

ESG Standards and Frameworks: An Overview

November 3, 2023



Environmental, Social, and Corporate Governance (ESG) reporting can be overwhelming and complex, with an array of acronyms, surveys, standards, ratings, and hundreds of changing ESG criteria. It can be challenging to understand where to begin with reporting frameworks and multiple ESG disclosure standards, particularly as ESG reporting is still in its infancy. However, the industry is rapidly evolving, with global regulators and agencies working to bring order to the chaos. We anticipate that standards will become more widely adopted and universally accepted in the years to come. To simplify your ESG journey, we are providing you with key takeaways, trends, and best practices to quickly adapt to ESG reporting frameworks.

Understanding ESG Reporting Frameworks

ESG reporting frameworks, sometimes referred to as ESG disclosure frameworks, offer guidance based on principles for the management of ESG-related topics. The

information is structured and arranged, both quantitatively and qualitatively, before being disclosed to regulatory agencies, investors, lenders, and stakeholders. The purpose of any framework is to assure consistency in reporting for the sake of creating data that may be compared across different organizations, preventing ESG investors from making unsupported comparisons.

When your ESG data is aligned with an ESG reporting framework, your company is seen through the lens of a consistent, comparable, and trustworthy sustainable framework, enabling investors to screen your company's financial risk related to environmental, social, and governance performance. Furthermore, by aligning your data to an ESG reporting framework, you show investors that you've taken your ESG obligations seriously and mark yourself out as a responsible leader among your peers.

Common Standards and Frameworks

The primary regulatory bodies for U.S. companies and SEC filers to be aware of regarding ESG measures are the CSRD in the EU and the SEC in the U.S. However, within the vast ESG landscape, numerous entities strive to provide benchmarks, rules, and insights to better convey ESG data to investors and stakeholders. Several frameworks have emerged in recent years to promote standardization in ESG data reporting, which can overlap in goals.

For instance, the newly-formed International Sustainability Standards Board (ISSB) focuses on investor standards, while previously-established entities like the Carbon Disclosure Project, the Climate Disclosure Standard Board, the Global Reporting Initiative (GRI), and the Value Reporting Foundation (a combination of the Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council) provided guidance and regulations to establish a comprehensive corporate reporting system including financial accounting and sustainability disclosures.

Tips for Aligning to ESG Reporting Frameworks

Navigating the ever-changing ESG landscape can be daunting. With a plethora of

standards, frameworks, and agencies to align with, finding the right one for your organization can seem overwhelming. It's advisable to seek guidance from a trusted advisor.

- Private companies should consider aligning themselves with SEC regulations and The Taskforce on Climate-related Financial Disclosures (TCFD) framework to achieve ESG goals. While investors, partners, or vendors may have other preferred frameworks, aligning with TCFD should provide a strong foundation for specialized reporting.
- ESG reporting frameworks and audits cannot guarantee the use of high-quality data. While audits can ensure the accuracy of reported information, reliable internal data is required to establish an audit trail. Therefore, ESG standard-setting bodies must ultimately rely on companies to measure and report their data accurately. It's challenging for many companies lacking robust internal control systems to generate high-quality ESG data. Investing in ESG reporting software to cleanse and transform data that can fit into most frameworks is necessary for better, trustworthy ESG data, resulting in better investment outcomes and risk management.
- Looking ahead, ESG is expected to be a regulated requirement for both private and public companies in the near future. Public companies are already in compliance with SEC regulations around ESG and climate risk, and those doing business with the EU face compliance around ESG. Business partners are increasingly requiring data around GHG emissions and other ESG activities for disclosure purposes.

Reporting Frameworks and Standards Contribute to ESG Success

The maze of agencies, standard-setting organizations, and governments ultimately share the same objective: to bring transparency to ESG programs. Despite valiant efforts by organizations to make data practical, the lack of widespread use of universal frameworks and standards means we continue to compare apples to oranges.

Anchin's ESG services team can help you identify the ideal ESG disclosure

*framework for your organization, rather than guessing. With our expertise and familiarity with your business, we will support you throughout your ESG journey, from planning to reporting. [**Contact our team today**](#) to learn how we can help your organization achieve your ESG goals.*