THE CONFERENCE BOARD

Navigating Sustainability Reporting Frameworks

A Practical Guide

GRI. SASB. TCFD. Integrated Reporting. These[1] are just a few of the more than 100 different reporting frameworks and standards intended to guide corporations in reporting on their sustainability efforts.[2] While a corporation's sustainability or corporate social responsibility departments were often largely responsible for choosing which reporting framework(s) to employ, today the decision is more consequential and merits CEO and board attention for three reasons:

- First, because these frameworks are relevant not just for disclosure, but can help companies decide which issues to focus on as part of their business strategy.
- Second, because sustainability is no longer siloed, but a mainstream strategic issue for companies and their stakeholders.
- Third, because complying with these frameworks can involve a significant ongoing commitment of a firm's resources across all corporate departments and business units, the decision on which and how many frameworks to use can have meaningful implications for the use of the firm's time and resources.

This guide is intended to help CEOs and their management teams navigate the sustainability reporting landscape to determine what frameworks best meet the needs of the company.

Insights for What's Ahead

In deciding which frameworks to use, CEOs and their teams should:

- **Expect more alignment across the major voluntary reporting frameworks and some limited consolidation of standards.** The aim of most of the harmonization initiatives currently underway is to improve the alignment of voluntary reporting criteria and standards with one another. The approach recognizes the different but complementary value of the various standards that have been adopted in the marketplace.
- **Determine what frameworks work best for the company and its stakeholders.** Companies should take a company-first approach to determining what to report on. External reporting frameworks are useful starting points for determining what issues to report on, but companies should avoid using these frameworks as their primary input. It is more important to focus on the matters that are tied to the company's long-term performance and impact on stakeholders, society at large, and the environment.
- **Anticipate developments in mandatory sustainability reporting.** With voluntary reporting standards in flux, efforts to introduce mandatory reporting standards are gaining traction. Progress on the EU's reporting requirements and the potential introduction of sustainability reporting standards from the International Financial Reporting Standards (IFRS) Foundation are the key developments to monitor on the mandatory standards front.[3] Companies should be prepared to adapt their sustainability disclosures, as the emergence of new standards seems likely.

Primary objectives of reporting frameworks mentioned in this guide

CDP (formerly Carbon Disclosure Project) To help companies, cities, states, and regions measure and manage their risks and opportunities on climate change, water security, and deforestation. Primary audience is investors, purchasers, and city stakeholders.

Global Reporting Initiative (GRI) To help organizations report on impacts on the economy, the environment, and people, considering a wide range of stakeholders.

International Integrated Reporting Framework (<IR> Framework) To establish guiding principles and content elements that govern the overall content of an integrated report and help companies and other organizations produce integrated reports. Primary audience is providers of financial capital.

Sustainability Accounting Standards Board (SASB) To guide the disclosure of financially material sustainability information by companies to their investors.

Task Force on Climate-Related Financial Disclosures (TCFD) To help public companies and other organizations disclose climate-related risks and opportunities through their existing reporting processes. Primary audience is investors, lenders, and insurance underwriters.

Deciding Which Frameworks Work Best for Your Company

CEOs should ask their boards and teams to consider the following five questions to help determine what sustainability frameworks best meet the needs of the company:

1. **Is your company subject to any reporting requirements?** The first place to start is by considering what specific sustainability reporting requirements your company may be subject to.[4] While companies are not yet required to use a particular framework in the US, this is not necessarily the case in other regions. If your company has operations outside of the US, consider whether those jurisdictions have specific reporting requirements or even stated preferences for certain frameworks. For example, financial institutions in New Zealand will be required to make TCFD disclosures beginning in 2022.[5] The UK intends to mandate TCFD-aligned disclosure for companies, with many companies being subject to the requirement as early as 2023.[6] And similar requirements are in the works in Hong Kong and Switzerland.[7]

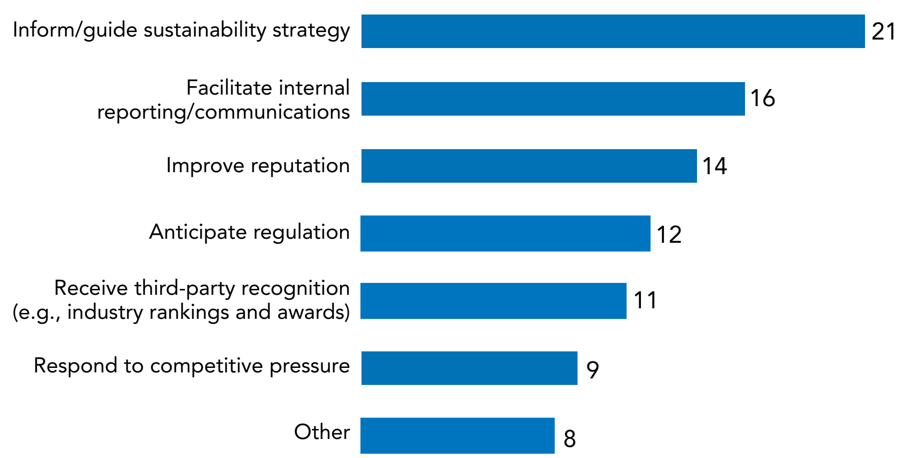
2. **What are you aiming to achieve with the framework?** Sustainability reporting is a tool for communicating information to stakeholders, but it can—and should—be much more than that. It does little good to choose a framework only with disclosure in mind. You will want to ensure that there is an alignment between the framework, your company's sustainability strategy, and your sustainability disclosures. Indeed, in a survey of sustainability executives, The Conference Board found that the top reason companies use reporting frameworks is to help inform and guide strategy (see Figure 1).[8] Some frameworks, such as Integrated Reporting, can be especially useful for identifying the different ways an organization creates, preserves, or erodes value.[9] Companies value frameworks for

different reasons, since each offers a different benefit. For example, in a recent survey, sustainability executives indicated that the top benefit of CDP is the ability to benchmark peers (in addition to providing a disclosure framework, CDP scores companies and cities based on their disclosures); the top benefit of SASB is investor attention (see Figure 2).

Figure 1

What are the most important reasons behind your decision to use sustainability reporting frameworks?

(Select all that apply)



n=37

Note: The results are from an April 2021 survey of ESG and communications executives conducted as part of a working group convened by The Conference Board.

Source: Thomas Singer, "Telling Your Sustainability Story: Practical Guide 4," The Conference Board, August 2021, p. 8.

Top benefits of reporting frameworks

Percent of respondents who selected each benefit (top 3 benefits are highlighted)

	CDP	GRI	TCFD	SASB
Enhance ESG credibility	83	81	83	74
Provide visibility	79	75	74	70
Enhance reputation	75	68	70	62
Investor attention	70	42	79	81
Strengthen our company	58	55	70	49
Push our leadership	64	38	70	51
Benchmark peers	85	40	36	49
Customer satisfaction	60	32	25	23
Engage our employees	23	30	17	13
Do not use	2	2	6	8
Provides little or no use	2	8	2	2

N=53

Note: The results are from a March 2021 survey of sustainability executives at large US companies, conducted by Hedstrom Associates.

Source: ESG Navigator Survey, Hedstrom Associates, June 30, 2021

3 **What frameworks are most relevant for your industry?** Some frameworks are designed to capture information relevant to specific sectors or industries. A key feature of SASB, for example, is its focus on industry-specific standards—the framework includes standards for 77 industries. Your company may also be increasingly expected to report against certain frameworks depending on your industry. For example, while TCFD is relevant across sectors, financial institutions are its key focus. Furthermore, some industry groups are developing their own industry-specific frameworks, such as the EEI/AGA reporting template for utilities.[10] And GRI, which has been relatively industry-agnostic, is developing sector-specific standards. Currently GRI standards are available for the oil and gas sector, and work is underway to develop standards for three additional sectors: coal; agriculture, aquaculture, and fishing; and mining.[11]

4 **Does the framework address your company's most material issues?** Even if a framework is relevant to your industry in general, it may not be a good fit with your company or its strategy. In sustainability reporting, the concept of materiality can provide a useful filter for dealing with the 100+ issues that fall under the umbrella of sustainability. But materiality in the context of sustainability reporting is far from straightforward, not least because different organizations determine materiality in their own way. There are investor-focused definitions of materiality, such as the one used by SASB, and stakeholder and impact-focused definitions, such as the one used by GRI.[12]

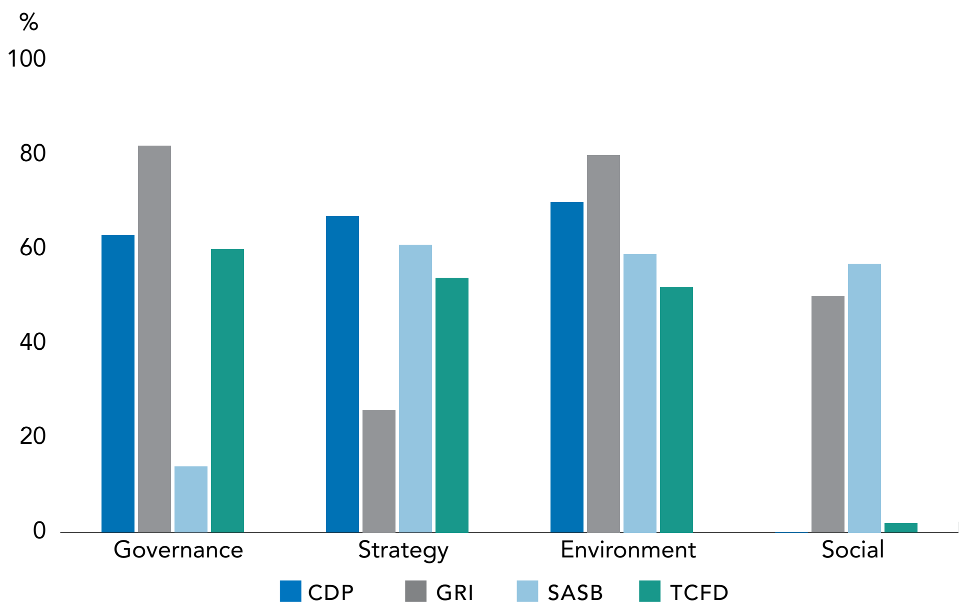
However your company chooses to define materiality, a single framework is not likely to cover all of your material issues. Some frameworks are intentionally concise and cover only a handful of material issues (e.g., SASB, CDP), and some frameworks target a single issue (e.g., UNGPR, which focuses on human rights). There is a good chance that some of your company's most important ESG issues will not match what a reporting framework is looking for. This is a key reason why your company's materiality analysis should not be primarily determined by reporting frameworks. The frameworks can provide helpful input into the materiality process, but your material issues should be based on what is most important to your company (see Figure 3 for a comparison of ESG issue coverage by some of the major frameworks).

To cover gaps in materiality you may need to supplement your disclosures and consider reporting against a few different frameworks. It is not uncommon for companies to use several reporting frameworks either in developing their sustainability strategy, reporting on their efforts, or both. In fact, most respondents to a recent survey indicated they plan to increase the number of sustainability reporting frameworks they use; most companies polled said they plan to add TCFD and SASB to their existing list of frameworks (see Figure 4).[13]

Figure 3

Comparison of ESG issues covered by reporting frameworks

Percent of key sustainability indicators in each category that are at least partially covered by major reporting frameworks



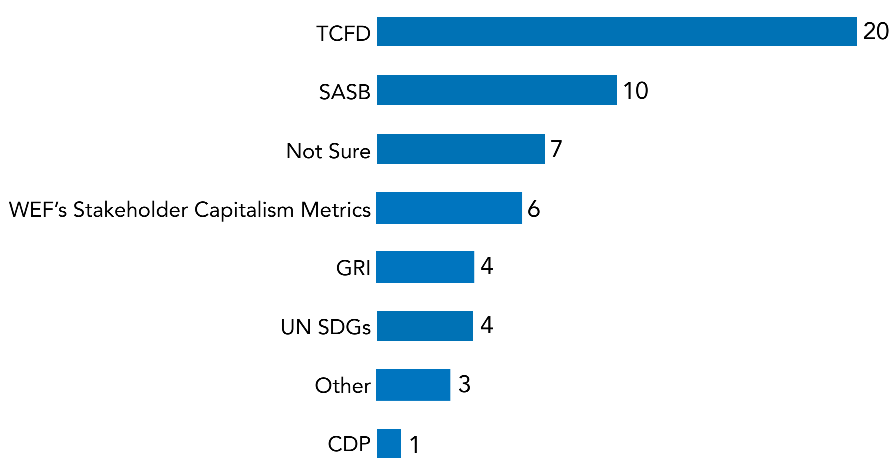
Note: ESG Navigator is a sustainability benchmarking and strategic planning platform licensed by The Conference Board. Among other features, the platform enables companies to self-assess and benchmark themselves across 114 key sustainability indicators in four major categories: governance, strategy, environment, and social.

Source: ESG Navigator

Figure 4

If you are planning to increase the number of sustainability reporting frameworks, which one(s) do you plan to add?

(Select all that apply)



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Note: The results are from an April 2021 survey of ESG and communications executives conducted as part of a working group convened by The Conference Board.

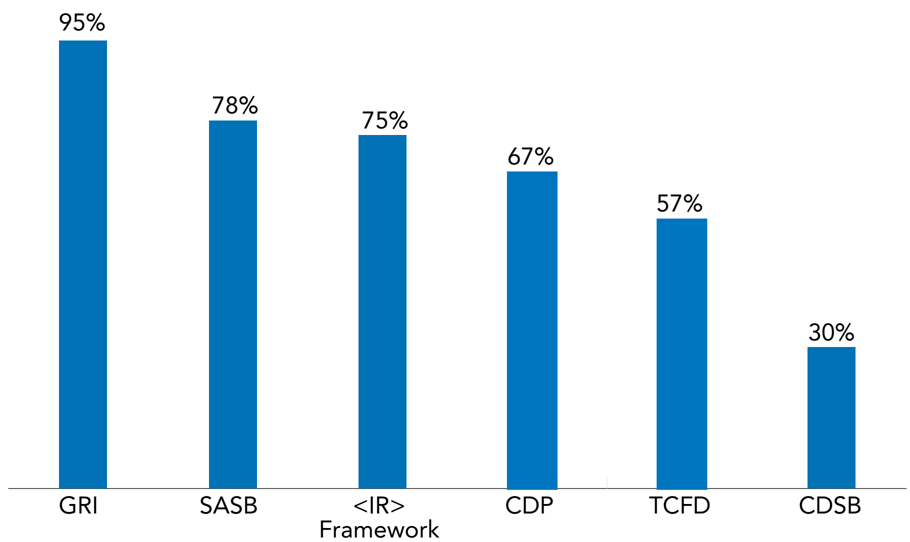
Source: Thomas Singer, "Telling Your Sustainability Story: Practical Guide 4," The Conference Board, August 2021, p. 8.

5 **Who are your intended audiences?** Not all reporting frameworks target the same audiences, so identifying your primary audience can help determine the appropriate frameworks to use. Some frameworks—such as SASB, TCFD, and CDP—are designed primarily for the needs of investors, and investors are driving much of their adoption by companies. BlackRock CEO Larry Fink, for example, has called on companies to align their disclosures with SASB and TCFD. But investors are only one of several stakeholders. Your sustainability disclosures will likely be of interest to your current employees, prospective employees, customers, and regulators, among others. Frameworks aimed at a broader set of stakeholders (such as GRI or Integrated Reporting) may be more appropriate for some of these audiences. Indeed, GRI's broad scope may be a key reason why almost all 60 stock exchanges that provide ESG guidance reference GRI in their guidance documents (see Figure 5).

Figure 5

Frameworks referenced in 61 stock exchanges with ESG guidance documents

Percent of guidance documents that reference sustainability reporting frameworks



Note: The Sustainable Stock Exchanges (SSE) Initiative maintains a database of all ESG guidance documents provided by stock exchanges for listed companies.

Source: Sustainable Stock Exchanges Initiative, ESG Disclosure Guidance

Will sustainability reporting get easier in the future?

The proliferation of sustainability reporting frameworks over the past decade has created complexity for both issuers and users of reports. But over the past two years, a host of initiatives have been launched to "harmonize" various aspects of sustainability reporting. To date, these harmonization initiatives have been primarily focused on:

- Showcasing the distinct but complementary value of established standards;
- Harmonizing climate change-related measurement and reporting, which are by far the most advanced. Many core concepts are now well defined in this area, with a few notable exceptions that are still works in progress for example: net zero commitments, scope 3, and offsetting; and
- Developing standardized methodologies to calculate and present relevant quantitative data.

While the impact and staying power of many of these initiatives are still uncertain, companies should look out for the following developments in the near future:

- Progress on the EU's reporting requirements and the potential introduction of sustainability reporting standards from the International Financial Reporting Standards (IFRS) Foundation; and
- An overhaul of climate disclosure requirements by the US Securities and Exchange Commission (SEC), which will likely be different from EU standards.

Source: Anke Schrader and Minji Xie, "Sustainability Reporting Is Hard—Will It Get Easier in the Future?" The Conference Board, September 2021.

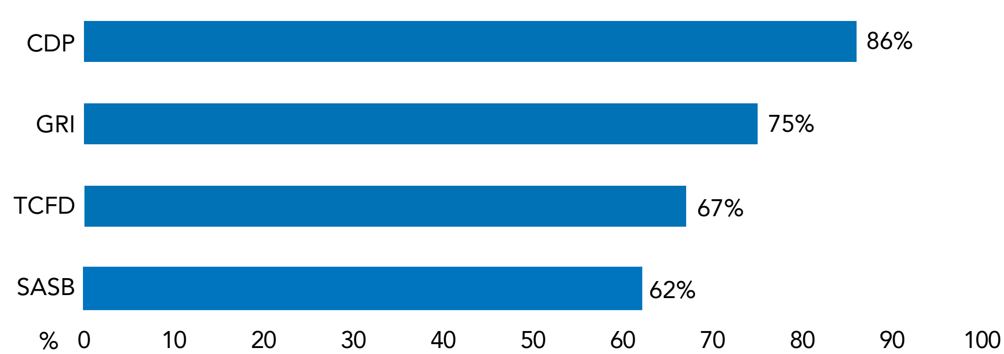
Every CEO should ensure their management team considers the five questions above. Once they have done so, it is also important to ensure that there is clear governance for making the decision about which frameworks to use.

- **Determine who will make the decision about which frameworks to use.** If not the CEO, it should be one or more individuals at the C-suite level with a full understanding of the company's business, stakeholder views, and the firm's sustainability-related risks and opportunities. While it is neither typical nor necessary to involve the board at this stage, it can be helpful to review management's decision-making process and results with the board.
- **Define the criteria that management will use in choosing reporting frameworks, which should include the five main questions listed above.** They should also include an analysis of resources required in reporting against these frameworks (see Figure 6), including any internal or third-party services used to verify the information.
- **Decide who will be responsible for leading the process in choosing which frameworks to use and who will be involved in the process.** It may make sense to have the sustainability team lead the process and involve executives not only from those corporate and business functions typically represented on an internal sustainability steering committee[14] but also from areas that may not be on the committee but may play a role in the accurate communication of your sustainability strategy (e.g., compliance and internal audit).

Figure 6

Which frameworks take the most time/energy to respond to?

Percent of respondents who selected a framework as "very high" in resource intensity



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Note: The results are from a March 2021 survey of sustainability executives at large US companies, conducted by Hedstrom Associates.

Source: ESG Navigator Survey, Hedstrom Associates, June 30, 2021

Conclusion

The 100+ page phone-book style sustainability reports are becoming a thing of the past. Instead, companies are looking to focus on the handful of issues that truly matter to their long-term future and have the greatest impact on stakeholders, society, and the environment. Focused reporting is especially needed when a company is trying to inspire employees, motivate customers, strengthen its brand with the general public, and satisfy investors' growing appetite for timely ESG data. Being strategic about how to report this information has never been this important, and knowing which reporting frameworks will best meet your needs is a starting point. Answers to the five key questions outlined above—namely understanding existing regulation, industry relevance, target audience, key objectives, and material issues— can help companies untangle the landscape of sustainability reporting frameworks.

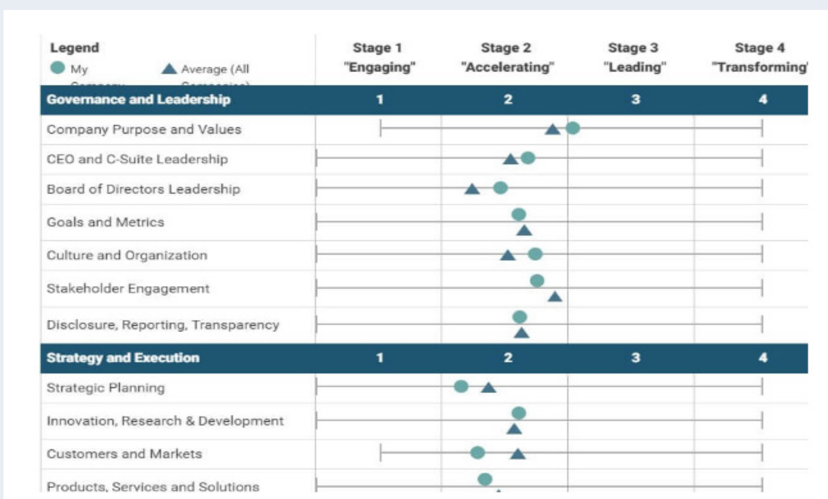
ESG Advantage

The Conference Board offers a suite of online tools to help companies manage their corporate governance, compensation, sustainability, and philanthropy programs. Given that companies need to decide for themselves what frameworks to use for their sustainability reporting, these tools can be helpful resources:

ESG Advantage Dashboards and Benchmarking Platform The most powerful and comprehensive tool in the market for benchmarking your environmental, social, governance, and compensation practices against US public companies. Run customized reports against peer groups of your choosing in seven areas: environmental practices; social practices; executive compensation; director compensation; CEO succession; board practices; and shareholder voting.

ESG Navigator Enhance your organization's sustainability strategy and governance by benchmarking against other major corporations with the online self-assessment tool, ESG Navigator. Among other features, ESG Navigator enables companies to self-assess and benchmark across 114 key sustainability indicators (KSIs) in four major categories: governance; strategy; environment; and social. ESG Navigator outlines what "fair," "good," "better," and "best" look like for each of the KSIs, giving organizations an honest look at where they stand on ESG today—and where they need to focus their attention.

ESG Navigator also allows companies to analyze 15 major ESG reporting frameworks and ESG rating firms. By using ESG Navigator, a company can assess to what extent each framework or rating firm addresses the company's key ESG priorities—a useful feature for navigating the complex landscape of reporting frameworks.



Endnotes

1 Respectively, Global Reporting Initiative, Sustainability Accounting Standards Board, Task Force on Climate Related Financial Disclosures, and International Integrated Reporting Framework.

2 European Commission, *Summary Report of the Public Consultation on the Review of the Non-Financial Reporting Directive*, February 20–June 11, 2020, Ref. Ares (2020)3997889–29/07/2020.

3 Anke Schrader and Minji Xie, "Sustainability Reporting Is Hard—Will It Get Easier in the Future?", The Conference Board, September 2021. Note that on November 3, 2021 the IFRS Foundation announced the creation of a new standard-setting board, the International Sustainability Standards Board (IISB). Some of the investor-focused sustainability disclosure organizations are expected to consolidate into the new board, including the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation, which houses the International Integrated Reporting Framework and SASB Standards.

4 One resource for companies is Carrots & Sticks, a database of mandatory and voluntary instruments that either require or encourage organizations to report sustainability-related information. The database is a partnership between GRI, the Centre for Corporate Governance at the University of Stellenbosch Business School, and the UN Environment Programme.

5 See: New Zealand Ministry for the Environment, "Mandatory Climate-Related Disclosures," April 2021.

6 See: HM Treasury, "UK Joint Regulator and Government TCFD Taskforce: Interim Report and Roadmap," November 2020.

7 Gautam Naik, "Companies, Investors Face New Pressure From Compulsory Disclosure of Climate Risk," S&P Global, August 25, 2021.

8 Thomas Singer, "Telling Your Sustainability Story: Practical Guide 4," The Conference Board, August 2021, p. 8.

9 Value Reporting Foundation, "Transition to Integrated Reporting," September 2021, p. 5.

10 See: EEI and AGA ESG/Sustainability Reporting Template.

11 See: GRI Sector Program.

12 SASB defines materiality as follows: "A topic is financially material if omitting, misstating, or obscuring it could reasonably be expected to influence investment decisions that users make on the basis of their assessments of short-, medium-, and long-term financial performance and enterprise value." GRI defines materiality as follows: "'Material Aspects' are those that reflect the organization's significant economic, environmental, and social impacts; or that substantively influence the assessments and decisions of stakeholders." For more definitions of materiality, see: "Telling Your Sustainability Story: Practical Guide 1", The Conference Board, August 2021, p. 4.

13 Thomas Singer, "Telling Your Sustainability Story: Practical Guide 4," The Conference Board, August 2021, p. 7.

14 For survey data on the functions most commonly represented on internal sustainability steering committees, see: Thomas Singer, "Organizing for Success in Corporate Sustainability," The Conference Board, November 3, 2021, p. 16.

About the Author

Thomas Singer is a Principal Researcher in the ESG Center at The Conference Board, where he leads research on corporate sustainability issues. Singer is the author of numerous publications, including "Organizing for Success in Corporate Sustainability" and "Purpose-Driven Companies: Lessons Learned." Prior to joining The Conference Board, Singer worked with Blu Skye Sustainability Consulting and SustainAbility, helping clients embed sustainability into their core business. He began his career as a management consultant with Kaiser Associates, advising clients on white space opportunities, competitive analysis, and benchmarking. Singer holds a BA from Tufts University and a MSc from the London School of Economics.

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THE CONFERENCE BOARD, INC. | www.conferenceboard.org
AMERICAS | +1 212 759 0900 | customer.service@conferenceboard.org
ASIA | +65 8298 3403 | service.ap@conferenceboard.org
EUROPE, MIDDLE EAST, AFRICA | +32 2 675 54 05 | brussels@conferenceboard.org
COMMITTEE FOR ECONOMIC DEVELOPMENT OF THE CONFERENCE BOARD | +1 202 469 7286 | www.ced.org

THE CONFERENCE BOARD OF CANADA | +1 613 526 3280 | www.conferenceboard.ca

PUBLISHING TEAM

DESIGN Peter Drubin, Maria Cristina Rueda
EDITOR Stephanie Cady
PRODUCTION Chris DiStasio