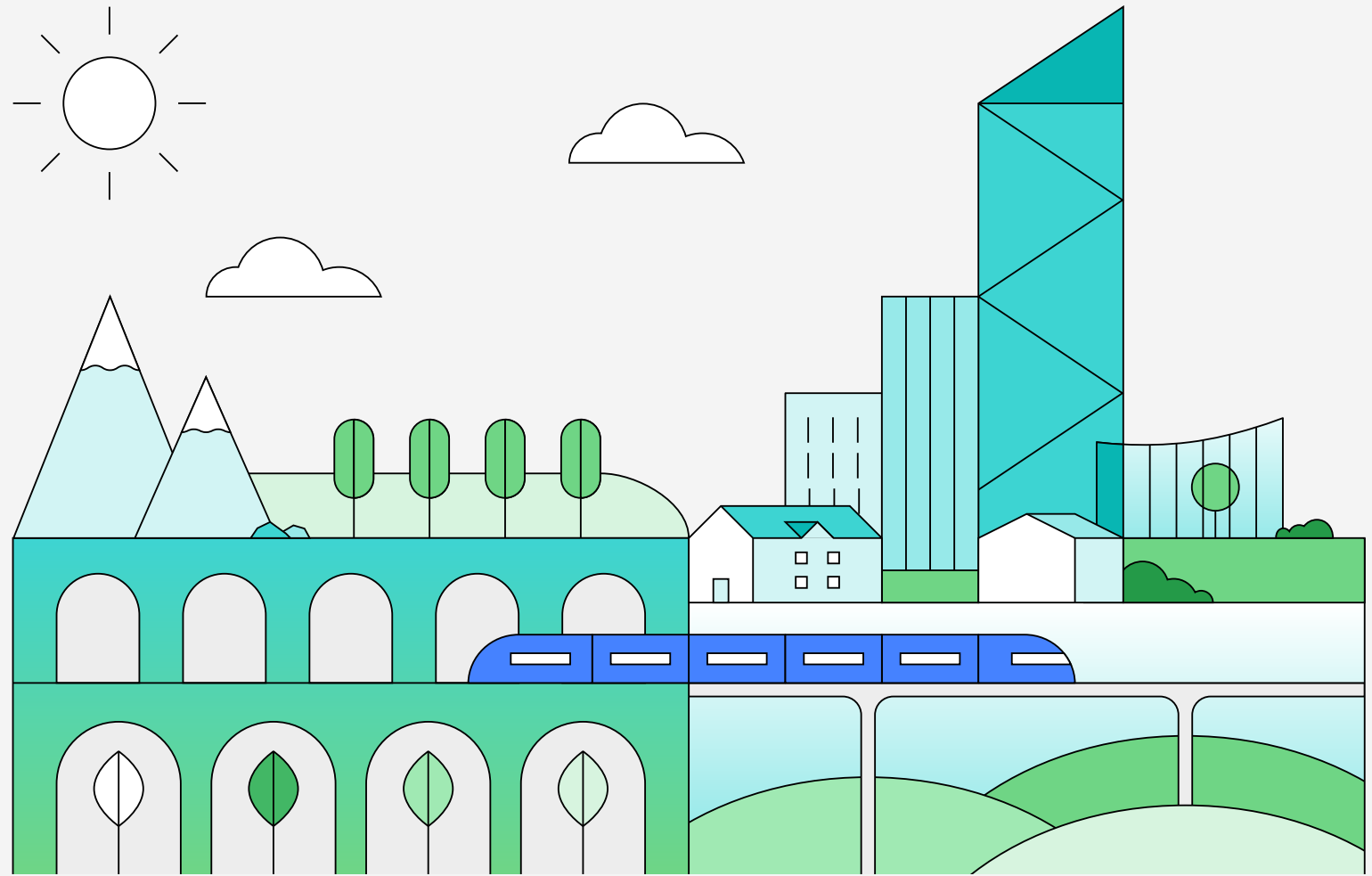


A guide to ESG reporting frameworks



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01 Introduction

There's global consensus among governments, businesses and financial institutions that environmental, social and governance (ESG) risk is investment risk, and actions to protect the environment and society through strong governance are critical to our future.

And just as organizations are required to produce reports on financial performance, they are expected—and sometimes required by law—to disclose their ESG performance.

But how to do this? Unlike financial performance reporting, which is governed by clear expectations on format and content, the world of ESG reporting is still fragmented and confusing. Each framework poses its own set of questions and requirements, and frameworks cross over each other, requiring complex cross-checking of responses. Most frameworks require the provision of supporting documentation, and many quantitative questions require complex numerical calculations based on multiple data streams.

ESG reporting is now a high-stakes business imperative. In many cases, reports must be fully auditable, comparable across periods and approved by a corporate officer.

In this publication, we set out to provide you with guidelines to assist with your approach to ESG reporting. We outline the ESG framework landscape, propose approaches that organizations can employ when selecting ESG frameworks, and consider the future of ESG reporting as ESG performance soars to the top of the corporate agenda.



“Climate change has become a defining factor in companies’ long-term prospects.”

Larry Fink
Chief Executive Officer
BlackRock¹

The rise of corporate ESG

The pace at which ESG metrics are being reported on is on an incredible trajectory. Largely in response to rising investor and community interest, growing numbers of organizations are focusing their attention on reporting their ESG performance and targeting sustainability performance improvement, driven by ESG goals.

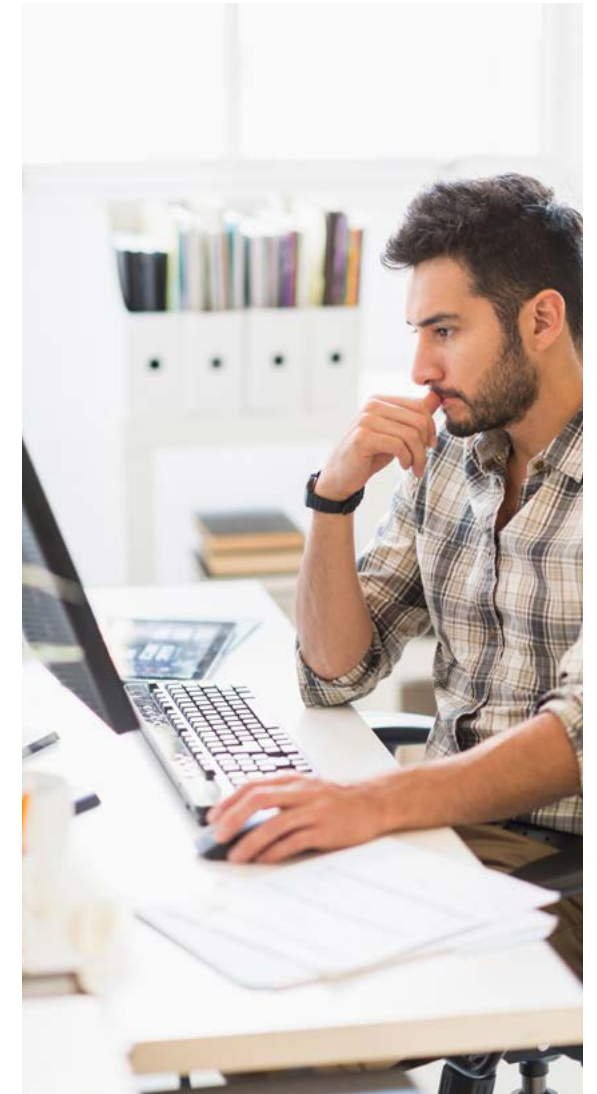
As a result, ESG has moved from the margins to the mainstream, and now more than ever before, organizations are expected to report their ESG performance. Failure to take ESG risks seriously could result in many negative impacts for organizations, from shareholder action at annual general meetings to divestment by asset managers.

The growing importance of ESG means that organizations must report their impact using an ever-increasing range of frameworks, guidance and standards. For simplicity, we use the word *framework* to include reporting standards, tools, guidance, and voluntary or legal reporting obligations. See the [Appendix](#) for more detail.

So how do these ESG reporting frameworks compare? And how can organizations better understand the nuances of ESG reporting?

In this ebook, we explore:

- How to select which ESG frameworks to use
- Best-practice approaches when reporting to ESG frameworks
- How to prepare your organization for future ESG reporting trends
- Where to look for additional guidance



02 Select ESG frameworks for reporting

The ESG reporting landscape is crowded with various reporting frameworks. Applying different lenses to assess and categorize the various requirements can help you understand the options and select the right ESG frameworks for your organization's reporting.

Lens 1 Potential for impact

Materiality and relevance

The decision about which framework to use for reporting should start by considering materiality and relevance.

What is materiality in the context of ESG?

The concept of materiality helps organizations focus on ESG issues that are relevant to them and will have a measurable impact on their business.

To determine materiality, an organization must first identify its risks, then assess the consequences of those vulnerabilities. Using a risk matrix, your organization can determine which ESG-related risks to prioritize based on your risk profile. You can also decide which of those consequences might have any significant negative impacts on the organization.

Example: A large-cap e-commerce company may choose to focus on packaging materials and waste (environmental), supply chain labor standards (social) and business ethics (governance) in its materiality assessment because it determined these to have the largest risk profiles for environmental impact, overall shareholder and consumer confidence, and regulatory requirements. In this case, the company should look for frameworks that cover all three ESG categories.

Consider assessing double materiality

Double materiality calls on organizations to consider materiality from two viewpoints: financial materiality and materiality to the market, the environment and people.

Double materiality recognizes that an organization is responsible for managing its own financial risks by looking inward. But it also looks at the outward impacts of its decisions and operations on people and the environment.

By applying the concept of double materiality, organizations can identify both the financial and nonfinancial impacts of their operations to help shape a more holistic ESG strategy.

Impact and influence

In addition to materiality and relevance, organizations may want to examine impact and influence. Organizations assessing their ESG reporting approach may also find it beneficial to consider the environmental and social factors that they can influence most directly and rapidly.

Using an action priority or impact effort prioritization matrix, organizations can quickly identify where to focus their initial efforts. They can then use these insights to determine which ESG framework is best for realizing goals that are within reach.

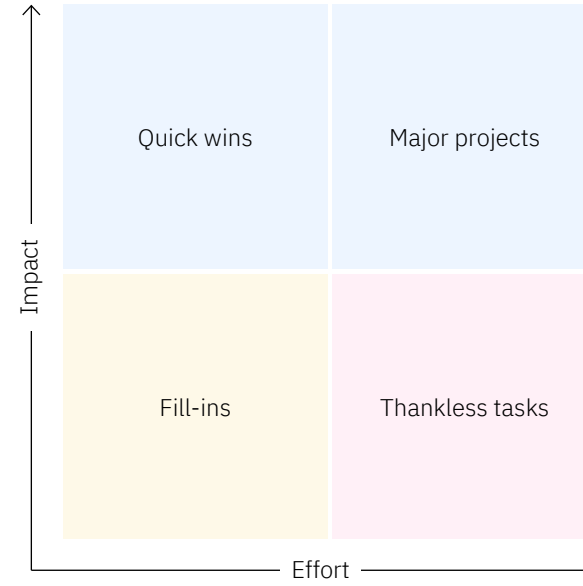


Figure 1. Impact effort prioritization matrix.

For example, organizations in the fast-moving consumer goods and retail sectors can most easily exert influence within their supply chain. In these sectors, an organization’s procurement choices can have significant impact on the ESG performance of companies in the supply chain which can magnify their ESG impact.

Lens 2

Stakeholder expectations

What are external stakeholders looking for?

Organizations may also consider what their stakeholders are looking for and which ESG frameworks these stakeholders plan to use. For example, investors, boards, insurers and creditors may prefer the organization report following the guidance of the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) or criteria of the [Sustainability Accounting Standards Board \(SASB\)](#). In contrast, employees and consumers may expect disclosures based on the United Nations Sustainable Development Goals (UN SDGs) while governments or regulators may prefer [Streamlined Energy and Carbon Reporting \(SECR\)](#) or National Greenhouse and Energy Reporting (NGER), depending on the locale.

How will internal stakeholders use the information?

Stakeholders will use ESG disclosures for a range of purposes. Organizations should take this into account when developing their ESG reporting strategy. The risk, compliance and HR teams would most likely be invested in the data to drive strategic decisions around equity and inclusion, while energy and utilities teams might be looking closely at consumption and expenditure across the organization. On the other hand, procurement teams would be using the data collected to assess their supply chain operations and the risk profile of suppliers.

Lens 3

Geography

Certain ESG reporting frameworks are only relevant in specific geographies. In some cases, this is because reporting is mandated by law. In others, it can be because the framework is specific to local conditions. Examples include ENERGY STAR in North America and select other countries, SECR in the UK and NGER in Australia.

Lens 4

Sector preference

Organizations belonging to a particular industry sector will find a natural alignment between their sector and some ESG reporting frameworks, such as the [Global Real Estate Sustainability Benchmark \(GRESB\)](#) that’s used to assess the sustainability performance of real estate and infrastructure portfolios.

Organizations interested in evaluating which frameworks their peers report to can find this information by reviewing the websites of reporting frameworks which often include a sector filter and a list of reporters. Using this information, organizations can determine the relevance of the ESG framework to their sector. Similarly, organizations can also review sustainability reports along with annual reports published by their sector peers to see how the peers’ reporting is aligned to relevant frameworks.

The table included here shows ESG reporting frameworks typically adopted by organizations within specific sectors, and can help you select the right framework. (Note: This table is based on IBM’s experience and does not constitute official ESG guidance.)

Industry	Relevant frameworks, regulations and certifications	Disclosures typically required
Commercial real estate	LEED, BREEAM, DGNB, WELL, GRESB, NABERS	Energy, water, waste, capital improvements, climate risk
Financial services	PRI, PCAF, SFDR, EU Taxonomy	Financed emissions, DEI, governance, climate risks
Oil and gas	IPIECA Principles, IRA 60113	CO2, methane, water, EHS compliance, carbon capture
Manufacturing	ISO 14001, UN IDDI, cGMP	Materials, waste/recycling, EHS compliance, value chain
Telecom	EPEAT, GDPR, FAST-Infra	Energy, e-waste, privacy and security, access, reliability
Utilities	FERC 2222, RPS / CES, RED	Emissions, materials, energy mix and use of DERs, grid reliability

ESG framework information directory

In chapter 5, “Consult different sources for guidance,” we provide a directory of framework websites for your organization to use when seeking more information on different ESG frameworks.

Lens 5

Framework coverage

Each of the major ESG reporting frameworks has different levels of focus on key ESG performance metrics. Understanding which framework focuses on which indicator can help you choose a framework and provide insights into where organizations may be able to report to multiple frameworks using existing data. This matrix illustrates the focus areas for each reporting framework.

Note: The included analysis and categorization of different ESG frameworks is based on IBM's experience and does not constitute official ESG guidance.



Figure 2. ESG framework indicator coverage

*Environmental includes all elements that are not carbon, energy, waste or water. Examples include a focus on biodiversity, air quality, desertification and more.

03 Adopt a dedicated ESG reporting system

As the investor community sharpens its focus on ESG metrics, the level of scrutiny applied to ESG data intensifies. After all, the most valuable commodity in capital markets is reliable, auditable data. Unlike typical financial data that investors are familiar with, ESG data has generally not been held to the same standards of accuracy. ESG data is often held in disparate systems. In fact, some organizations attempt to run their annual greenhouse gas (GHG) accounting using [spreadsheets which provide little control over inputs](#). Approaches like this are not an efficient means of managing ESG data in the face of stakeholder and regulatory pressure—especially for complex global organizations reporting against multiple frameworks.

Most organizations operate dedicated IT systems to support processes and security, accounting systems to securely store financial data, and HR systems to capture and manage people data. ESG data management and reporting should not be any different. Organizations can benefit from having a specialized software platform to capture their activity data, calculate the emissions impact of their sustainability initiatives and manage their ESG reporting processes. Nowhere is this more important than for the E (environmental) in ESG, which is under increasing scrutiny due to the impacts of climate change.

The metrics captured within the “E” of ESG generally include environmental factors such as water, waste, pollutants and energy as well as metrics required to support greenhouse gas (GHG) emissions accounting.

ESG reporting software such as the IBM® Envizi™ [ESG Suite](#) can help you stay organized by automating data capture directly from the source and maintaining an emissions factor library for nationally recognized carbon emissions factor data tables. These tables include the US EPA Climate Leaders Program, e-GRID USA, Intergovernmental Panel on Climate Change (IPCC), IEA National Electricity Factors, Australian National Greenhouse Accounts, DEFRA (UK) and NZ Ministry for the Environment.

Keep it simple

The IBM Envizi ESG Suite solution helps simplify the process of ESG reporting against different frameworks. All your responses are available in a framework library with one data set and one repository of information across multiple internationally recognized ESG frameworks and standards including SASB and Global Reporting Initiative (GRI).

04 Prepare for future ESG reporting trends

The ESG disclosures landscape is evolving rapidly. Here are a few additional things to consider as you follow new trends to navigate this space.

AI-driven data scraping by ESG ratings tools

Increasingly, AI tools and bots are used to evaluate an organization's ESG performance through publicly available data. This practice, known as data scraping, presents a new challenge for organizations because it means that the data being used to evaluate access to capital is largely outside your control. Various firms synthesize ESG data from many different sources. Data can be harvested from ranked and "best of" lists, product review websites, social media posts and comments, company databases, and news articles, then used to build an organization's profile. Although these scoring systems and the piecemeal data gathered through data scraping fail to provide the context, methodology or granular detail that most investors require, the practices are nonetheless becoming more widespread.

How to prepare for an AI-driven ESG valuation

With the practice of data scraping on an upward trend, investment and sustainability teams should consider a new approach to regain control of their data. This approach can protect the organization's ESG valuation from the inevitable shortcomings of AI-driven ESG data scraping.

Step 1: Identify which rating agencies you need to target. Approach your potential key institutional investors and ask them which ratings agencies they trust.

Step 2: Understand what data the target rating agencies use and how they go about uncovering it. Ask the rating agencies directly if possible, or do research online to uncover what you can.

Step 3: Ensure that the data you're providing and the places where you're sharing it meet the needs of the rating agencies. Here are some tips to help you accomplish this.

Determine the best keywords

Check your organization's publicly available information to ensure that the data captured by the AI data scraping and bots is accurate. Analyze the terminology used and adjust for clarity. This analysis should include your organization's web pages, comparison websites and company search databases such as Bloomberg.

Employ social listening

Track conversations online to determine what has been published about your organization and do your best to remove or change any inaccurate statements. Examples of items to watch include customer reviews, Google business listings, and customer social media comments and mentions about your organization.

Increase publicly available ESG information

Provide more data in sustainability action plans and reports. Publish supporting documents that go into further detail about your organization's ESG performance and efforts. Be especially diligent that any information published is consistent with what's provided in regulatory filings. The data can then be published on your organization's website, in social media channels and on other platforms.

A global standard in ESG reporting

There are at least three perspectives to consider regarding the future of ESG reporting: regulatory changes, industry coalescence around frameworks and interframework consolidation. All these perspectives point to one major directional move—the harmonization of ESG reporting frameworks.



Figure 3. Timeline of ESG reporting framework harmonization.

Regulatory changes

Various progress has been made across national and supranational jurisdictions. The U.S. Securities and Exchange Commission (SEC) announced a proposal in 2022 to mandate ESG disclosure modeled from the TCFD. New SEC climate disclosure regulations are expected to come into effect in 2023 for reporting in 2024. Similarly, the EU's sustainable finance package, the EU Taxonomy, the Sustainable Finance Disclosure Regulation (SFDR), and the CSRD, will require further ESG-related disclosures from companies.

Industry sectors coalescing

As the practice of ESG reporting matures, industry sectors are coalescing around their preferred frameworks. The early movers in this regard were in the property sector which favors reporting against the GRESB framework.

Framework consolidation

These changes are resulting in a reporting landscape where frameworks are becoming more specialized, as seen with the International Financial Reporting Standards (IFRS) Foundation and GRI, or are consolidating, as seen with the International Integrated Reporting Council (IIRC) and SASB.

How to prepare for ESG reporting changes

With progressive steps toward a common language for ESG reporting and new announcements being made every few months, how can organizations better prepare for the inevitable changes facing ESG frameworks?

Get the data right

With an accurate and auditable data foundation today, you can avoid both historical errors and the hassles of modifying processes when ESG reporting changes are required. The IBM® Envizi™ [ESG Suite](#) can help organizations achieve this with an auditable data record and accurate emissions calculations. The solution is regularly updated to incorporate new framework requirements so ESG reporting remains current with market obligations.

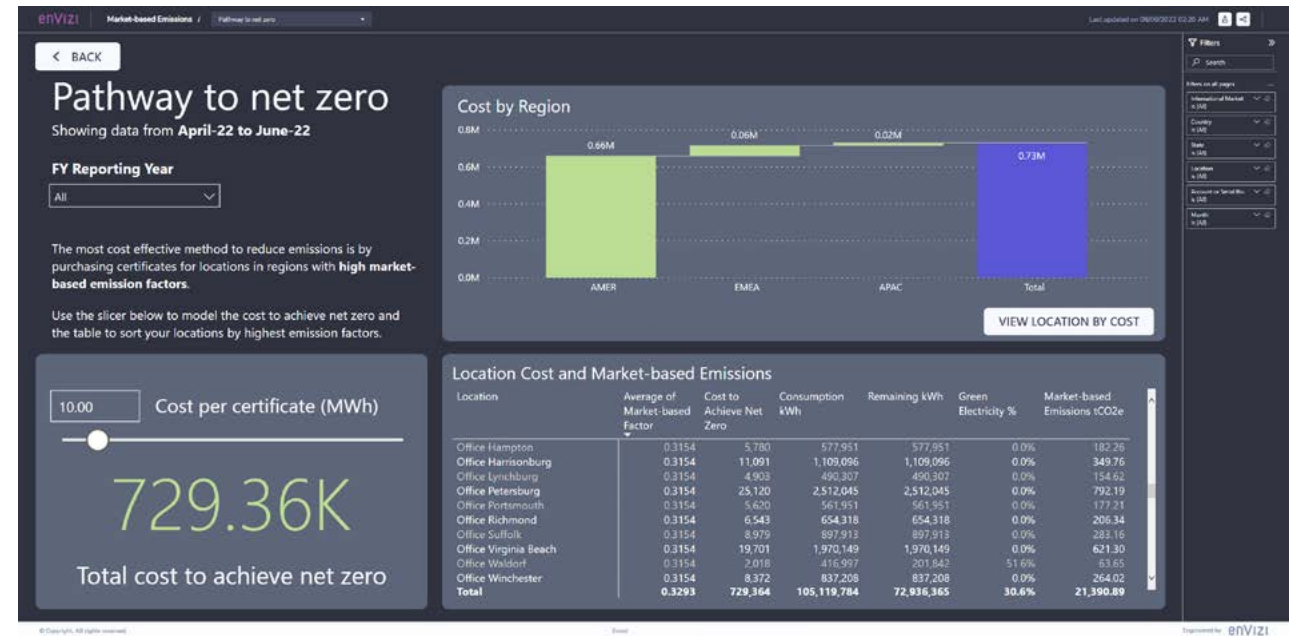


Figure 4. The IBM reporting and management solution.

05

Consult different sources for guidance

In the lead-up to key reporting dates and throughout the year, frameworks publish updates and guidance to help participants with their ESG reporting.

These updates can be viewed on their channels, including:



Social media, specifically LinkedIn



Electronic newsletters

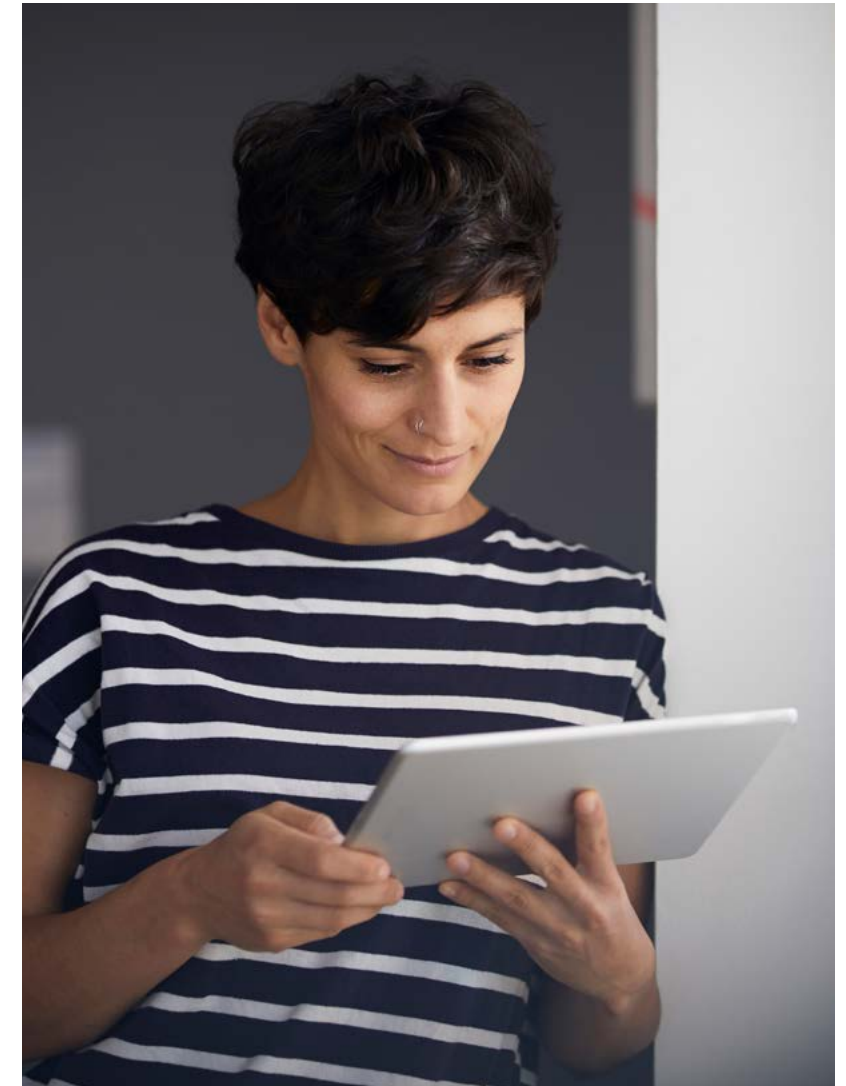


Media and blog section of their websites



Webinars and online forums

Sustainability professionals involved with their organization’s ESG reporting may find it beneficial to stay up to date by monitoring these online communities and resources.



Here's a directory covering many of these information sources. IBM issues regular updates and guidance throughout the year on emerging trends and changes in the ESG reporting landscape. You can [access these resources](#) through our website.

	Main website	eNewsletter sign-up	Media/blog	Social media (LinkedIn)
CDP	www.cdp.net/en	Available on website	www.cdp.net/en/blog	www.linkedin.com/company/cdp-worldwide
CSA	www.spglobal.com/esg	www.pages.marketintelligence.spglobal.com/Newsletter-Hub-Request.html	www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines	www.linkedin.com/company/spglobal
ENERGY STAR	www.energystar.gov/buildings	www.cloud.mail.energystar.gov/preferences/profile	www.energystar.gov/about/newsroom	www.linkedin.com/showcase/energy-star-canada/
GRESB	www.gresb.com	www.gresb.com/nl-en/gresb-newsletter	www.gresb.com/nl-en/news-and-updates	www.linkedin.com/company/gresb
GRI	www.globalreporting.org	www.r1.dotdigital-pages.com/p/4J5-SLH/gri-email-communication-sign-up-form	www.globalreporting.org/about-gri/news-center	www.linkedin.com/company/global-reporting-initiative-gri
IIRC	www.integratedreporting.org	www.valuereportingfoundation.org/subscribe	www.integratedreporting.org/newspage	www.linkedin.com/company/international-integrated-reporting-council
NABERS AU	www.nabers.gov.au	www.nabers.us6.list-manage.com/subscribe?u=cf8c911de05f356279288cde0&id=59416b8f3b	www.nabers.gov.au/about/news	www.linkedin.com/company/nabers
NGER	www.cleanenergyregulator.gov.au/NGER	www.cleanenergyregulator.gov.au/About/Subscribe-to-email-updates	www.cleanenergyregulator.gov.au/NGER/News-and-updates	www.linkedin.com/company/clean-energy-regulator
SASB	www.sasb.org	www.valuereportingfoundation.org/subscribe	www.sasb.org/about/news	www.linkedin.com/company/sasb-sustainability-accounting-standards-board
SBTi	www.sciencebasedtargets.org	www.sciencebasedtargets.org/newsletter	www.sciencebasedtargets.org/news-events	www.linkedin.com/company/science-based-targets
SECR	www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/streamlined-energy-and-carbon-reporting			
SFDR	www.eurosif.org	www.eurosif.org/monthly-newsletter	www.eurosif.org/news	www.linkedin.com/company/eurosif
TCFD	www.fsb-tcfd.org	www.fsb-tcfd.org/mailling-list	www.fsb-tcfd.org/press	www.linkedin.com/company/task-force-on-climate-related-financial-disclosures-tcfd
CSRD	finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en			
BRSR	www.sebi.gov.in/sebi_data/commndocs/may-2021/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure1_p.PDF			

Framework guidance embedded in ESG reporting

The IBM Envizi [ESG reporting frameworks solution](#) includes best-practice guidance and enables you to record all your framework responses in one place.

The screenshot displays the IBM Envizi Sustainability Reporting Manager interface. The main content area shows a question titled "Board's role in managing risks and opportunities" under the "Question" section. Below the question, there is a "Details" section with "Guidance for All Sectors" which includes a list of bullet points: "processes and frequency by which the board and/or board committees (e.g., audit, risk, or other committees) are informed about climate-related issues;" "whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures; and" "how the board monitors and oversees progress against goals and targets for addressing climate-related issues." Below this is an "Envizi Guidance" section with several paragraphs of text providing further context and advice. On the right side, there is a "Details" sidebar with fields for "FRM Disclosure" (CSR 2021), "Framework" (TCFD), "Code" (TCFD.Gov.RD.a), "Topic" (Governance), "Envizi Category" (Business Model Resilience), "Assignee" (Joseph Magee-Billson), "Reviewer" (Steve Foster), and "Last Activity" (5:58 AM, 01-Jun-2022). Below the details sidebar is a "Related Questions" section listing "GRI 102-29" (No responses), "SDG11.5" (No responses), and "SDG13.1" (2 responses). At the bottom of the sidebar is a "Previous Responses" section with a link to "CSR 2020". The top navigation bar includes the Envizi logo, "Sustainability Reporting Manager", user name "John Doe", and navigation options like "BACK TO DISCLOSURE", "COPY FROM LAST YEAR", "SEARCH RESPONSES", and "COMPLETE".

Figure 5. This product screenshot is an example of the type of guidance provided for individual framework questions. It offers guidance on a question in the TCFD reporting framework.

06 Conclusion

ESG reporting is a complex space and staying up to date on requirements can be a burden for organizations who need to report against or to multiple frameworks. However, if organizations apply a systematic approach, they can stay ahead. The first step is to ensure the most appropriate reporting frameworks are selected to begin with. This decision is crucial, yet it's not always a simple decision. One way to approach the selection decision is to apply a number of different analytical lenses, which we mentioned earlier in the ebook:

1. Identify where your organization can make the most difference including materiality and double materiality assessments, an organization's impact and influence across the supply chain.
2. Understand stakeholder expectations specific to preferred ESG reporting frameworks and how different stakeholders will use information from disclosures.
3. Recognize geography and the relevance of some ESG frameworks to locations and jurisdictions.
4. Distinguish sector preference as organizations belonging to a particular sector may find that there is a natural alignment between their sector and some ESG reporting frameworks.
5. Ascertain framework coverage of each ESG reporting framework pertaining to key performance indicators including environment, social, governance, carbon, energy, waste and water.

Part of this assessment also includes ensuring that there is a solid data foundation to work from which meets the same standards applied to financial data. Accuracy, automation and auditability are at the center of sound ESG reporting practices. Organizations that adopt these practices through a specialized ESG reporting solution such as the IBM Envizi ESG Suite will be better prepared to face the many changes facing the ESG landscape.

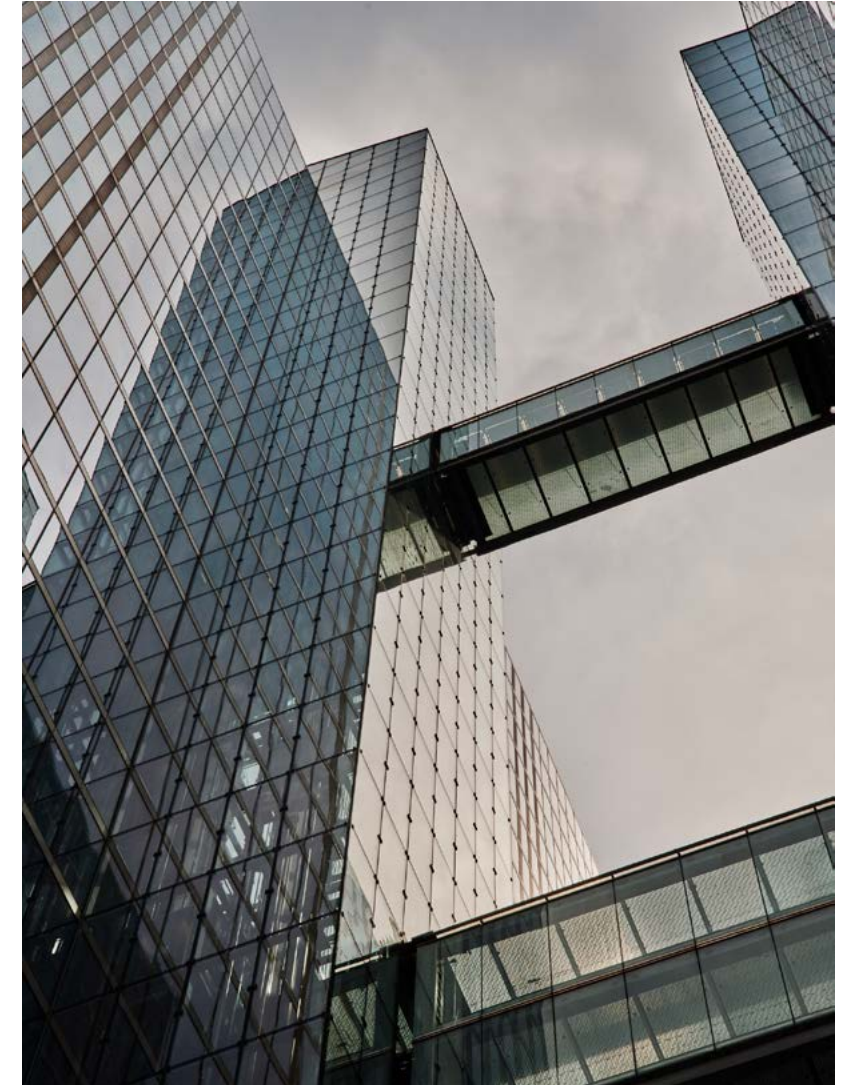
[Learn more](#) about how IBM can support you to achieve your ESG reporting goals.

07

Appendix: ESG frameworks in detail

In this section, we provide an overview of sustainability performance indicators used in each ESG framework. To make this list easier to navigate, we have grouped the major ESG reporting frameworks into four categories:

- **Voluntary scored frameworks:** CDP, GRESB
- **Voluntary frameworks:** GRI, TCFD, VRF (SASB + IIRC)
- **Regulatory frameworks:** SFDR, NGER, SECR, CSRD, BRSR
- **Rating agencies:** ENERGY STAR, DJSI (CSA), NABERS



Voluntary scored frameworks

Organizations can choose voluntary scored frameworks to disclose environmental information to their stakeholders. These examples require responses to all questions in the framework and typically have a scoring element.

Carbon Disclosure Project (CDP)

CDP is a framework for companies to provide environmental information to their stakeholders—investors, employees and customers—covering environmental governance and policy, risks and opportunity management, environmental targets, and strategy and scenario analysis.

How CDP works

CDP offers three questionnaires on the topics of climate change, water and forests, each of which is scored using different methodologies. Each questionnaire includes general questions along with sector-specific questions aimed at high-impact sectors. The scoring of CDP's questionnaires is conducted by accredited scoring partners trained by CDP.

Related reading: [What is CDP, how it works and how software can help](#)

Global Real Estate Sustainability Benchmark (GRESB)

GRESB is a global tool used predominately by investors to assess the sustainability performance of real estate and infrastructure portfolios, and assets worldwide.

How GRESB works

GRESB assessments provide investors and asset managers with insights into the sustainability performance of a company's real assets. These performance insights are aligned with international reporting frameworks such as the GRI and Principles for Responsible Investment (PRI). Assessment participants receive comparative business intelligence illustrating where they stand compared to peers, a roadmap with actions they can take to improve their ESG performance and a communication platform to engage with investors. Investors use the ESG data and GRESB analytical tools to improve the sustainability performance of their investment portfolios, engage with managers and prepare for increasingly rigorous ESG obligations.

Related reading: [What is GRESB?](#)

Voluntary frameworks

These frameworks allow reporters to select the questions they want to report against, depending on factors such as their industry of operation and their materiality. Scoring is typically not included in these frameworks.

Global Reporting Initiative (GRI)

GRI is a globally applicable guidance framework that provides standards detailing approaches to materiality, management reporting and disclosure for a comprehensive range of sustainability issues. GRI Standards guide many organizations in the production of their own sustainability reports.

How GRI works

The modular, interrelated GRI Standards are designed primarily to be used as a set to prepare a sustainability report focused on material topics. The three universal standards are used by every organization that reports under the GRI framework. An organization also chooses from the topic-specific standards to report on its material topics—economic, environmental or social.

Related reading: [What is the Global Reporting Initiative?](#)

Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD was explicitly designed to address climate risks to the business, falling squarely within the “E” of ESG reporting. The TCFD helps organizations across the globe articulate how ESG performance is most likely to materially impact future financial performance and value creation. The TCFD was created in December 2015 after the G20 Finance Ministers asked the Financial Stability Board (FSB) to evaluate the connection between climate-related issues and the financial sector. The FSB is an international body that makes recommendations to the global financial system, so this push toward climate-related finance was significant.

How the TCFD works

The TCFD addresses disclosure requirements related to four pillars.

1. *Governance:* How does the organization’s governance structure address climate-related risks and opportunities?
2. *Strategy:* What are the tangible material impacts of climate-related risks and opportunities on the whole business, including strategy and financial planning?
3. *Risk management:* How does the organization define, assess and manage climate-related risks?
4. *Metrics and targets:* What are the measurements used to assess material climate-related risks and opportunities?

Related reading: [What is the TCFD?](#)

SASB

The SASB Standards track ESG issues and performance across 77 industry standards. These industry-specific standards include six disclosure topics and 13 accounting metrics across five key dimensions of sustainability—environment, social capital, human capital, business model and innovation, and leadership and governance.

Through a series of mergers, the SASB is now a part of the IFRS Foundation to support the new ISSB 2. According to the IFRS, “The ISSB encourages companies and investors to continue to provide full support for, and use of, the SASB Standards.”

How the SASB Standards work

Of the other ESG reporting frameworks, the GRI is most like SASB but supplies more broadly material information for reporting to stakeholders who are not concerned only with financial portfolios.

Corporations who use SASB standards to disclose ESG metrics include asset management companies such as BlackRock, Goldman Sachs and Morgan Stanley; manufacturing giants such as General Motors and Nike; and even specialized industries including companies such as Merck and JetBlue. SASB also supplies resources to explain how investors use the standards across multiple asset classes. These tools allow organizations to be specific and report with a system that allows for transparency and relevancy with their investors.

Related reading: [What is SASB?](#)



Regulatory frameworks

Regulatory frameworks are like benchmark frameworks because all responses are required but are not always scored. These frameworks and reporting requirements are also required by a government body.

Sustainable Finance Disclosure Regulation (SFDR)

SFDR aims to standardize the reporting of ESG metrics for financial products and entities within the EU. It does this by mandating that reporters publish a Principal Adverse Impact (PAI) statement detailing their disclosures. SFDR will act in concert with the EU taxonomy and the proposed EU Corporate Sustainability Reporting Directive (CSRD) to form the basis for the EU sustainable finance agenda.

How SFDR works

SFDR's PAI statement requires financial bodies to report different types of quantitative indicators, including weighted averages across various ESG metrics for their investments as well as emissions from their own activities. In practice, this means that organizations must report the proportion of their investees' activities that they finance. For example, if an investee generates 100 metric tons of hazardous waste and the financial body has 20% of the equity in that company, the financial body reports 20 metric tons of hazardous waste in its SFDR PAI.

Corporate Sustainability Reporting Directive (CSRD)

The European Union's [CSRD](#) is a law that prescribes rules for organizations to report sustainability disclosures across several topics pertaining to environmental and social issues, as specified by the European Sustainability Reporting Standards (ESRS).

The CSRD is informed by the concept of double materiality. It requires organizations to detail how their business strategy will mitigate the risks and realize the opportunities associated with these environmental and social matters—and make these disclosures public—and how environmental and social issues will impact the business (beyond financial impact alone).

It values social metrics alongside environmental performance by looking at matters such as employee health, human rights, bribery, anti-corruption and diversity across management.

CSRD applies to organizations with over EUR 20 million in total assets, a net turnover of EUR 40 million or 250 or more employees or all three criteria. These include both EU companies and EU subsidiaries of non-EU companies, and would impact more than 50,000 companies, nearly 10,000 of which are outside of the EU.

Sustainability reporting will also be required of non-European companies that generate an annual net turnover of EUR 150 million in the EU and that have at least one subsidiary or branch in the EU. Non-EU companies will have to comply starting in 2028. While the CSRD has been finalized, the ESRS are expected to be passed as EU law in 2023.

Related reading: [The EU CSRD Explained](#)

Business Responsibility and Sustainability Report (BRSR)—India

India's BRSR framework and reporting guidelines replace the existing Business Responsibility Report (BRR). Starting from financial year 2022–2023, the top 1,000 listed Indian companies by market capitalization must file a BRSR-compliant report to the Securities and Exchange Board (SEBI). The BRSR covers three areas.

– General Disclosures

These cover operational, services and financial details as well as employee details covering diversity and inclusion, retention, and grievances.

– Management and Process Disclosures

This area requires disclosures related to organizational policies and management processes, governance, and leadership accountability.

– Principle Wise Performance Disclosure

This is the most quantitative-data-intensive section where companies are required to report against KPIs based on the nine principles of India's National Guidelines on Responsible Business Conduct (NGRBC)

Related reading: [The Indian BRSR explained](#)

National Greenhouse and Energy Reporting (NGER)

The NGER Scheme is the Australian national framework for reporting and disseminating company information about GHG emissions, energy production and energy consumption. Established by the NGER Act in 2007, it is monitored by the Clean Energy Regulator.

How NGER works

The NGER Scheme collects emissions-related data about GHGs such as carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), sulphur hexafluoride (SF₆) and specified kinds of hydrofluorocarbons and perfluorocarbons. Records of activities must be adequate to enable the Clean Energy Regulator to ascertain whether the corporation or person has complied with its obligations under the NGER Act. This includes information that can be used to verify the relevance, completeness, consistency, transparency and accuracy of reported data during an external audit.

Streamlined Energy and Carbon Reporting (SECR)

The SECR taxonomy is the UK government's guidance for organizations required to disclose their energy use, GHG emissions and related information. The SECR was introduced to take effect from 1 April 2019 as the previous Carbon Reduction Commitment (CRC) Energy Efficiency Scheme came to an end. It builds on and extends the previous reporting requirements faced by quoted companies while adding new mandates for large unquoted and limited liability partnerships (LLPs). It can also help all organizations with voluntary reporting on a range of environmental subjects, including GHG reporting and the use of KPIs. The SECR is central to the UK's strategy for improving energy efficiency and reducing CO₂ emissions, as set out in the Climate Change Act 2008. It is expected that an estimated 11,900 companies incorporated in the UK will need to report on their energy and carbon emissions under the new framework.³

How the SECR works

Quoted companies that report to the SECR are required to disclose their energy use, global Scope 1 and 2 GHG emissions in metric tons of CO₂ equivalent, and at least one emissions intensity metric of their choosing for current and previous financial years. Scope 3 emissions remain voluntary but are recommended for emissions sources considered material. Unquoted large companies and LLPs will also need to report, at a minimum, their UK energy use and associated GHG emissions from electricity, gas and transport fuels as well at least one intensity metric. Reporting each of these sustainability dimensions and tracking their progress over time requires access to consolidated, auditable data which can be more easily achieved with sustainability reporting software.

Related reading: [SECR reporting explained](#)

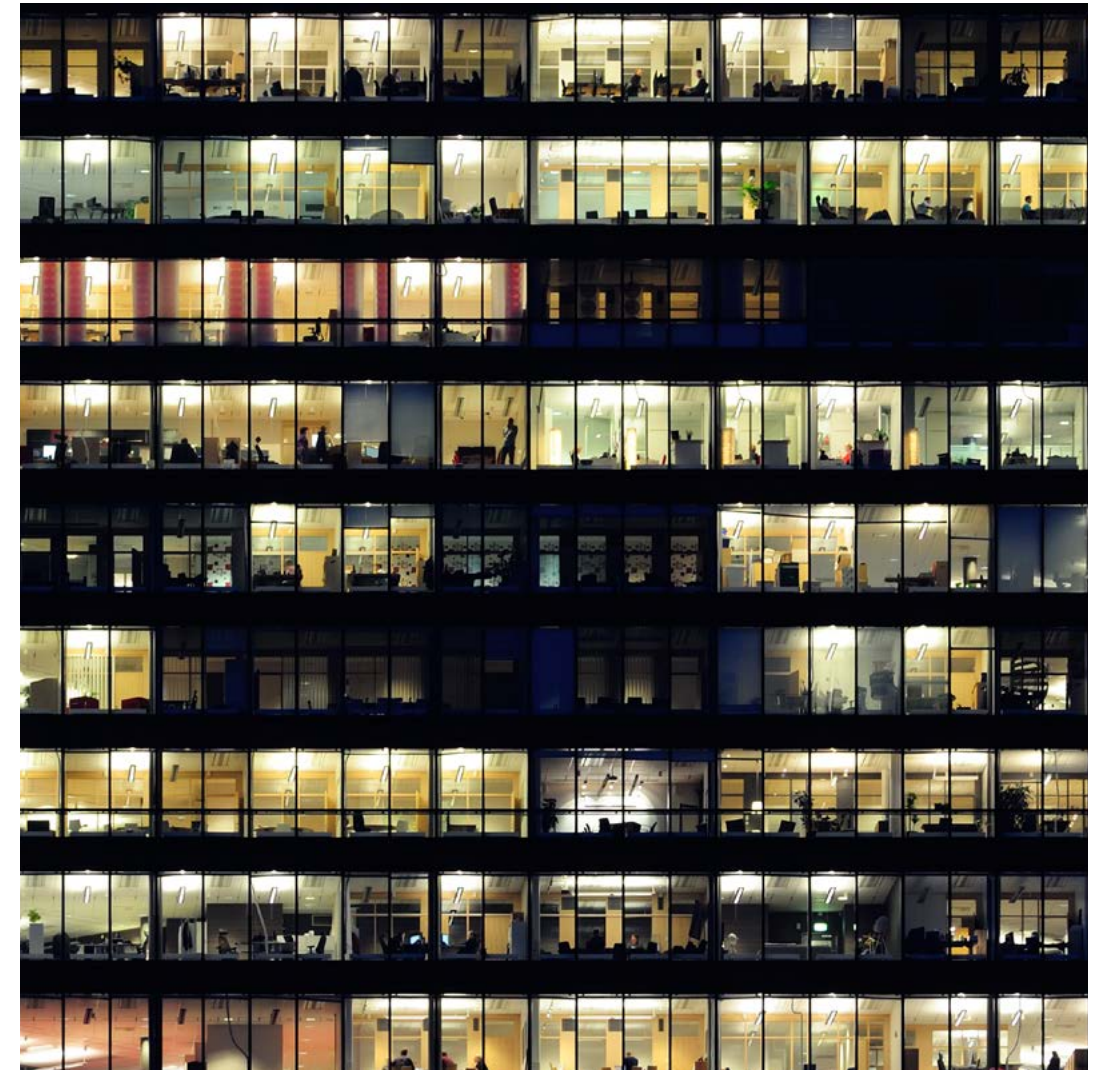
The Securities and Exchange Commissions (SEC) climate disclosure rule—expected in 2023

The Securities and Exchange Commission (SEC) has issued a rule proposal to standardize the way organizations make climate-related disclosures. The rule proposal requires US publicly traded companies to disclose annually how their businesses are assessing, measuring and managing climate-related risks. These disclosures would apply to annual 10-K reports used by analysts, investors and creditors to make decisions. The proposed rules include the disclosure of greenhouse gas emissions as a measure of exposure to climate-related risk. The proposed rule aims to standardize climate-related disclosures for investors, allowing them to clarify exposure to risk and potential impact on the business operations or financial condition of the organization they are investing in.

Related reading: [SEC's climate disclosure rule proposal explained](#)

IFRS Sustainability Disclosure Standards

The International Financial Reporting Standards Foundation (IFRS) announced the formation of the International Sustainability Standards Board (ISSB) in 2021. The ISSB has since made progress on developing standards aimed to create a global baseline of sustainability disclosures to meet the information needs of investors. In June 2023, the ISSB issued its first two IFRS Sustainability Disclosure Standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. Under the IFRS Sustainability Disclosure Standards, it is expected that companies will need to deploy processes and controls to disclose sustainability information that matches the quality and auditability standards of financial information.



Rating agencies

These type of frameworks have a scoring element and are often responded to through a questionnaire that is not public.

ENERGY STAR

ENERGY STAR is a nationally recognized energy rating and benchmarking mechanism in North America that covers commercial buildings across a diverse group of building use types.

How ENERGY STAR works

ENERGY STAR is a U.S. Environmental Protection Agency (EPA) voluntary program that helps businesses and individuals save money and protect the climate through superior energy efficiency. Rankings compare the performance of a building against other similar buildings called a peer group. Building owners can benchmark their performance internally across their portfolio and externally among similar sectors.

ENERGY STAR scores are based on data from national building energy consumption surveys which allows the ENERGY STAR Portfolio Manager tool to control for key variables affecting a building's energy performance including climate, hours of operation and building size. This means that buildings from around the country with different operating parameters and subject to different weather patterns can be compared side by side to see how they stack up regarding energy performance. The specific factors that are included in this normalization—hours, workers, climate and more—will depend on the property type. The 1 to 100 scale is set so that 1 represents the worst-performing buildings and 100 represents the best performing buildings, with 50 representing the average.

Dow Jones Sustainability Indices (DJSI) and the Corporate Sustainability Assessment (CSA) questionnaire

The DJSI tracks the performance of the world's leading companies in terms of economic, environmental and social criteria. It's used by investors who wish to jointly assess financial and ESG aspects of company performance.

How DJSI works

The DJSI applies a transparent, rules-based component selection process based on the company's Total Sustainability Scores resulting from the annual CSA. The CSA compares companies across 61 industries with questionnaires assessing a mix of 80 to 100 cross-industry and industry-specific questions. Companies receive scores ranging from 0 to 100 and percentile rankings for approximately 20 financially relevant sustainability criteria across economic, environmental and social dimensions. Only the top-ranked companies within each industry are selected for inclusion in the DJSI family. Investors in these indices gain exposure to the performance potential of well-known common factors—low volatility, dividend yield, value or momentum—while avoiding ESG-related risks in their portfolios by directing their investment toward more sustainable companies.

National Built Environment Ratings Scheme (NABERS) AU

Using a six-star scale, NABERS helps Australian building owners understand how their asset impacts the environment and helps prospective tenants understand how energy-efficient their leased space is.

How NABERS works

NABERS compares the performance of a building or tenancy to benchmarks that represent the performance of other similar buildings in the same location. NABERS scores are calculated by an independent assessor using 12 months of real, measurable information about a building or tenancy. The data can include energy and water bills or waste consumption data as the basis of their rating. NABERS ratings are available for commercial office buildings, tenancies, hotels, shopping centers and data centers. NABERS announced in 2019 a plan to expand to all major building types. Under Australia's Building Energy Efficiency Disclosure Act, all buildings for sale or under lease over 10,000 sq ft must receive a NABERS rating. Governments are required to lease space in buildings with ratings of 4.5 or higher.

Related reading: [What is a NABERS rating?](#)

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- 1 A Fundamental Reshaping of Finance, BlackRock letter to CEOs, Accessed July 2023.
- 2 IFRS Foundation completes consolidation with Value Reporting Foundation, IFRS announcement, 1 Aug 2022.
- 3 New digital tool enables easier energy and carbon reporting, GOV.UK press release, 13 March 2020.

