engine Optimization (SEO) to ensure that audiences can easily locate content. Practical steps include:

- Ensuring pages can be crawled so search engines can read the pages
- Creating compelling content that answers audiences' queries
- Optimizing keywords to attract audiences and search engines
- Ensuring content is shareable (and share worthy) to earn backlinks and amplification
- Properly crafting titles, URLs and descriptions to drive clickthrough rates and build relevancy
- Monitoring and measuring performance and making iterative improvements

– **Formatting key messages for social channels**
Sharing visual assets such as infographics and quotes from the report on the company's social channels will drive awareness and point readers back to the website content and full report.

– **Investing in paid promotion**
Investing in paid promotion is a way to create highly targeted campaigns that break through the clutter and reach key audiences, whether current stakeholders and followers or new audiences.

– **Driving employee engagement**
Companies are encouraged to share ESG content – the full report and shareable assets – with employees via intranets, newsletters, groups, etc. This will increase internal awareness, build transparency with employees and their close networks, and invite unique, authentic voices into the conversation.

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Developing a clear strategy for posting and sharing content across owned channels, and potentially including paid promotion, ensures key audiences can access content through multiple entry points and drives deeper engagement.

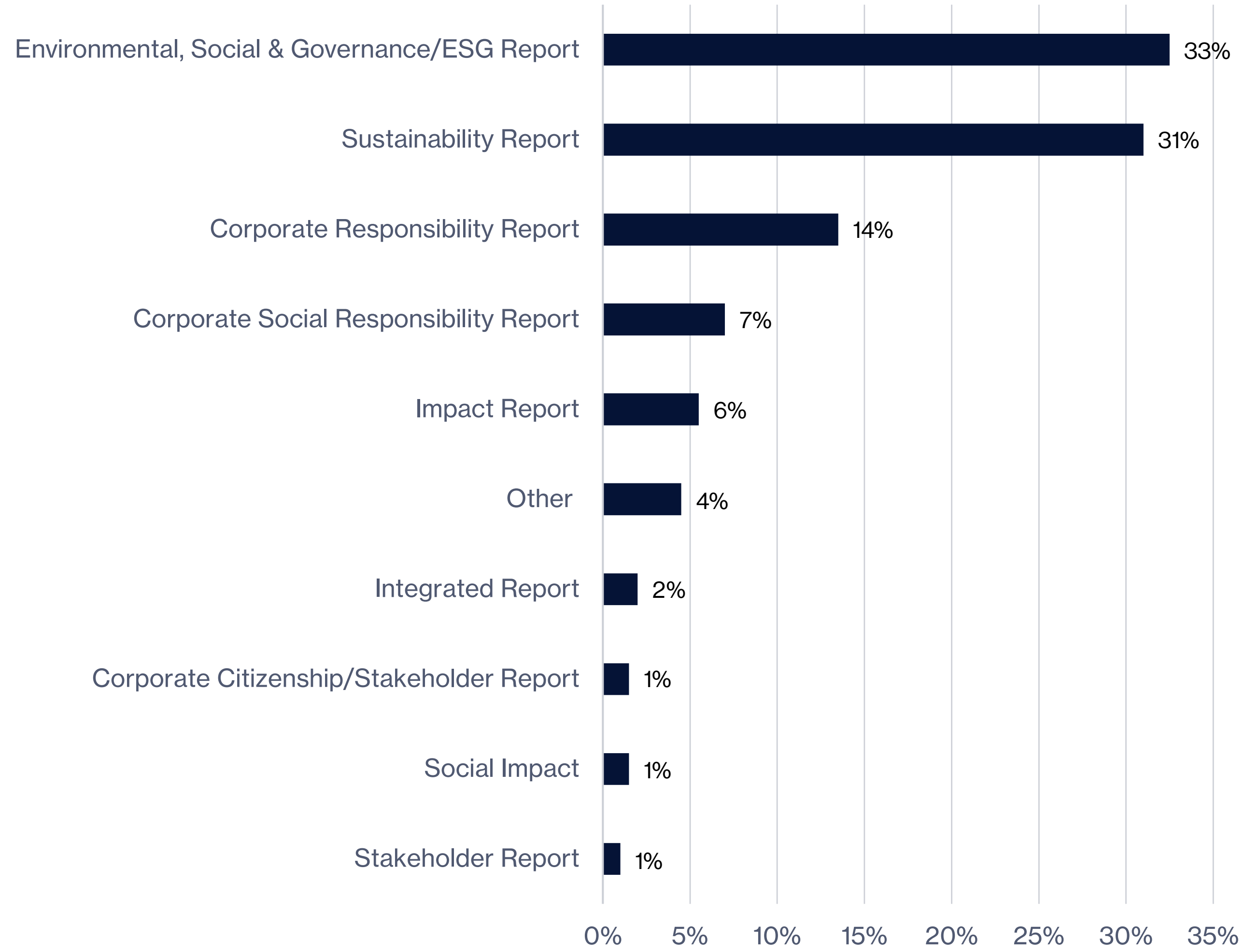
Current State
2022 Sustainability Reports

Practical Elements

Title

The majority of 2022 Sustainability Reports included either the term "Sustainability" (31%) or "Environmental, Social & Governance"/"ESG" (33%) in the report title. Titles including "Corporate Responsibility" (13.5%) and "Corporate Social Responsibility" (7%) were also observed. Both of these terms may evoke corporate philanthropy and/or community initiatives, which are important, but may reflect a somewhat dated and limited view of a company's sustainability strategy.

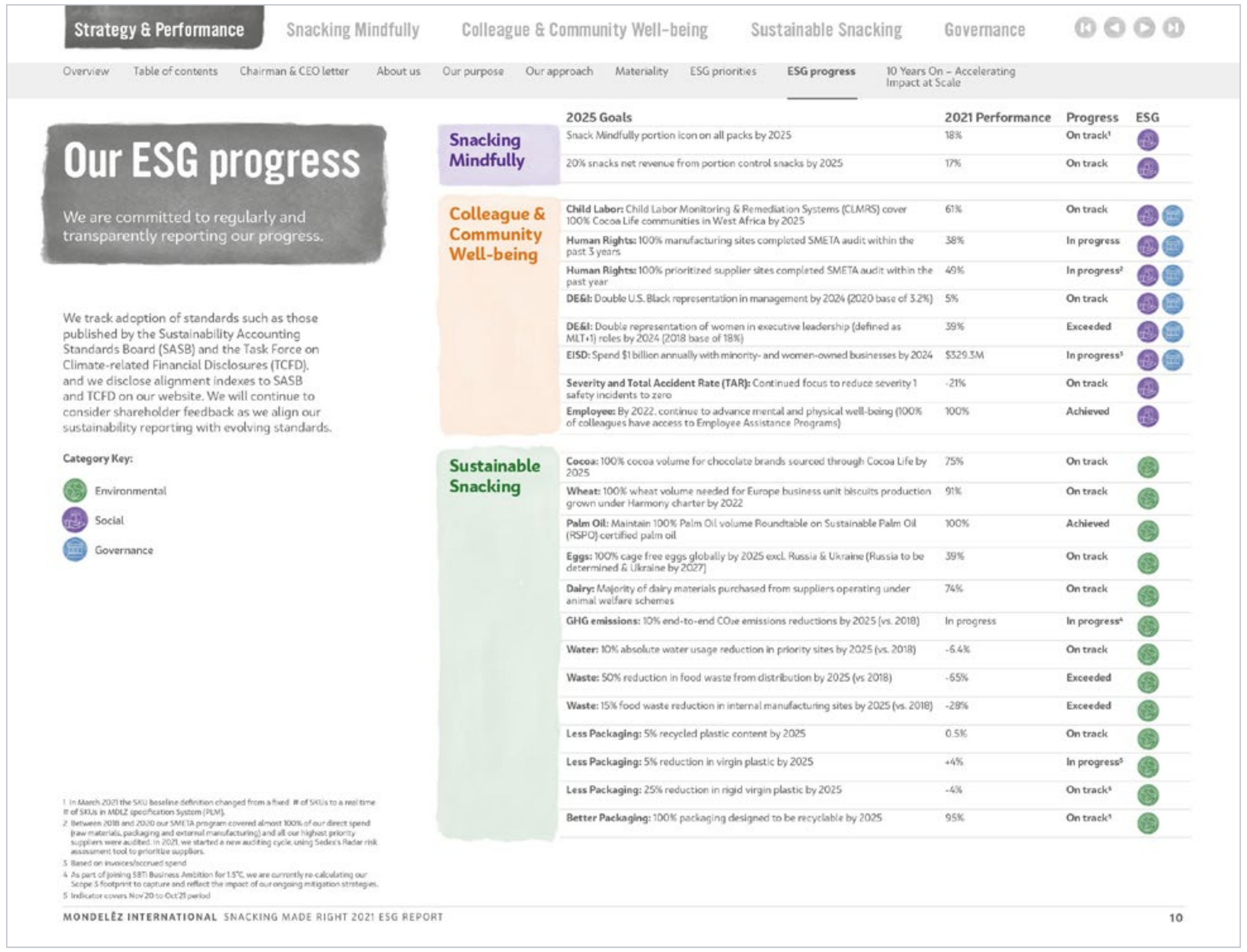
Titles of ESG Reports



Length

Sustainability Reports ranged from 11 pages to 273 pages in length, with an average length of 77 pages. This is slightly longer than the 2021 average length of 70 pages. The majority of reports (53%) had between 50 – 100 pages. 2022 Sustainability Reports over 100 pages were more common among companies with a market capitalization of $20 billion or above.

Regardless of report length, providing a "highlights" or summary overview of sustainability initiatives can help stakeholders focus on a company's ESG priorities and efforts. In 2022, more than 26% of Sustainability Reports produced either a summary or "highlights" report.



ESG Progress Summary from Mondelēz International's 2021 "Snacking Made Right" report.

Data Tables

More than two-thirds of 2022 Sustainability Reports (70%) included a table with key ESG data. Data tables can help investors and other stakeholders easily find the information that is most relevant to them. In addition, companies may want to consider providing three-year trend data in a downloadable Microsoft Excel format to make it even easier for investors to ingest the company's ESG data.

2021 Qualcomm Corporate Responsibility Report | **ESG Performance Summary** 43

Our Environment		Units	2021	2020	2019
Waste Management	**Total non-hazardous waste**	**metric tons**	**2,435**	**2,948**	**3,767**
	Non-hazardous waste recycled	metric tons	1,207	1,564	1,699
	Non-hazardous waste to landfill	metric tons	1,228	1,384	2,068
	Total hazardous waste	metric tons	1,024	693	37
	Hazardous waste recycled	metric tons	516	234	31
Employee Engagement Events	Personal paper shredding collection events for employees[24]	tons	N/A	0.5	1.5
	Personal e-waste collection events for employees[25]	pounds	N/A	975	5,689
E-Waste Collection	E-waste collection	pounds	366,548	413,590	523,887
Water Management	**Total water withdrawals[26]**	**million gallons**	**773**	**635**	**171**
	Potable water withdrawals - water utilities	million gallons	667	551	99
	Reclaimed water withdrawals- water utilities	million gallons	106	84	72
	Water consumed	million gallons	152	218	86
	Water discharged	million gallons	621	417	85
	Ultrapure water usage	million gallons	0	NR	NR
Our Workplace		**Units**	**2021**	**2020**	**2019**
Workforce	**Total workforce**	**# of**	**45,575**	**40,905**	**37,200**
	Regular employees	%	91	92	91
	Temporary employees	%	9	8	9

[24] San Diego only. 2021 personal paper shredding collection event for employees postponed due to COVID-19.

ESG data table excerpt from Qualcomm's 2021 Corporate Responsibility Report.

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Press Release

More than half of the companies that we reviewed (62%) issued a press release announcing their 2022 Sustainability Report. Press releases can provide stakeholders with an outline of the key takeaways from the report, including new initiatives or updates on the progress of ESG goals.

Timing

Most companies issued their 2022 Sustainability Report within 4-6 months of fiscal year end, with April being the most popular month (39%), followed by March (18%) and June (17%).

Format

Approximately 27% of companies included interactive ESG microsites within the company's website. While interactive websites can be a creative way to message the company's ESG strategy, companies should also ensure that a PDF version of the report is readily available. 93% of 2022 Sustainability Reports were made available in PDF format.

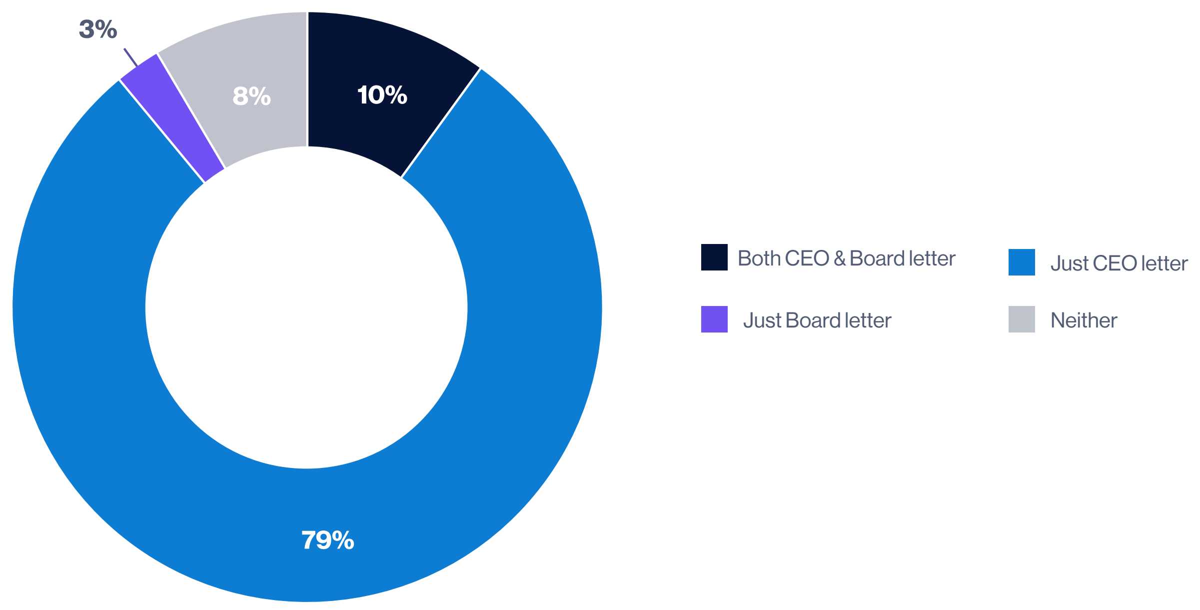
Adhering to a correct reporting format is increasingly important to ensure stakeholders get a clear picture of your sustainability efforts. For instance, the Corporate Sustainability Reporting Directive's (CSRD) proposal to amend Europe's Non-Financial Reporting Directive (NFRD) requirements to digitally tag information originates from challenges in finding relevant ESG data and could materially change reporting requirements for U.S. companies. This will be a critical development supporting broader standardization and dissemination of ESG data, with the requirements for machine reading and "tagged" information supporting the EU's plans for a central "repository" of all corporate financial and non-financial data. For companies, this requires careful consideration around IT and infrastructure requirements and integration.

Strategic Elements

Letter from the CEO or Board

The majority of 2022 Sustainability Reports (89%) included a letter from the CEO, of which 10% also included a letter from the Board. In a few instances, the CEO letter was penned together with either the Board or the company's Chief Sustainability Officer. CEO letters provide companies with the opportunity to appropriately signal to stakeholders that ESG is a priority for senior leadership. A newly appointed CEO can utilize the CEO letter to communicate his or her refreshed vision for the company and its sustainability strategy. Similarly, letters from the Board can also signal its focus on ESG oversight – an issue of increasing importance to institutional investors.

Letter from the CEO and/or Board

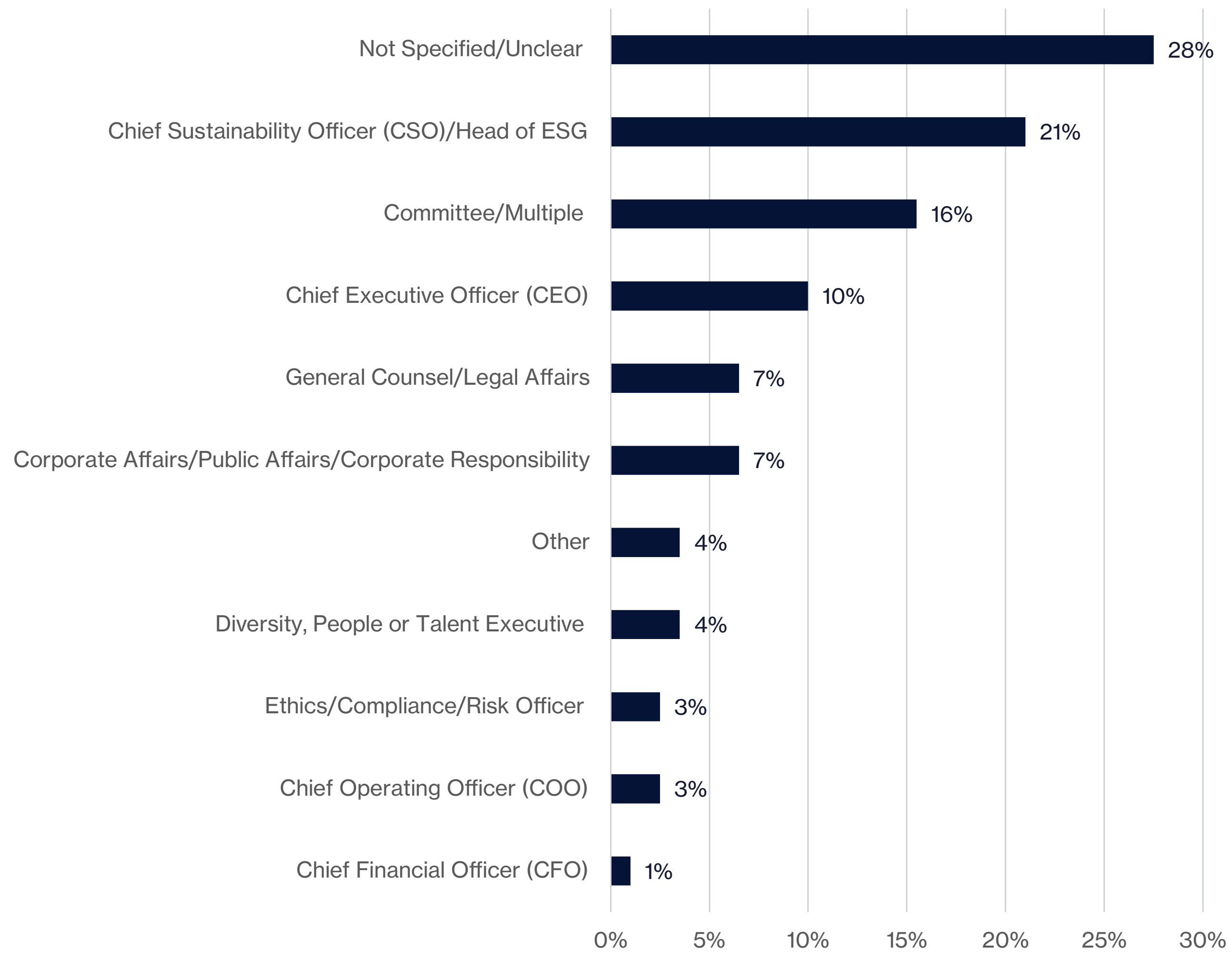


Internal Oversight

Consistent with our findings in 2021, a vast majority of 2022 Sustainability Reports described how ESG is overseen internally. While most companies stated that they take a cross-functional team approach to managing sustainability initiatives, approximately 72% of 2022 Sustainability Reports also identified the executive with primary responsibility for sustainability.

21% of 2022 Sustainability Reports noted that the Chief Sustainability Officer or another ESG-focused executive was responsible for delivering on the company's sustainability strategy, while 10% noted that the CEO held that responsibility. As demonstrated in the chart below, companies took a variety of approaches to this issue.

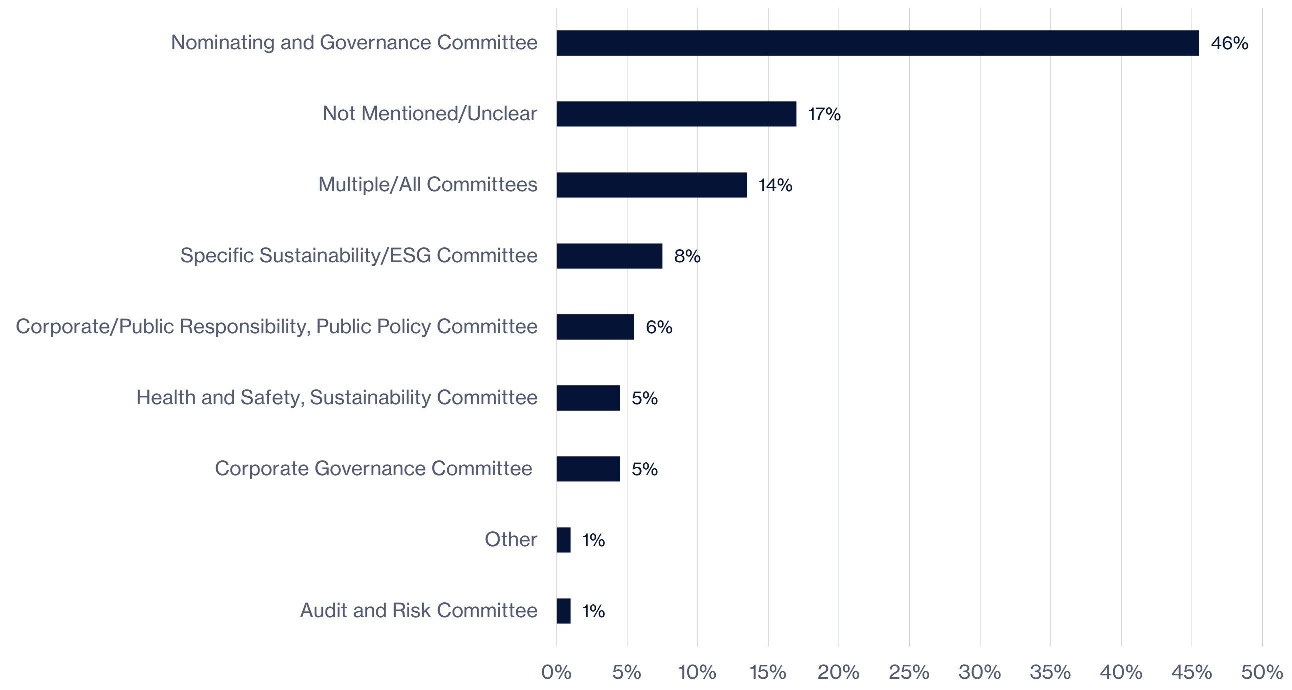
Who is Primarily Responsible for ESG Internally?



Board Oversight

Board oversight of ESG matters is also described in a vast majority of company 2022 Sustainability Reports. Sustainability was most commonly overseen by the Nominating and Governance Committees (46%), while 14% of companies noted that sustainability oversight was performed by multiple board committees. While eligibility criteria are not well-defined, 26% of 2022 Sustainability Reports mentioned a Board member with "ESG" credentials and/or experience.

Which Board Committee Is Primarily Responsible for ESG Oversight?



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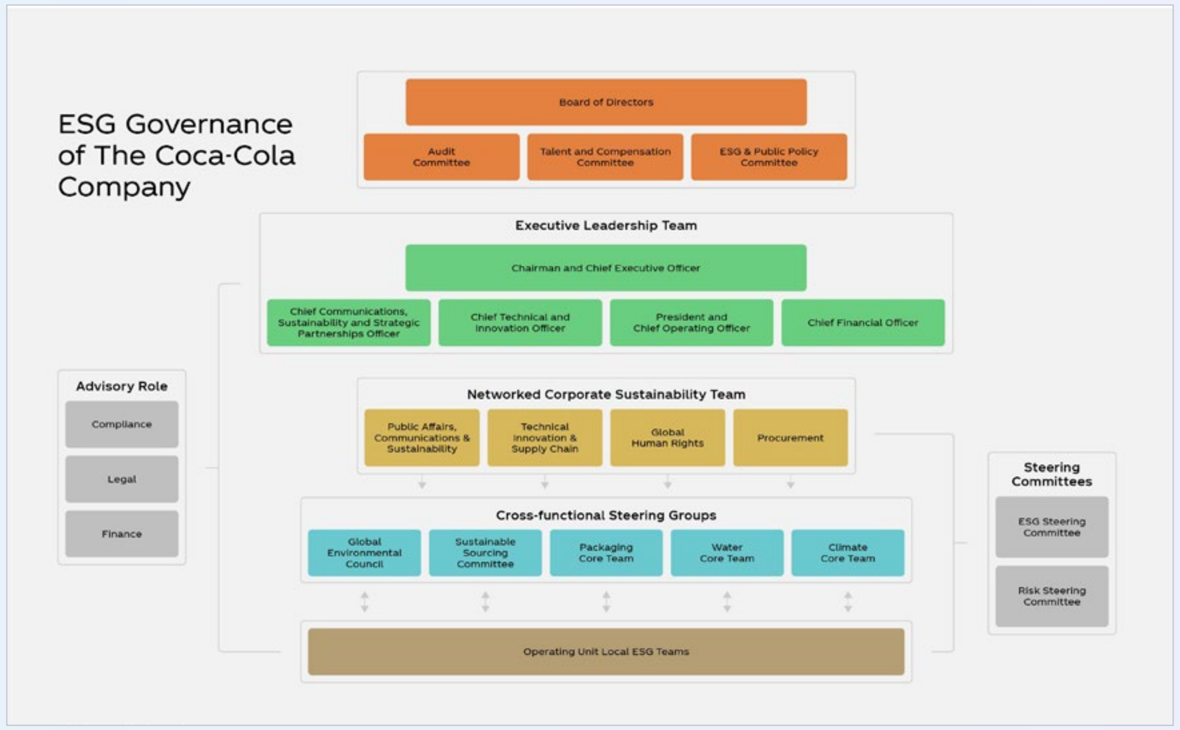


ESG governance structure from The Coca-Cola Company's 2021 Business ESG Report.

OVERSEEING THE ESG AGENDA

The Board and its committees actively oversee and regularly engage with senior leaders with respect to progress against corporate and business plans, short- and long-term strategic priorities, and ESG priorities. These ESG priorities include sustainability targets and ID&E initiatives. Each committee is responsible for oversight of specific strategic and ESG areas relevant to their respective charters as summarized below:

Committee	Area(s) of Strategic and ESG Responsibility
Audit Committee	External reporting, risk management, internal controls, compliance with legal and regulatory requirements and ESG reporting frameworks
Compensation and Leadership Development Committee	ID&E, work environment and culture, remuneration and incentives to drive accountability and progress on the company's financial and ESG performance
Corporate Governance Committee	Corporate governance framework, board composition and performance, governance best practices, compliance with legal and regulatory requirements and ESG reporting frameworks
Environment, Health, Safety & Technology Committee	Environmental performance, health, safety, community, corporate citizenship, social responsibility, public policy, sustainability, climate, science and technology

Board ESG governance structure from Dow Chemical's 2021 ESG Report.

> **"Boards and CEOs remain strongly focused on the ESG issues that are most important to the business. Doing so is not only the right thing for the business, but key stakeholders such as investors and employees aren't likely to de-prioritize issues such as climate and diversity any time soon."**

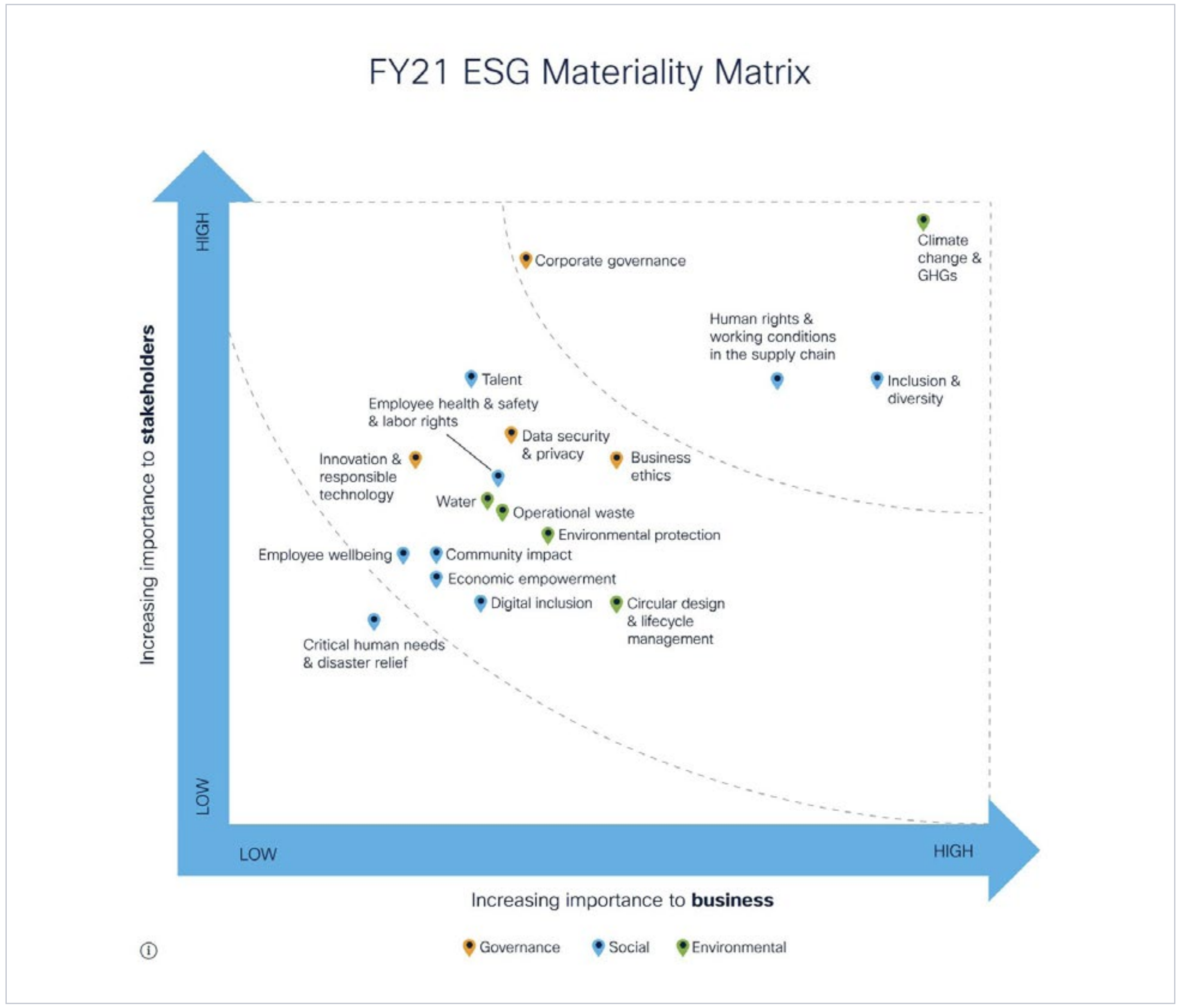
Gaby Sulzberger

Chair, Global ESG Advisory, Teneo and
Board member at MasterCard, Eli Lilly, Warby Parker and Cerevel Therapeutics

Materiality Assessment

Half of 2022 Sustainability Reports indicated that a formal materiality assessment was conducted to help determine ESG priorities. Just under half of 2022 Sustainability Reports (40.5%) also included an actual materiality matrix, while one-third (34%) included a disclaimer or qualifier on the use of the term "materiality" to avoid any confusion with other definitions of materiality, such as the SEC's definition.

Materiality matrixes can be a very useful tool for stakeholders to gain insight into how the company determines its sustainability strategy. Stakeholder engagement, another common component of 2022 Sustainability Reports, is typically the primary mechanism to inform the company's materiality assessment.



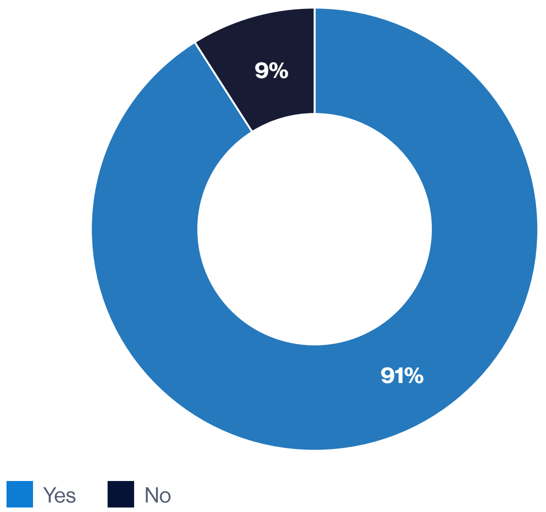
Materiality Matrix from Cisco Systems' 2021 ESG Report.

DEI Content

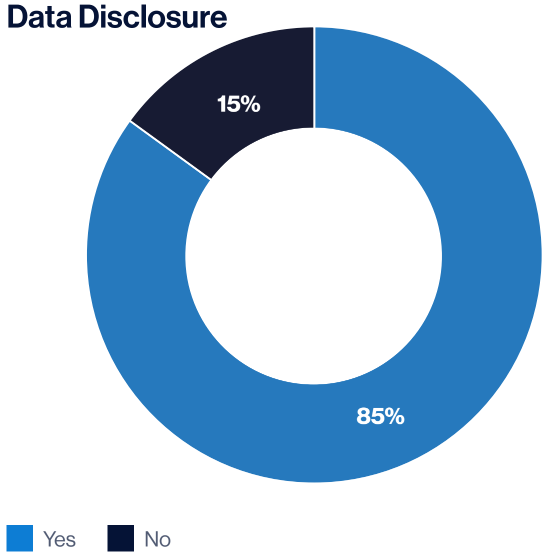
DEI Reports

Diversity, equity and inclusion ("DEI") has become a common component of 2022 Sustainability Reports. In response to increasing pressure from stakeholders to disclose details regarding DEI programs, progress and metrics, companies have also begun publishing separate DEI reports, allowing them to further articulate the evolution of their strategy and approach. In 2022, 47% of Sustainability Reports published diversity targets, 4% less than 2021. These numbers do not necessarily represent a decline in the number of companies that have publicly set diversity goals nor a decline in reporting on DEI measures. It is likely that the decline indicates that this data is housed in a DEI report separate from the Sustainability Report. Companies are advised to include DEI goals within Sustainability Reports, even if a separate DEI report is produced.

Employee Demographic Data Disclosure



Executive/Senior-Level Diversity Data Disclosure



Employee Demographic Data

91% of 2022 Sustainability Reports disclosed employee demographic data, with 85% reporting diversity data at the executive/senior level. While an overwhelming majority of companies share this data and continue to disaggregate workforce diversity disclosures, there is a lack of uniformity in how companies define classifications such as executive or race/ethnicity, making it challenging for shareholders to track and compare data across companies.

In our 2021 report, we noted that companies had begun disclosing their complete EEO-1 Reports and predicted that more companies would follow suit. In fact, the number of companies who published their EEO-1 Report in 2022 increased to 54%, up from 33% in 2021. The EEO-1 Report includes defined categories for gender, race/ethnicity and job function which provides greater uniformity to companies' demographic data. Companies commonly supplement their EEO-1 disclosure with additional narrative and data using company-specific job categories.

Promotion, Retention and Hiring Disclosure

Due to investor pressure, companies are also increasingly reporting recruiting, promotion and retention rates of diverse employees. Most often, companies reported on new hires by gender (35%) and race/ethnicity (26%). Promotion and turnover rates were less frequently reported (10-13%), perhaps signaling ongoing challenges in talent development efforts in the current "war for talent" environment. Companies continue to purposefully report on qualitative measures such as new programs, partnerships and initiatives that add context and demonstrate a pathway toward meeting previously defined goals.

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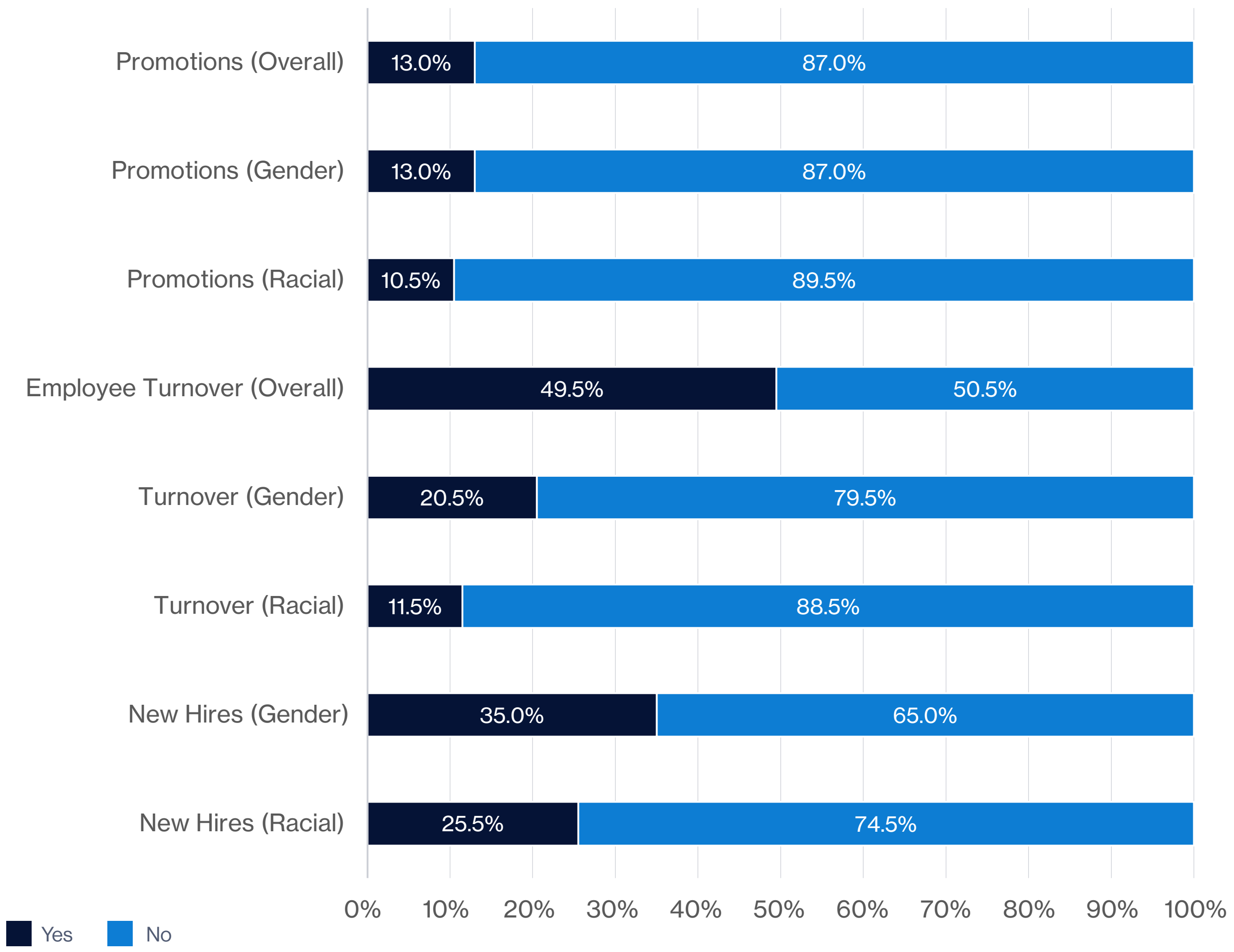
Promotion, Retention and Hiring Disclosures



Pay Gap Analyses

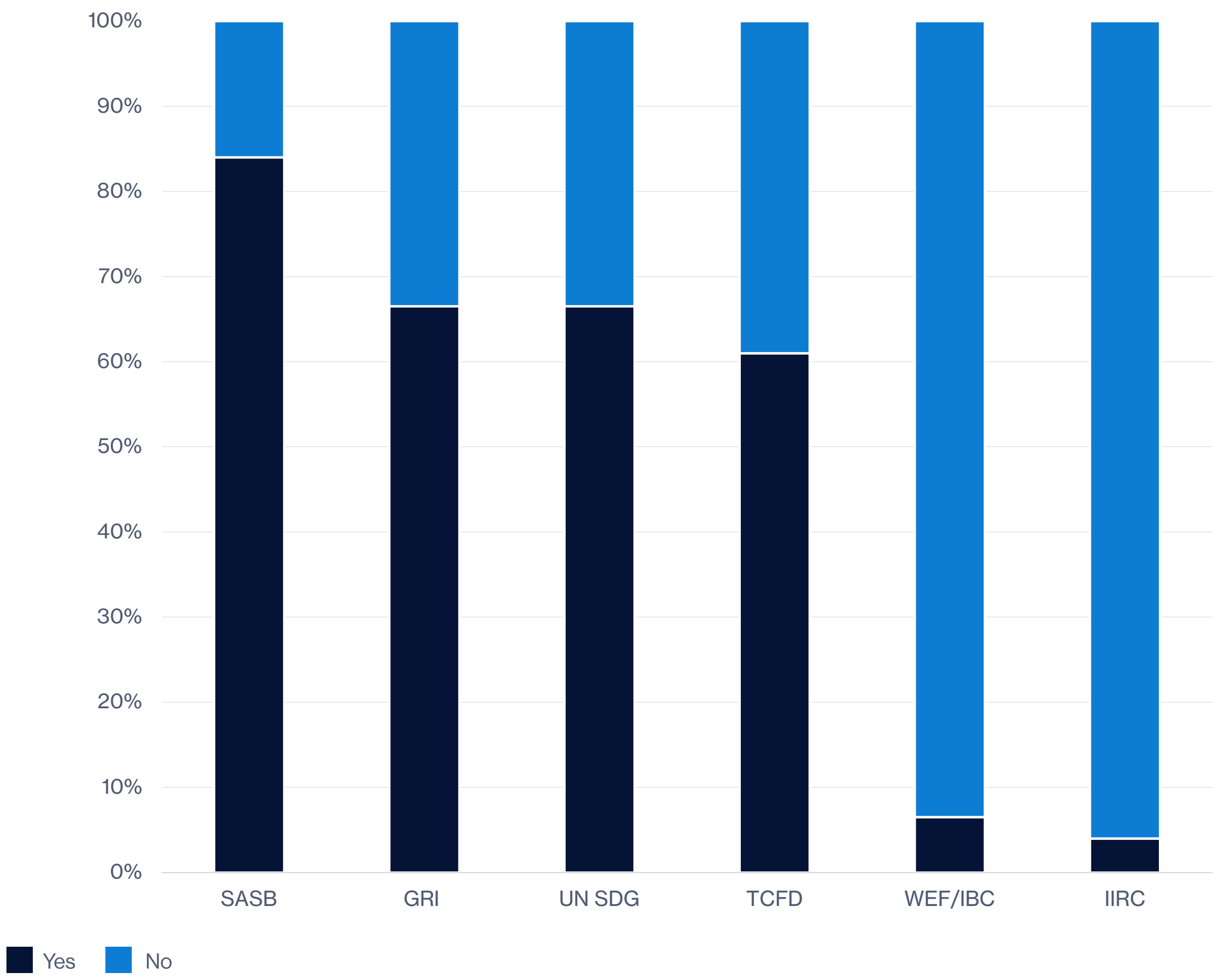
Just under one-third of 2022 Sustainability Reports included information on employee pay gaps, representing a 6% decrease from 2021. This is not to suggest that pay gap analyses are falling out of favor, as audits continue to rise in popularity. 2022 data suggests that transparency on the subject has possibly stalled, or the data has shifted from Sustainability to DEI reports.

For this analysis, 32% of companies shared their adjusted pay gaps, measuring the difference in median total compensation between demographic groups by adjusting for factors such as role, seniority, education, experience and location. Companies often noted a commitment to "equal pay for equal work." 16% of companies reported unadjusted, or raw pay gaps, which tends to be a less forgiving figure as it does not take into consideration any of the above factors. Not surprisingly, all companies that shared raw pay gaps also disclosed adjusted pay disparities. 16% of 2022 Sustainability Reports noted that their pay gap analyses were assured.

Use of Third-party ESG Disclosure Frameworks

The use of third-party ESG disclosure frameworks in 2022 Sustainability Reports continued to rise, with SASB and TCFD being the primary focus for institutional investors. This is a result of many large institutional shareholders essentially mandating that companies report to these disclosure frameworks or risk losing their support for certain incumbent directors at the next annual shareholder meeting. As was the case in 2021, not all SASB or TCFD disclosures looked the same, as some companies did not disclose every component within the frameworks. And while cross-referencing SASB and TCFD indexes in other company disclosures is common, investors and other stakeholders may prefer to have the substance of SASB and TCFD disclosures included directly in the indexes. As is the case with companies that produce a DEI report separate from a Sustainability Report, companies that report to the SASB and/or TCFD indexes separate from the Sustainability Report run the risk of investors not being able to find such indexes and concluding that the company is not disclosing the information at all.

ESG Disclosure Framework Utilized



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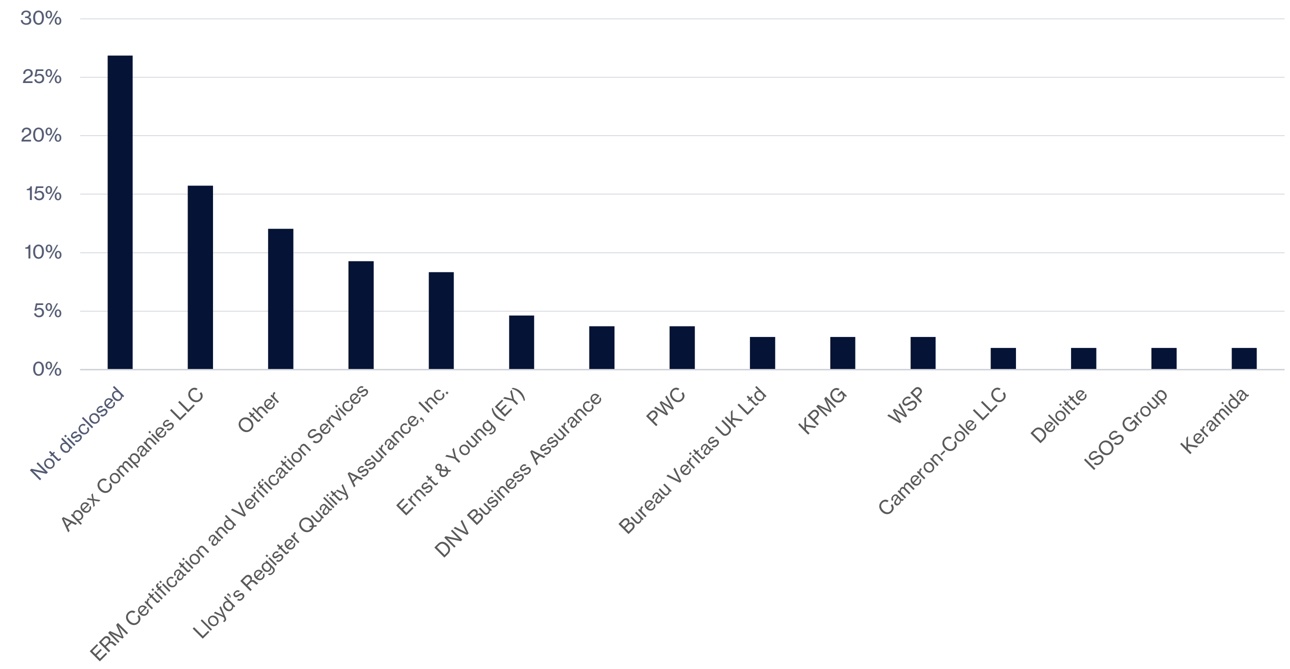
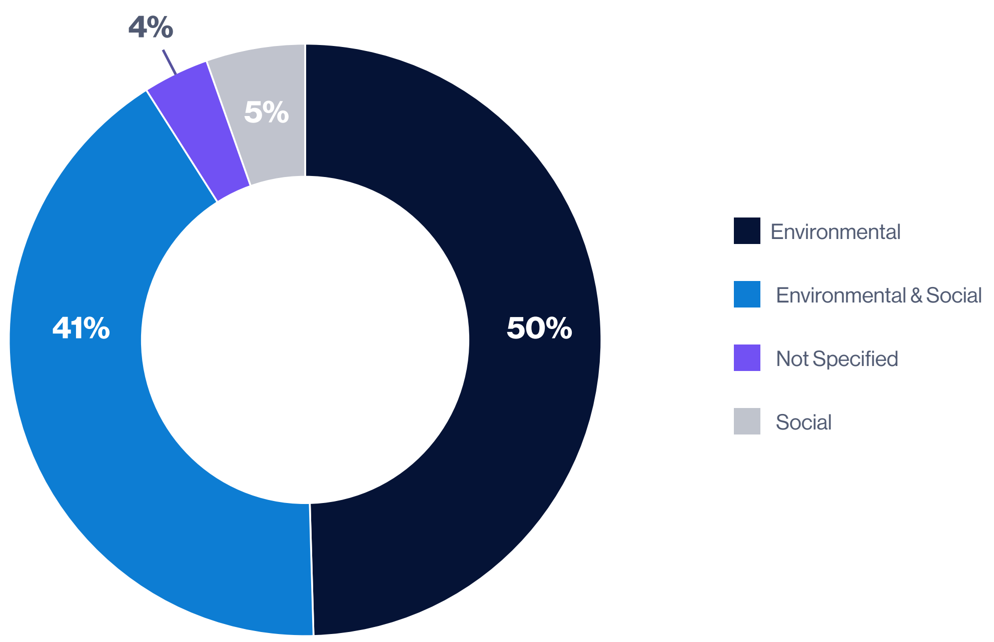
Use of External Assurance

Just over half (54%) of companies mentioned that data for the report had been externally assured. Of these, 51% had only environmental data assured, while almost 43% assured both environmental and social data. 5% of companies assured only social data, while less than 4% did not specify what ESG data was assured. Of the companies that specified the third-party providing the external assurance, Apex was used by almost 16% of companies, while ERM was used by 9% of companies.

ESG External Assurance Providers Utilized



Type of ESG Information Externally Assured



Independent Accountants' Review Report

To the Board of Directors and Management of Whirlpool Corporation:
We have reviewed Whirlpool Corporation's ("Whirlpool") accompanying schedules of selected environmental, diversity and equal opportunity, occupational health and safety, product safety and product lifecycle indicators (the "Subject Matter") included in **Appendix A** for the reporting periods indicated in **Appendix A**, based on the criteria also set forth in **Appendix A** (the "Criteria"). Whirlpool's management is responsible for the Subject Matter, based on the Criteria. Our responsibility is to express a conclusion on the Subject Matter based on our review.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) AT-C section 105, *Concepts Common to All Attestation Engagements*, and AT-C section 210, *Review Engagements*. Those standards require that we plan and perform our review to obtain limited assurance about whether any material modifications should be made to the Subject Matter in order for it to be in accordance with the Criteria. A review consists principally of applying analytical procedures, making inquiries of persons responsible for the subject matter, obtaining an understanding of the data management systems and processes used to generate, aggregate and report the Subject Matter and performing such other procedures as we considered necessary in the circumstances. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether the Subject Matter is in accordance with the Criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. A review also does not provide assurance that we became aware of all significant matters that would be disclosed in an examination. We believe that our review provides a reasonable basis for our conclusion.

In performing our review, we have also complied with the independence and other ethical requirements set forth in the Code of Professional Conduct and applied the Statements on Quality Control Standards established by the AICPA.

As described in **Appendix A** the Subject Matter is subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used for determining such data. The selection of different but acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary. Furthermore, Scope 3 Category 11 emissions are calculated based on a significant number of estimations and management assumptions due to the inherent nature of the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard criteria.

The information included in Whirlpool's 2021 Sustainability Report, other than the Subject Matter as described in Appendix A, has not been subjected to the procedures applied in our review and, accordingly, we express no conclusion on it.

Based on our review, we are not aware of any material modifications that should be made to the schedules noted in the table above and included in **Appendix A** for the reporting periods as indicated in the table above in order for it to be in accordance with the Criteria.

Ernst + Young LLP

EY
Building a better working world

Chicago, Illinois
March 3, 2022

External assurance of ESG data from Whirlpool's 2021 Sustainability Report.

Broader Considerations

Sustainability Disclosure Developments Outside the U.S.

Asia-Pacific

Mandatory reporting around ESG issues will become more prevalent across Asia-Pacific as regulators and exchanges seek to align with global best practice. However, there is still significant fragmentation among markets.

In Australia, climate reporting is not yet mandated but is expected to emerge under a new federal government promising greater climate action. Securities and prudential regulators both recommend TCFD reporting. In New Zealand, climate disclosures are mandatory for some companies beginning in 2023.

Singapore also has new requirements taking effect in 2023, including mandatory climate reporting for certain sectors, diversity disclosures and sustainability training for directors. The SGX has indicated that International Sustainability Standards Board (ISSB) standards will be incorporated into mandatory disclosures when published.

In Hong Kong SAR, mandatory climate disclosure for certain sectors is expected by 2025. In the meantime, the HKEX is focused on improving data transparency around issues such as board diversity with the launch of an information repository. Support has been expressed for the ISSB framework.

In China, domestic entities are now required to disclose environmental information annually from 2022, while the securities regulator also requires listed companies to disclose any environmental penalties.

These and other Asia-Pacific markets will also be closely watching international developments in sustainability reporting, which are likely to impact the regional landscape. Investor expectations will also increasingly push companies to exceed local requirements to align with standards being set in other markets.

European Union

The European Financial Reporting Advisory Group (EFRAG) launched a consultation on draft corporate sustainability reporting standards, offering a glimpse of what companies will have to report according to the CSRD. The new standards include the use of the double materiality concept and consideration of value chain sustainability factors. For example, the climate change exposure draft requires disclosure of "gross indirect Scope 3 GHG emissions in metric tons of CO_2 equivalent," which includes emissions outside of the direct control of companies, including upstream purchasing and travel. In June 2022, the EU Council and European Parliament announced that they had reached an agreement on the rules of the CSRD, achieving an important milestone towards the official adoption of the law.

UK

In the UK, ESG reporting and disclosure expectations continue to grow for both listed and private companies. As of January 1, 2022, many UK companies are required to publish their first TCFD report per the Financial Conduct Authority (FCA), a requirement already in place for larger companies. Larger listed companies and certain financial sector firms will also be required to publish a net zero transition plan under the TCFD reporting framework, detailing how they will decarbonize to meet 2050 targets. This will encourage more widespread adoption of published plans and increase the need for standards enabling consistency and comparability. Finally, many UK and overseas issuers will need to include a statement in their annual financial report for financial years starting on or after April 1, 2022, setting out whether they have met specific diversity targets.

The Future of U.S. Sustainability Reports

Global regulation will certainly shape the ESG disclosure landscape over the next few years. Final SEC rules on climate disclosure and draft rules on human capital management disclosures are expected in fall 2022. The ISSB is also expected to release its final framework for climate and ESG reporting by the end of 2022. Final rules from the European Union's CSRD are expected in 2023. While there is optimism that there will be a measure of consistency across all three disclosure initiatives, it is likely that companies will encounter substantive differences.

As regulators also step up policing for so-called "greenwashing," it is imperative that companies not only continue disclosure of material ESG issues, but also ensure that disclosures are verifiable. We hope that this report is a useful tool to help companies continue to progress toward that goal.

What's ESG Got To Do With It? The Current State of U.S. Sustainability Reporting

As regulators also step up policing for so-called "greenwashing," it is imperative that companies not only continue disclosure of material ESG issues, but also ensure that disclosures are verifiable. We hope that this report is a useful tool to help companies continue to progress toward that goal.

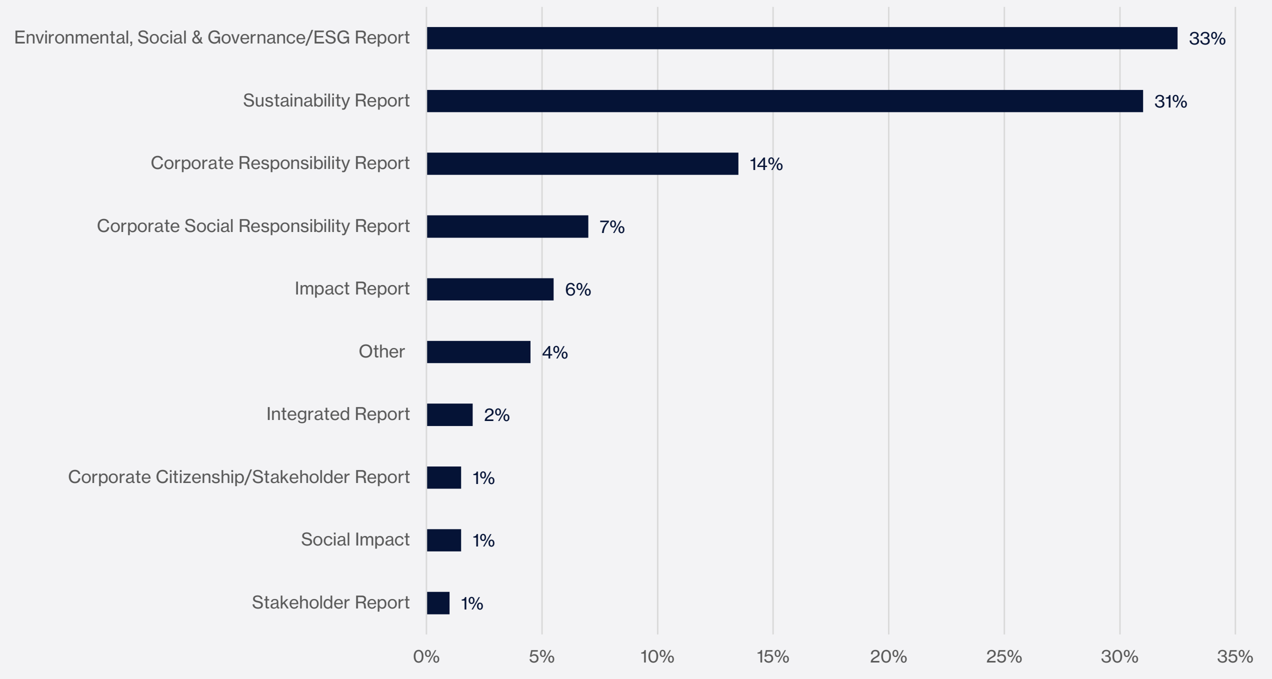
Appendix A
Characteristics of a "Typical" 2022 Sustainability Report

While companies are advised to produce a sustainability report that suits their individual business needs, a "typical" 2022 Sustainability Report exhibits the following characteristics:

- Is approximately 75 pages long
- Can be viewed and downloaded in a PDF format
- Is accompanied by a press release
- Contains either "ESG" or "Sustainability" in its title
- Includes a letter from the CEO
- Explains how the company's ESG strategy is managed internally
- Summarizes how the Board of Directors oversees ESG risks and opportunities
- Includes a materiality matrix or similar prioritization of ESG issues
- Details how the company engages with its stakeholders
- Includes a net zero, carbon neutral or other GHG emissions reduction goal
- Includes employee demographic data via the company's EEO-1 Report
- Contains a table summarizing the ESG data contained in the report
- Reports against the SASB, TCFD, GRI and/or UN SDG ESG disclosure frameworks
- Provides external assurance of at least some ESG data on a limited basis

Appendix B
Key Statistics from 2022 Sustainability Reports Research

Report Title



Report Length

77 pages

Reports ranged from 11 to 273 pages in length, averaging 77 pages.

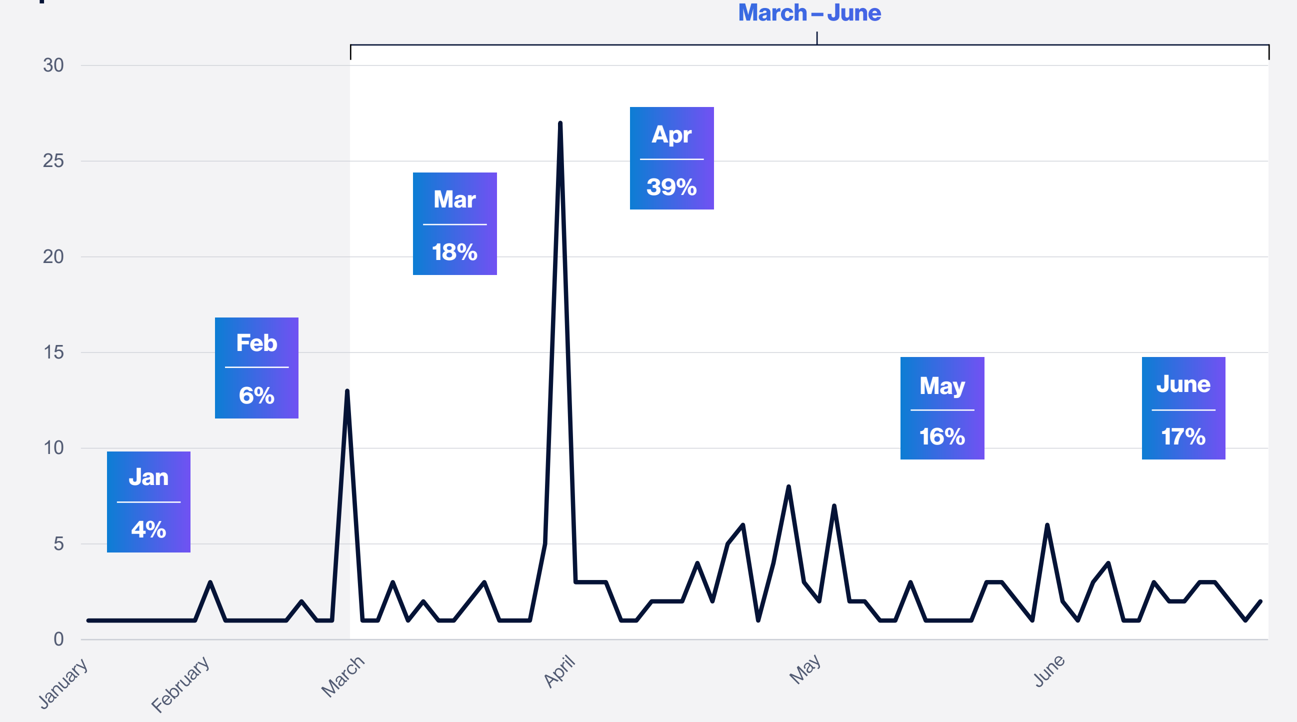
$20 billion+

Reports over 100 pages were more common for companies with a $20 billion+ market cap.

53%

Just over half of reports contained between 50 and 100 pages.

Report Publication Date



Report Format

93%
Were available in a downloadable PDF format.

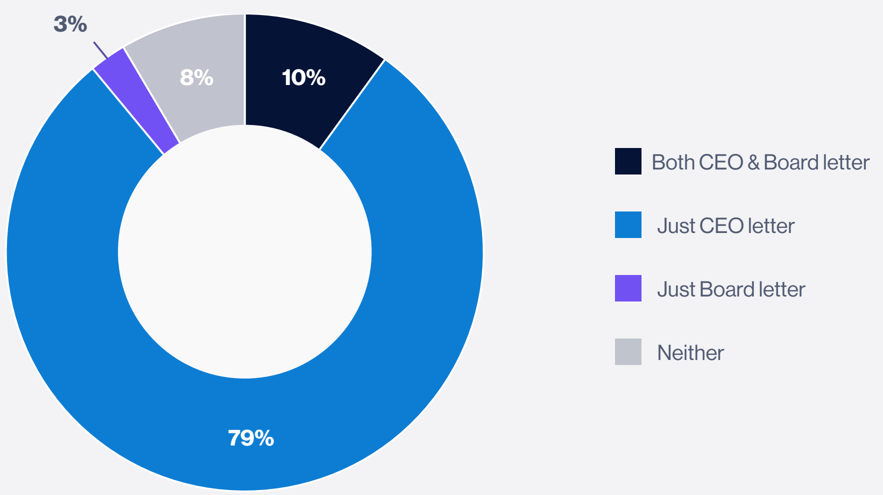
70%
Provided a table summarizing the key ESG data in their sustainability reports.

62%
Of reports were accompanied by a press release.

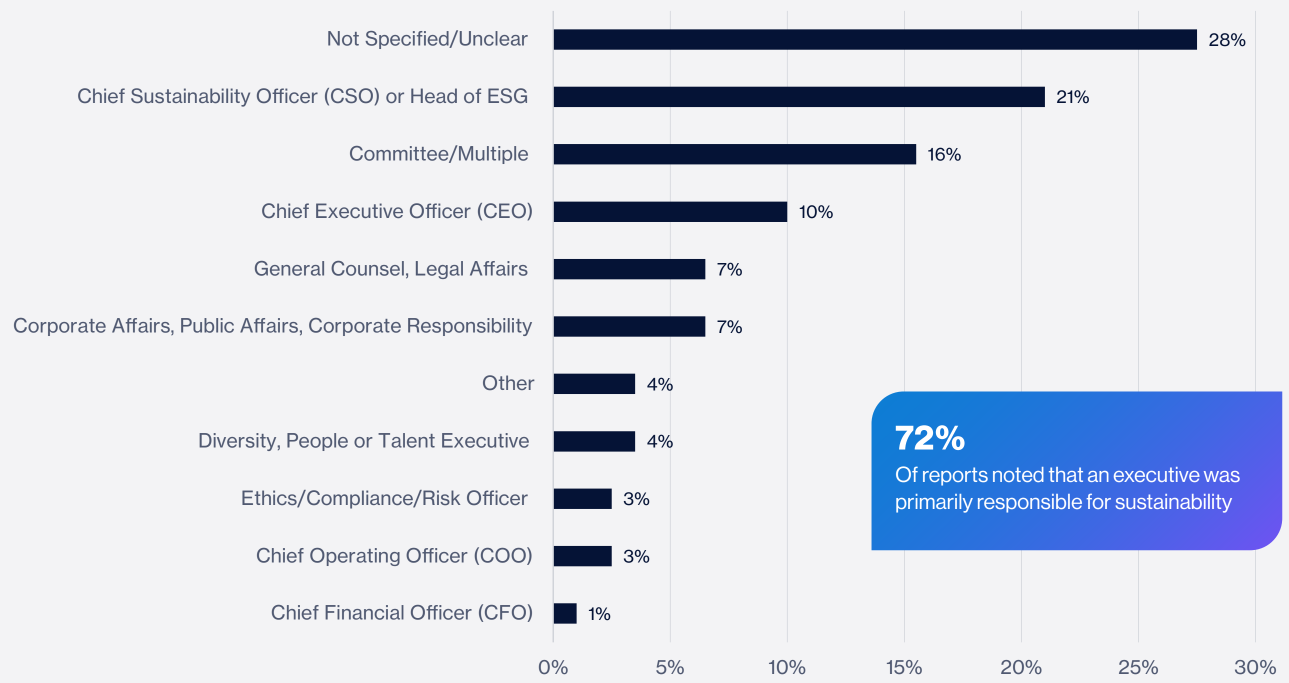
27%
Were included within interactive ESG microsites.

26%
Were accompanied by a separate "Summary" or "Highlights" version of the report.

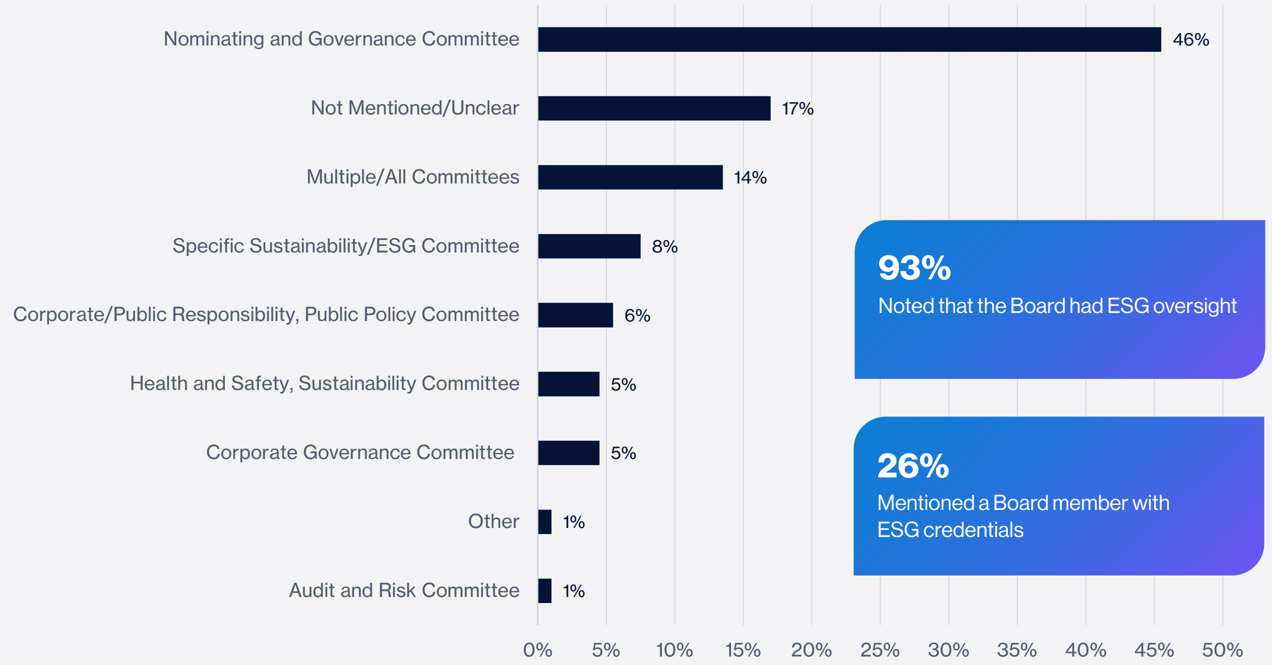
CEO and/or Board Letters



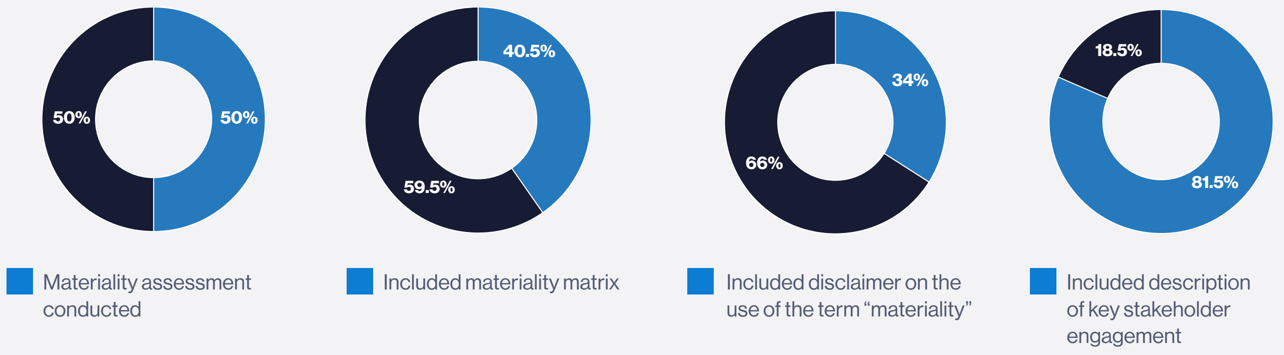
Executive Responsible for Sustainability



Board ESG Oversight



Materiality Matrix & Stakeholder Engagement



Environmental and Social Disclosures

Environmental

- 58% disclosed a net zero, carbon neutral or similar GHG emissions reduction target.
- 35% disclosed a commitment in line with the Science-Based Target initiative.

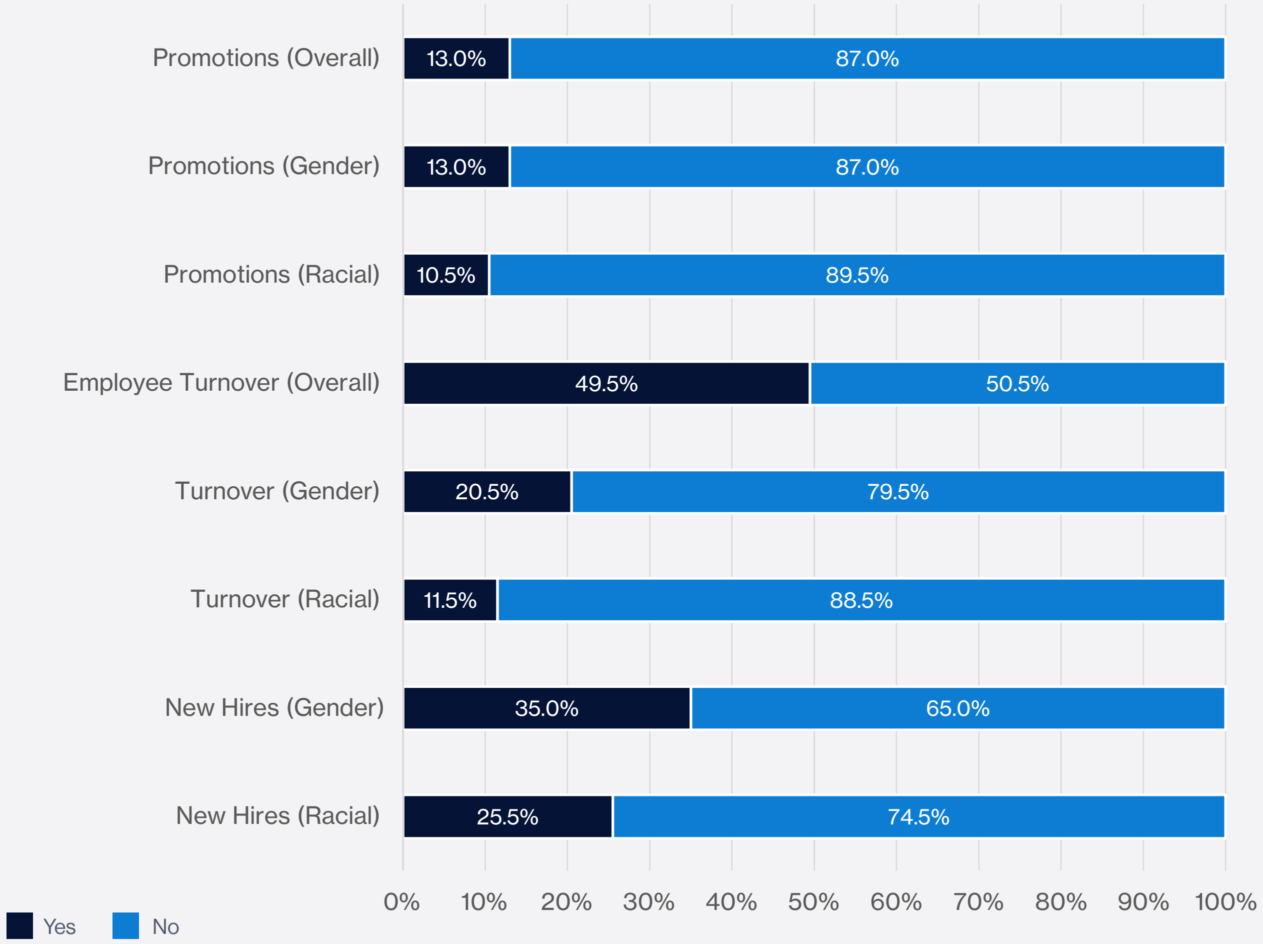
Employee Demographics

- 91% disclosed some level of employee demographic data.
- 85% disclosed diversity data at the executive/senior levels.
- 54% disclosed their U.S. Equal Opportunity Commission's EEO-1 Report.
- 47% published diversity targets for the company.
- 13% reported promotions data by gender.

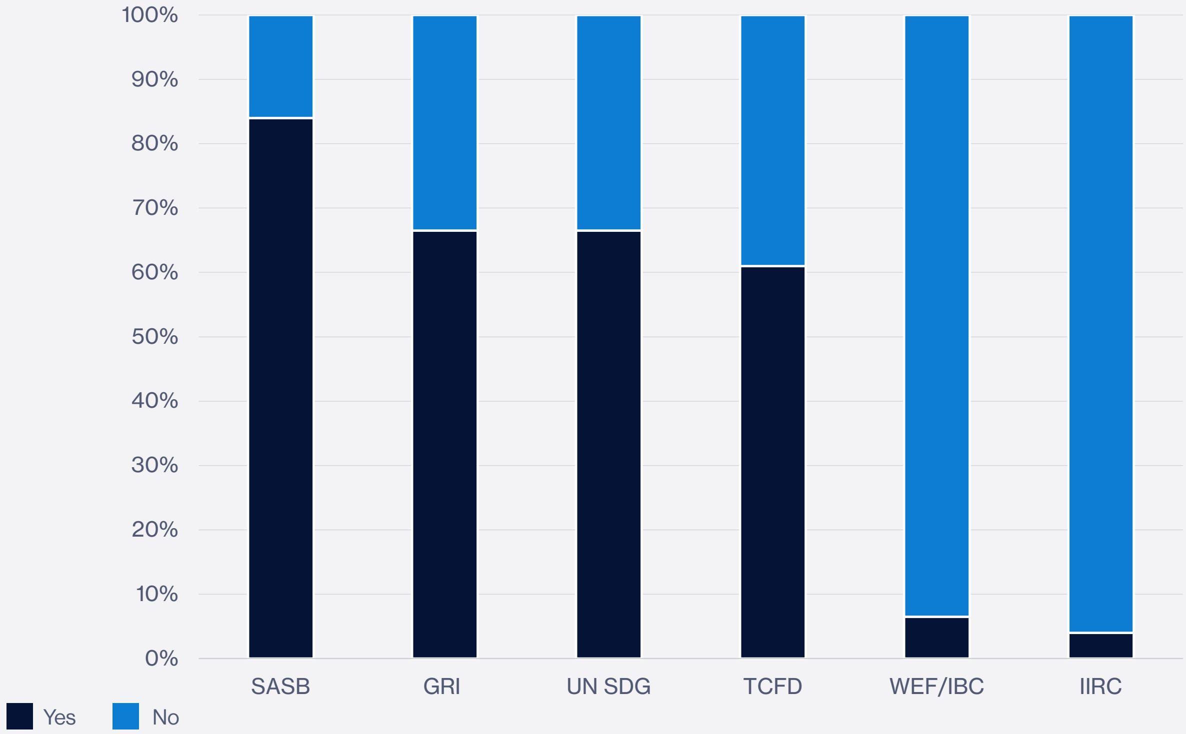
Pay Gap

- 32% included some information on gender pay gap.
- 15.5% noted that pay gap information was externally assured.

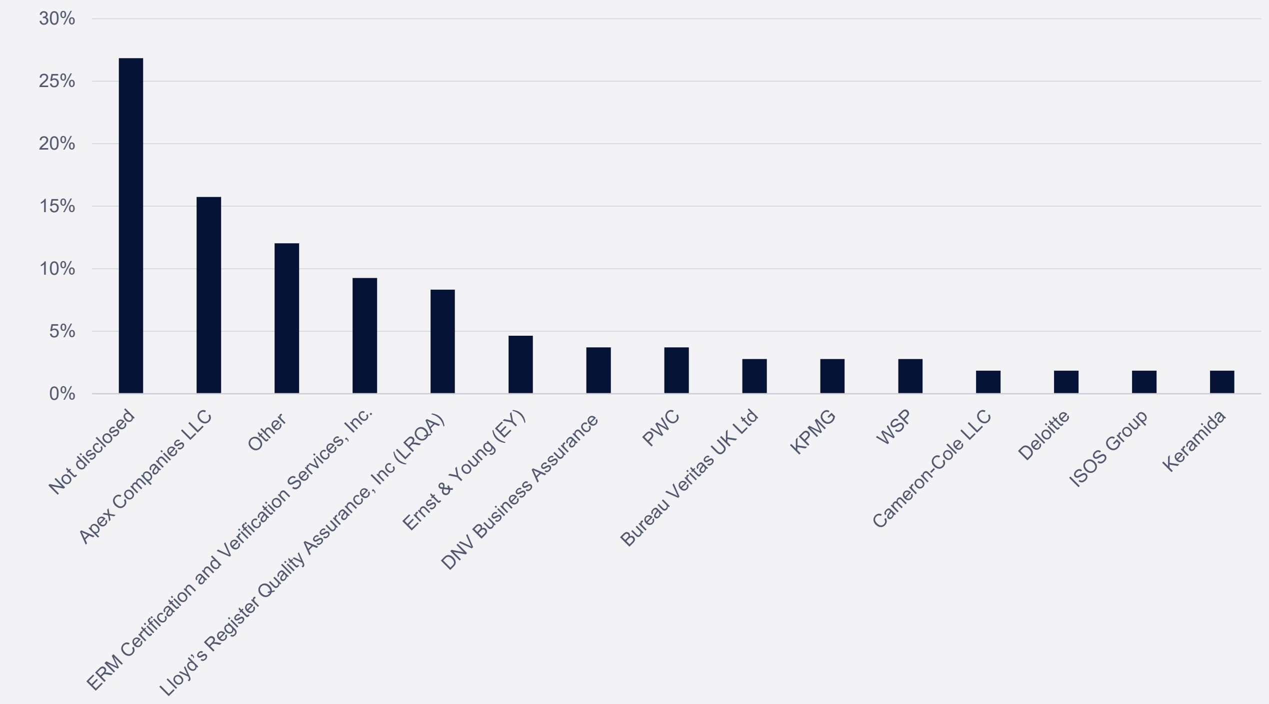
Promotion, Retention and Hiring Disclosures



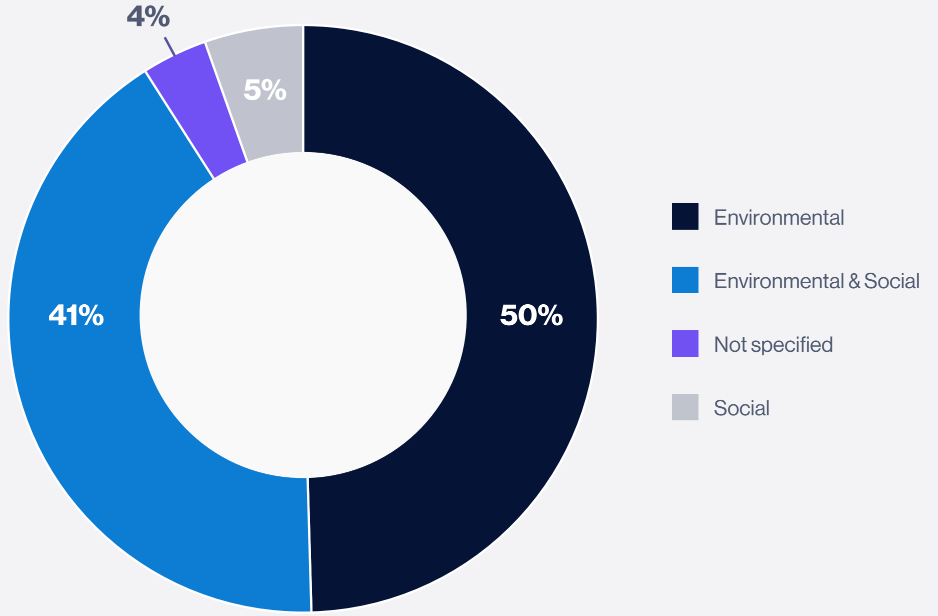
ESG Disclosure Frameworks Reported



ESG External Assurance Providers Utilized



Type of ESG Information Externally Assured



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