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# NAVIGATE THE RIGHT ESG REPORTING FRAMEWORKS AND STANDARDS

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# Overview

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

- GRI
- CDP
- TCFD
- CSRD
- GHG Protocol
- SASB
- SBTi
- ISSB

## I. What are ESG Reporting Frameworks and Standards?

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 that 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 standards and frameworks help harmonize ESG reporting. They **give guidance on how to choose the relevant ESG issues** to report on. 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 the goals.


- ESG reporting frameworks and disclosure standards give guidance **how to align with expectations of multiple stakeholders** through guidance on reporting.


- ESG standards and frameworks **present details such as how, when, and to whom reports should or must be presented.** The aim is to provide more information that can contribute to both internal management, communication and strategic decision-making about sustainability topics as well as external transparency about a company's plans, activities and approaches related to globally impacting systemic issues.

## II. GRI

The **Global Reporting Initiative (GRI)** framework is probably the most well-known of the ESG reporting standards. It is a set of cross-sector sustainability standards for environmental, social and governance issues developed by multi-stakeholder input through the Global Sustainability Standards Board.

GRI was **founded in 1997** and has provided global sustainability reporting standards since 2016. 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.

### How does the GRI work?

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



GRI provides advice on alignment with SDGs, SASB and TCFD among other standards. GRI emphasizes the Rio precautionary principle suggesting lack of scientific certainty should not prevent mitigation of serious or irreversible environmental impacts. GRI also emphasizes human rights practices in alignment with the Universal Declaration of Human Rights.

## III. CDP

The CDP, formerly the Climate Disclosure Project, is a not-for-profit organization founded in 2000 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.

**How does CDP works?**

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.

Its questionnaires cover three main areas: climate, forests and water security. The questionnaire includes sector specific questions and respondents are only scored on their primary sector. CDP scores each member who submits a questionnaire a letter rating and publishes an annual A-List of top-performing entities. It regularly reviews and updates the requirements for receiving a high score.

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

## IV. TCFD

The TCFD or Task Force on Climate-related Financial Disclosures was formed by the Financial Stability Board (FSB) in 2015 to develop recommendations with data on climate-related financial risks and opportunities and the management of these risks.

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

Many current reporting regulations are based at least in part on the TCFD's framework, as it is considered the most effective means for identifying potential systemic risks within financial systems.

**How does TCFD works?**

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

**TCFD recommends disclosures on four key areas**

**Governance**

- Ensuring board oversight of climate risks.
- Describe management's role and process for conducting climate risk assessments.

**Strategy**

- Assessing climate related physical and transition risks and opportunities for assets and portfolios and reporting on the impacts of these risks and opportunities on strategy and financial planning.
- Conducting scenario analysis to explore and quantify the financial impacts (risks and opportunities) of climate change to assess business resilience per a range of scenarios including 2C warming.

**Risk Management**

- Describe the risk management processes for assessing and reporting climate risks and opportunities.
- Describe how climate risk assessment is integrated into broader risk management processes.

**Metrics and targets**

- Reporting GHG emissions for Scope 1, 2, and 3 (recommended).
- Describe the metrics used for reporting climate risk.
- Describe the targets in place for managing climate risk and report performance against targets.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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.

## V. 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.

The EU's updated Corporate Sustainability Reporting Directive went into effect on January 5, 2023, requiring approximately 50,000 companies to report under the European Sustainability Reporting Standards (ESRS) for the 2024 fiscal year in 2025.


**How it works?**
CSRD applies a "double materiality" lens to reporting. All organizations required to report under CSRD should prepare a double materiality assessment that considers outward and inward impacts on organizations.

- **Outward impact materiality:** This materiality perspective includes the positive and negative, actual and potential impacts on people and the environment in the short-, medium- and long-term. These impacts are important from the perspective of affected stakeholder groups, such as employees, communities and customers.

- **Inward financial materiality:** This materiality perspective includes the financial risks and opportunities associated with material topics across the value chain in the short-, medium-, and long-term. These risks and opportunities are important to the primary users of financial reports such as investors and lenders.

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:

**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

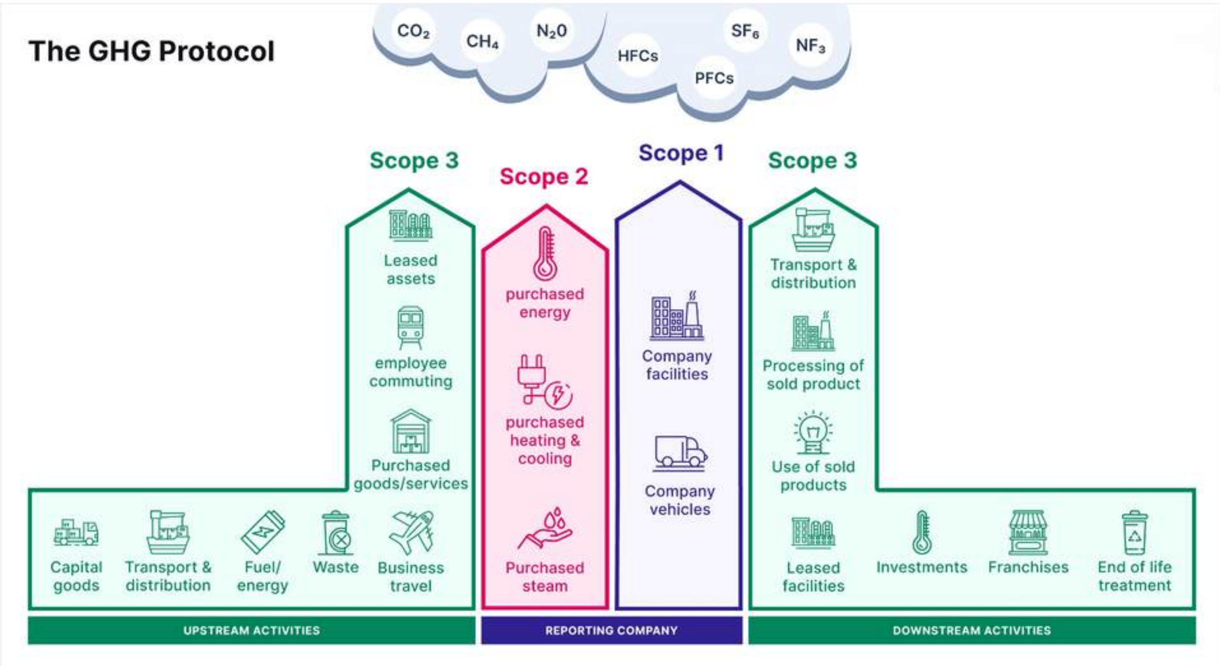
While there are individual documents for each standard and set of disclosures, it's important that they also be viewed as a whole program. Reporting organizations need to familiarize themselves with the entire program and understand its interconnectedness before beginning data gathering.

## VI. GHG Protocol

The GHG Protocol Corporate (Scope 1 and 2) Standard and Value Chain (Scope 3) Standard is a framework referenced in most other standards and frameworks for reporting on greenhouse gas (GHG) emissions. It is originally established in 1998 with subsequent initial publications of its Corporate Standard (2004) and Value Chain Standard (2009), which are regularly updated

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. It provides recommendations for creating a GHG inventory and mapping emissions across organizational structures.

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 gasses covered by the Kyoto Protocol - carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), and hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF6).

GREENHOUSE GAS PROTOCOL

**Organizations define and report their GHG emissions as Scope 1, 2 and 3 emissions:**

- **Scope 1 emissions:** Direct operational emissions from fuel burning in vehicle fleets, furnaces or other equipment, emissions from industrial processes and fugitive emissions (such as refrigerants)

- **Scope 2 emissions:** Indirect operational emissions from purchased electricity, heating or other energy or water resources, usually from utilities.

- **Scope 3 emissions:** Indirect value chain emissions from business relationships across the upstream, downstream, transportation, product, investment, leased asset, and employee emissions (across a total of 15 common categories). These emissions require data collection from parties external to an organization and generally use estimates using emissions factors. For most organizations, the majority of their emissions are reflected in their Scope 3 emissions.

**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

GHG Protocol is referenced within TCFD (metrics and targets), GRI (material topic on GHG emissions), CDP and other major standards and frameworks.

## VII. SASB

The Sustainability Accounting Standards Board (SASB) is a non-profit organization founded in 2011 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:

- **Social Capital** - Human rights and community relations, customer privacy, data security, access and affordability, product quality and safety, customer welfare, selling practice and product labelling
- **Human Capital** - Labor practices, employee health and safety, employee engagement, diversity and inclusion
- **Governance** - Business ethics, competitive behavior, management of the legal and regulatory environment, critical incident risk management, systemic risk management
- **Business Model** - Product design and lifecycle management, business model resilience, supply chain management, materials sourcing and efficiency, physical impacts of climate change
- **Environment** - GHG emissions, air quality, energy management, water and wastewater management, waste and hazardous materials management, ecological impacts

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

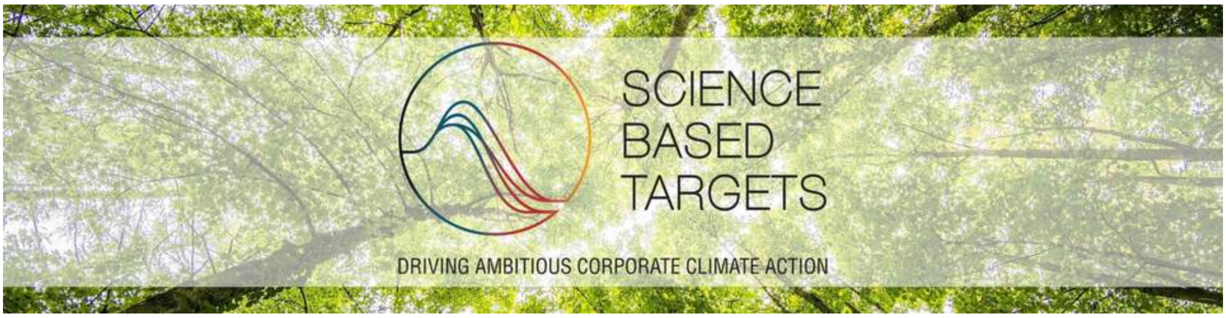
## VIII. SBTi

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.

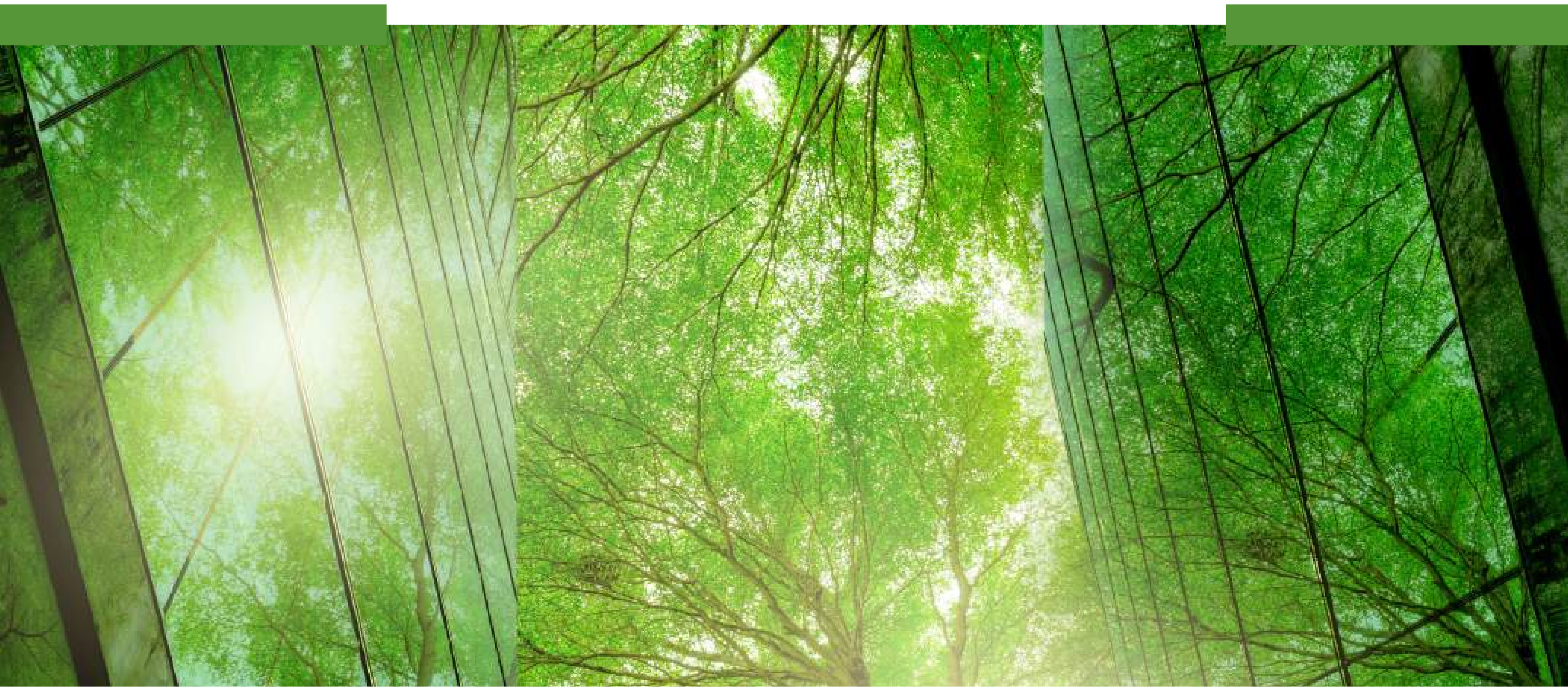



The SBTi has guidance and resources for all companies looking to make a Net Zero pledge, including sector-specific guidance for businesses in the following industries:

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

# “REACH OUT TO US TODAY, AND TOGETHER, LET'S SHAPE A BETTER TOMORROW”

*Together, we can make a difference that transcends boundaries and leaves a positive legacy for generations to come.*



**Giant Barb** is a pioneer in the field of **Carbon Finance** in **Vietnam,** offering comprehensive services such as **Greenhouse Gas Inventory, ESG Reporting, and Carbon Credit Market solutions** to both domestic and international enterprises.

With the motto ***"Towards a low carbon society"***, Giant Barb connects individuals, investors, businesses, and governments together to build green projects aimed at carbon neutrality, contributing to global efforts in combating climate change.

**Find out more here:**
www.giantbarb.com