# ESG and its 5 Frameworks

ESG (Environmental, Social, and Governance) is becoming more important. Investors find ESG useful because it helps them make profitable investments. For businesses, ESG reporting is a way to reduce waste and energy costs, leading to better use of resources. This type of reporting provides a complete view of a company's sustainability efforts to investors, customers and employees. It also helps companies make necessary disclosures and meet regulatory requirements.

Let's look into some of the ESG frameworks:

**International Financial Reporting Standards (IFRS):**

This is commonly called as IFRS. These are accounting standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB). They constitute a standardized way of describing the company's financial performance and position so that company financial statements are understandable and comparable across international boundaries. They are particularly relevant for companies with shares or securities publicly listed.

The International Accounting Standards Committee (IASC) was established in June 1973 by accountancy bodies representing ten countries. It devised and published International Accounting Standards (IAS), interpretations and a conceptual framework. In 2001, the International Accounting Standards Board (IASB) replaced the IASC with a remit to bring about convergence between national accounting standards through the development of global accounting standards. The IASB has continued to develop standards calling the new standards "International Financial Reporting Standards (IFRS)". In 2002, the European Union (EU) agreed that, from 1 January 2005, IFRS would apply for the consolidated accounts of the EU listed companies, bringing about the introduction of IFRS to many large entities. Other countries have since followed the lead of the EU.

**Global Reporting Initiative (GRI):**

The GRI is an international independent standards organization that helps businesses, governments and other organizations understand and communicate their impacts on issues such as climate change, human rights and corruption.

Since its first draft guidelines were published in March 1999, GRI's voluntary sustainability reporting framework has been adopted by multinational organizations, governments, small and medium-sized enterprises (SMEs), NGOs and industry groups. Over 10,000 companies from more than 100 countries use GRI. According to the 2 October 2022 KPMG survey of Sustainability Reporting, 78% of the world's biggest 250 companies by revenue and 68% of the top 100 businesses in 58 countries have adopted the GRI standards for reporting. GRI is used as a reporting standard by a majority of the companies surveyed in all regions.

GRI thus provides the world's most widely used sustainability reporting standards. Under increasing pressure from different stakeholder groups, such as governments, consumers and investors, to be more transparent about their environmental, economic and social impacts, many companies publish a sustainability report, also known as a corporate social responsibility (CSR) or environmental, social and governance (ESG) report. GRIs framework for sustainability reporting helps companies identify, gather and report this information in a clear and comparable manner. Developed by the Global Sustainability Standards Board (GSSB), the GRI standards are the first global standards for sustainability reporting and are a free public good.

**Sustainability Accounting Standards Board (SASB):**

The Sustainability Accounting Standards Board (SASB) is a non-profit organization, founded in 2011 by Jean Rogers to develop sustainability accounting standards. Investors, lenders, insurance underwriters and other providers of financial capital are increasingly attuned to the impact of environmental, social and governance (ESG) factors on the financial performance of companies, driving the need for standardization reporting of ESG data. Just as the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have established IFRS and Generally Accepted Accounting Principles (GAAP), respectively which are currently used in the financial statements, SASB's stated mission "is to establish industry0specific disclosure standards across ESG topics that facilitate communication between companies and investors about financial material, decision-useful information". Such information should be relevant, reliable and comparable across companies on a global basis. In June 2021, the SASB and the London-based International Integrated Reporting Council announced their combination to form the Value Reporting Foundation (VRF). In November 2021, the IFRS Foundation announced it would consolidate the VRF and Climate Disclosure Standards Board with its newly formed ISSB by June 2022. This was completed by August 2022, when all the open SASB Standards projects were transitioned to the ISSB.

**Climate Disclosure Standards Board (CDSB):**

This is a non-profit organization working to provide material information for investors and financial markets through the integration of climate change related information into mainstream financial reporting. CDSB operated on the premise that investors and financial institutions can make better and informed decisions if companies are open, transparent and analyze the risks and opportunities associated with climate change related information. To this end, CDSB acts as a forum for collaboration on how existing standards and practices can be used to link financial and climate change related information using its Framework for reporting environmental information, natural capital and associated business impacts.

The framework is a standards-ready tool for companies to disclose climate change-related information in mainstream financial reports. Updated in April 2018, the framework for reporting environmental information, natural capital and associated business impacts adopts and relies on relevant provisions of existing standards and practices, including the TCFD recommendations and IFRS as well as reflecting regulatory and voluntary reporting and carbon trading rules. In November 2021, the IFRS foundation announced it would consolidate the CDSB with its newly formed International Sustainability Standards Board by June 2022, together with the London-based value reporting foundation.

**Carbon Disclosure Project (CDP):**

The CDP is an international non-profit organization based in the UK, Japan, India, China, Germany, Brazil and the US that helps companies, cities, states, regions and public authorities disclose their environmental impact. It aims to make environmental reporting and risk management a business norm, driving disclosure, insight and action towards a sustainable economy. In 2022, nearly 18,700 organizations disclosed their environmental information through CDP. CDP piggybacked on GRIs concept of environmental disclosure in 2002, focusing on individual companies rather than on nations. At the time CDP had just 35 investors signing its request for climate information and 245 companies responding. According to the organization, as of 2022, companies worth half of global market capitalization disclose through CDP. CDP works with corporations, cities, states and regions to help develop carbon emissions reductions strategies. The collection of self-reported data from the companies is supported by over 800 institutional investors with about US$100 trillion in assets.