EBOOK

The ABCs of ESG Frameworks & Standards

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Alphabet Soup of **ESG Frameworks**

Companies and governments around the world are embracing ESG and sustainability, which has resulted in the creation of dozens of everchanging related reporting standards and frameworks. Organizations are now faced with the daunting task of determining which are most relevant for their business and to their stakeholders.

In this guide, we briefly define sustainability disclosure frameworks and standards, and then dive into some of the most adopted or reported to, including:

- **BRSR**
- **CDP**
- **CSRD**
- **GHG Protocol**
- **GRI**
- **ISSB**
- **PCAF**
- **SASB**
- **SBTi**
- **TCFD**

What are ESG Reporting Frameworks?

An ESG framework is a set of guidelines for preparing ESG reports and disclosures. An ESG standard is a prescribed methodology for preparing ESG reports and disclosures. The difference between them is a framework allows for some flexibility in defining the direction of the report, whereas a standard contains specific and detailed criteria or metrics which should be included in any report or disclosure.

ESG reporting frameworks and disclosure standards help harmonize ESG reporting. Without them, businesses can pick and choose the metrics that show them in the best light, and investors aren't able to identify the organizations making strides towards achieving their sustainability goals and reducing their negative impact on the environment and community.

Legend

GHG Focused

Financial Disclosure Focused

Broader Sustainability Focused

Stakeholder Focused

BRSR

The Business Responsibility and Sustainability Report is the evolution of Environmental Social and Governance (ESG) reporting in India. It takes over from the existing Business Responsibility Report (BRR) that was first introduced in 2012.

The top 1,000 listed companies by market capitalization must file a BRSR-compliant report to the Securities and Exchange Board (SEBI) of India before March 31, 2023. Other sustainability-minded companies wishing to follow the BRSR framework and guidelines may do so, but this is not required at this time, though that may change in the future.

How does the BRSR work?

SEBI has a published guidance document that details everything required to be included in your report. Broadly, these include:

1. General Disclosures
2. Management & Process Disclosures
3. Principle Wise Performance Disclosure

If your organization has already implemented an ESG program with a robust quantitative element, you may already be preparing reports in compliance with international frameworks and standards, such as TCFD, GRI, or CDP. These might have been prepared voluntarily, or to comply with requirements from international investors or customers.

If you already have an ESG report that complies with an international standard, you will still be required to file your report to SEBI following the BRSR format. However, the BRSR can cross reference other documents prepared that comply with other ESG standards.

CDP

The CDP, formerly the Climate Disclosure Project, is a not-for-profit organization that manages a global environmental disclosure system. It works with businesses, cities, states, and financial institutions. CDP is primarily focused on areas of environmental sustainability, with reporting organizations disclosing topics related to climate change, forests, and water security.

CDP also provides annual sustainability scoring, based on company reporting and their level of action year-over-year. Investors will refer to CDP's annual A-List to help set investment priorities and identify sustainable partners.

Did you know ? FigBytes is a CDP Accredited Software Provider.

CDP™ ACCREDITED PROVIDER 2023 Software

How does CDP work?

CDP provides a variety of support materials to help organizations disclose through the CDP platform, such as questionnaires, reporting guidance, and scoring materials.

Companies are asked to disclose through CDP by their customers and investors. By completing CDP's questionnaires on climate change, forests, and water security, companies can identify ways to manage their own environmental risks and opportunities and provide vital information back to their stakeholders.

CDP produces extensive reporting guidance for each questionnaire to provide clarity around questions, terminology, and requirements. The reporting guidance contains:

- Introductions to each module
- Question rationales
- Explanation of terms
- Connections to other frameworks
- Requested content

CSRD

The EU's Corporate Sustainability Reporting Directive (CSRD) is the next evolution in ESG reporting for EU businesses. The largest organizations may already be familiar with the previous Non-Financial Reporting Directive (NFRD), which will be phased out in favor of the CSRD.

How does the CSRD work?

While the CSRD is the directive that sets the groundwork for reporting, companies will be required to follow the European Sustainability Reporting Standards (ESRS) in terms of the disclosures to be provided. These are sector-agnostic standards, meaning they apply to all eligible companies regardless of industry. These standards include disclosures in the following areas:

General disclosures
Environmental disclosures

- Climate change
- Pollution
- Water and marine resources
- Biodiversity and ecosystems
- Resource use and circular economy

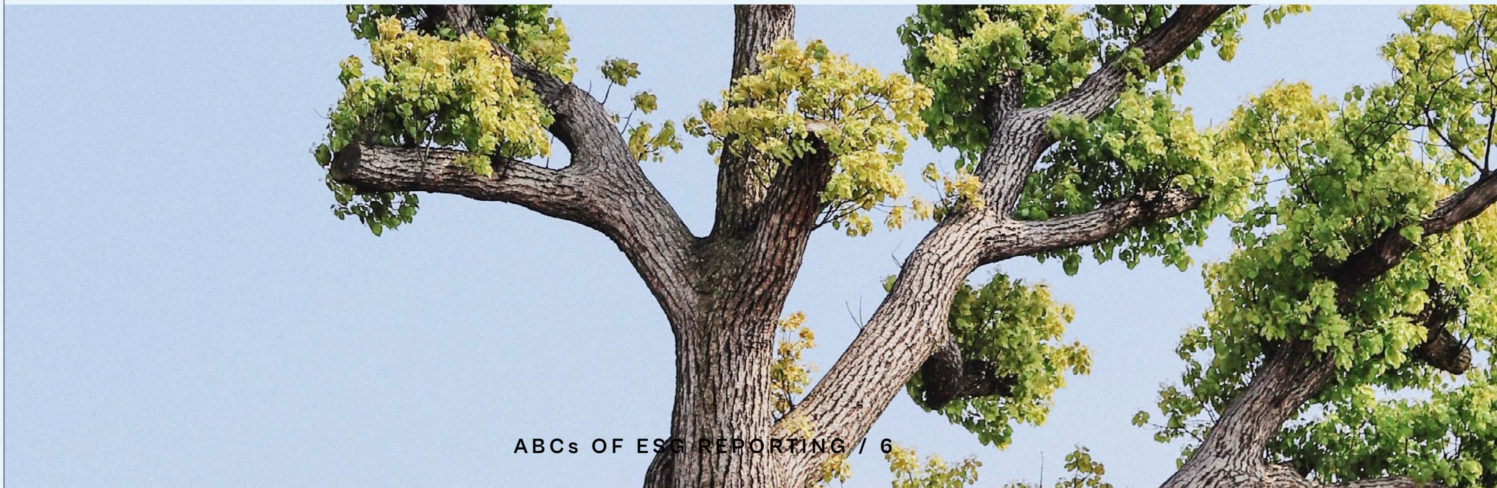
Governance disclosures

- Business conduct

Sustainability disclosures

- Own workforce
- Workers in the value chain
- Affected communities
- Consumers and end users

While there are individual documents for each standard and set of disclosures, it's important that they also be viewed as a whole program. Reporting organizations need to familiarize themselves with the entire program and understand its interconnectedness before beginning data gathering.



GHG Protocol

The GHG Protocol establishes comprehensive global standardized frameworks to measure and manage GHG emissions from private and public sector operations, value chains, and mitigation actions. The GHG Protocol supplies the world's most widely used GHG accounting standards, like the Corporate Accounting and Reporting Standard, which provides the accounting platform for most corporate GHG reporting programs in the world.

How does the GHG Protocol work?

The GHG Protocol provides standards and guidance for companies and other types of organizations preparing a GHG emissions inventory. It covers the accounting and reporting of the six greenhouse gases covered by the Kyoto Protocol — carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), and hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6).

The GHG Protocol standards and guidance were designed to:

- Help companies prepare an accurate GHG inventory of their emissions
- Simplify and reduce the costs of GHG reporting
- Provide businesses with information to manage and reduce GHG emissions
- Provide guidance that facilitates participation in GHG programs
- Increase consistency & transparency in GHG accounting & reporting

GRI

The Global Reporting Initiative (GRI) framework is probably the most well-known of the ESG reporting standards. Companies that already have an existing Corporate Social Responsibility (CSR) program in place may have followed GRI's requirements to build it. In fact, 73% of the world's 250 largest companies follow GRI for their ESG reporting.

One of GRI's missions is to support the United Nations Sustainable Development Goals (SDGs). Goal 12.6 aims for transparency in business, and GRI provides a framework for businesses to report on their economic, environmental, and social impacts. GRI's popularity stems in part from the fact that their standards are free and publicly available, making them accessible for corporations of any size.

What are the GRI Standards?

The GRI Sustainability Reporting Standards are grouped into three categories:

Universal: These are standards that apply to all reporting companies. They include general disclosures on organizational details, the entities included in reporting, the reporting period, frequency and contact point, and external assurances. The universal standards also include material disclosures about the reporting business's operation.

Sector Specific: There are four sectors for which GRI has developed standards to support material disclosures. These include basic materials and needs; industrial; transportation, infrastructure & tourism; and other services and light standards.

Topic Specific: The topic-specific standards dive deeper into economic, environmental, and social impacts. Reporting companies will make disclosures on anti-corruption and marketing presence, materials and energy, human rights, and diversity, among others. The level of detail reported will depend on the company's operations.

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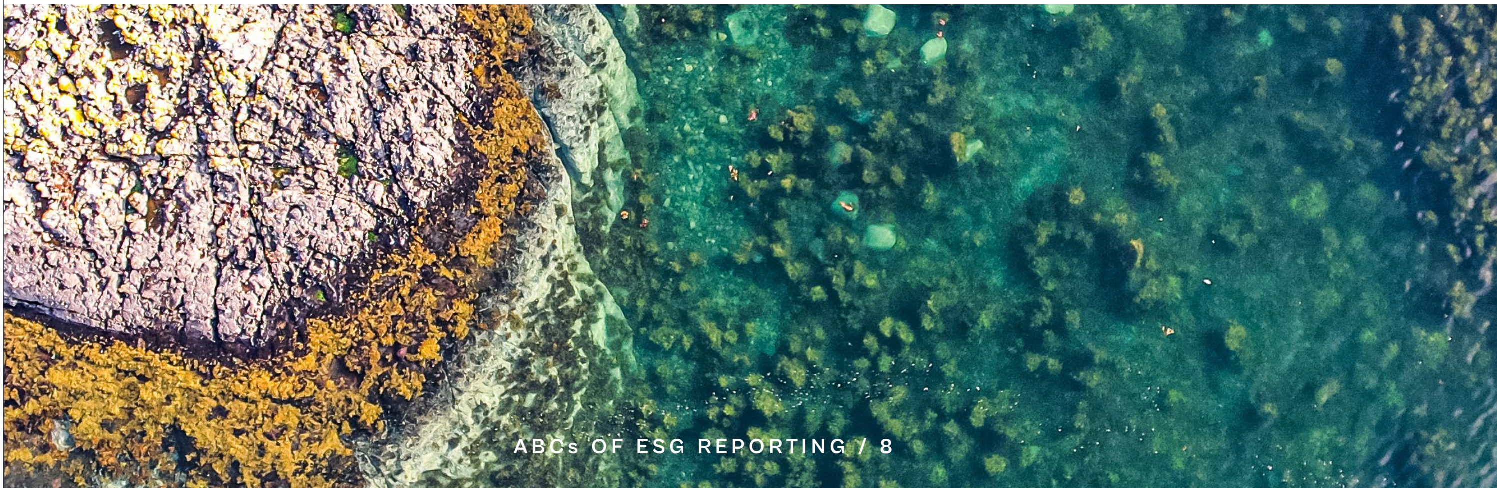

ISSB

The International Sustainability Standards Board (ISSB) is run by the IFRS Foundation, a leader in global accounting disclosure frameworks. The introduction of the ISSB and a new partnership with GRI will help harmonize ESG reporting with already accepted standards for financial reporting, giving investors the confidence to make informed risk-based decisions based on clearly reported sustainability data.

ISSB takes the myriad of frameworks and articulates a unified reporting standard. As a leading authority across corporations, industries, and geographies, ISSB provides sustainability leaders with clear direction and requirements. This clarity will result in time and resource savings that will reduce the reporting burden and allow sustainability leaders to focus on their strategic and leading-edge initiatives.

The ISSB Standards are intended to allow for real benchmarking and better insights into ESG performance that will drive more informed investment decisions, based on investor-grade data.

In June 2023, the ISSB published its global sustainability and climate disclosure standards. These finalized standards include the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and the IFRS S2 Climate-related Disclosures. These standards form a comprehensive global baseline of sustainability-related disclosures designed to meet the information needs of investors in assessing enterprise value.

In both of the ISSB Standards, all required disclosures are categorized into four major areas; Governance, Strategy, Risk Management, and Metrics and Targets, based on the TCFD recommendations. While the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information document lays out the framework for all sustainability reporting, the Climate-Related Disclosures document specifies the particular climate-related risks, opportunities, and metrics that need to be reported on.

PCAF ☁ $

The Partnership for Carbon Accounting Financials (PCAF) is an industry-led initiative that helps financial institutions assess and disclose the GHG emissions from their loans and investments through GHG accounting.

PCAF developed the Global GHG Accounting and Reporting Standard for the Financial Industry to provide detailed guidance for six asset classes to calculate the financed emissions resulting from activities in the real economy that are financed through lending and investment portfolios. Those include:

1. Listed equity and corporate bonds
2. Mortgages
3. Business loans and unlisted equity
4. Motor vehicle loans
5. Project finance
6. Commercial real estate

The PCAF standard aims to harmonize the methodology for quantifying financed emissions. Accurately measuring these emissions is the first step for financial institutions to manage risk and identify opportunities for further GHG reductions within their operations.

How does PCAF work?

Using the PCAF standard equips financial institutions with standardized, robust methods to measure financed emissions and enables them to:

- Assess and manage climate-related risks in line with the TCFD
- Set targets using methods developed by the SBTi
- Report to stakeholders like the CDP
- Inform climate strategies and actions toward net-zero emissions

SASB

The Sustainability Accounting Standards Board (SASB) is a non-profit organization that provides global standards for disclosing financially-material sustainability information to investors. The sustainability accounting standards connect businesses and investors to the financial impacts caused by sustainability issues.

The SASB Standards help companies around the world identify, measure, and manage the subset of ESG topics that most directly impact long-term enterprise value creation. It also lets them communicate financially-material sustainability information to their investors. The foundation that oversees SASB will consolidate under the IFRS Foundation in June 2022.

How do the SASB Standards work?

The SASB Standards are a practical tool for implementing principles-based frameworks, including those provided by the TCFD and IIRC. Many companies use both SASB and GRI Standards to meet the needs of various audiences.

The organization offers a set of industry-specific standards covering 77 industries across 11 categories. It has identified 30 issues that impact an organization's financial performance under five major sustainability themes:

- Environment
- Social Capital
- Business Model & Innovation
- Leadership and Governance
- Human Capital

The standard also provides a Materiality Map that helps companies determine the most relevant disclosure topics to include based on their industry.

SBTi

Science Based Targets initiative (SBTi) is focused specifically on reducing carbon emissions in the private sector. The program not only helps companies quantify their carbon emissions but also provides science-based methodologies for reducing emissions and reaching net-zero targets by 2050.

The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI), and the World Wide Fund for Nature (WWF). It is the organization that publishes the Net Zero standard and validates targets set by companies intending to use the Science Based Targets framework to reach their Net Zero pledges.

The SBTi provides companies with a clearly-defined path to reduce emissions in line with the Paris Agreement goals. In order to make sure emission reduction activities will be successful, the SBTi provides:

- Best practices for implementing technology and changes to business activities
- Technical assistance and expert resources
- Independent assessment and quantitative validation on targets and progress

The SBTi has guidance and resources for all companies looking to make a Net Zero pledge, including sector-specific guidance for businesses in the following industries:

- Aluminum
- Apparel & footwear
- Aviation
- Buildings
- Cement
- Chemical
- Financial institutions
- Forest, land, & agriculture (FLAG)
- Information & communication technology (ICT)
- Oil & gas
- Power
- Steel
- Transport

TCFD ☁ $

The TCFD or Task Force on Climate-related Financial Disclosures was formed by the Financial Stability Board to develop recommendations around climate-related financial disclosures. Specifically, the goal of the TCFD's recommendations is to form the basis of a framework that:

- Promotes more informed investment, credit, and insurance underwriting decisions
- Enables investor stakeholders to better understand the presence of carbon-related assets in the financial sector
- Identifies the financial sector's exposure to climate-related risks

How does the TCFD work?

The TCFD's recommendations and standards aim to guide all businesses, while also providing sector-specific support. This sector-specific support is divided into two groups:

Financial Sector Industries

- Banks
- Insurance Companies
- Asset Managers
- Asset Owners

Non-Financial Groups

- Energy
- Transportation
- Materials and Buildings
- Agriculture, Food, and Forest Products

The guidance documents include a wide variety of TCFD disclosure examples for both financial and non-financial reporting companies and step-by-step assistance to help businesses ensure their climate-related risk management processes are fully integrated with the company's larger operational and management practices.

In July 2023, following the publishing of the ISSB Standards, which are consistent with the four core recommendations and eleven recommended disclosures published by the TCFD, the Financial Stability Board announced that the TCFD had completed its work and the IFRS Foundation would take over the monitoring of the progress on companies' climate-related disclosures from the TCFD. Although the work of the TCFD is completed, the TCFD recommendations remain available for companies to use should they choose to.

Still Overwhelmed by ESG Reporting Options?

FigBytes can help. Our comprehensive ESG Insight Platform automates GHG emissions data collection and reporting to popular frameworks and standards.

Speak with a FigBytes expert to find out more about how FigBytes can help you meet all your ESG and sustainability reporting needs.