Issue: 4 Volume: 1 2022 ISSN: 2652-7987 (Online) ISSN: 2652-7995 (Print)

THE BLUE PLANET

A MAGAZINE ON SUSTAINABILITY
TOWARDS KNOWLEDGE SHARING

Article 6: Aspire to attaining Sustainability? Let's understand contemporary Sustainability or ESG Frameworks

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Published by

ACSDRI
KNOWLEDGE PRESS

ASPIRE TO ATTAINING SUSTAINABILITY? LET'S UNDERSTAND CONTEMPORARY SUSTAINABILITY OR ESG FRAMEWORKS

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The Blue Planet-A Magazine on Sustainability
ISSN: 2652-7987 (Online) ISSN: 2652-7995 (Print)
Article: 6 Issue: 4 Volume: 1 2022
www.acsdri.com

Photography by
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Introduction

Barbara Ward and Dubos Rene's 'sustainable development' term and John Elkington's 'triple bottom line' concept have been travelled a long way since their inception. Today many communities, cities, governments, and organisations are aspiring to follow the path of sustainable development. Sustainability has become an important strategic policy agenda for both public and private sector organisations.

Even though the sustainability agenda is acknowledged as important, we are failing to address certain issues urgently which are tipping the ecological balance of our planet. According to The Global Risks Report 2021, we are facing many risks over the time horizon, and some of the most key environmental, social, and economic risks are listed in the table 1.

The topmost "Likelihood" and most "Impactful" risks, are as follows:

- *Extreme weather, Climate action failure, Human (induced) environmental damage, Infectious diseases, Biodiversity loss, Digital power concentration, Digital inequality, Interstate relationship fracture, Cybersecurity failure, and Livelihood crises are the* ***topmost "Likelihood" global risks***
- *Infectious diseases, Climate action failure, Weapons of mass destruction, Bio-diversity loss, Natural resource crises, Human (induced) environmental damage, Livelihood crises, Extreme weather, Debt crises, and IT Infrastructure breakdown are the* ***topmost "Impactful" global risks.***

Over the years there has been growing stakeholder pressure on the top management of companies to look beyond financial performance alone.

Organisations need to excel in all three dimensions of sustainability performance (environmental, social, and economic performance). Against the backdrop of the above-mentioned global risk factors and as economies are emerging from the shock of COVID-19, the chorus is growing loud to embrace the Sustainable Development Model and to integrate sustainability perspectives within organisational strategic policy.

Adopting sustainability is increasingly seen as a responsible business practice as well as fiduciary duties of business leaders. Most importantly, operating within the holistic sustainability criteria is a prudent business decision to reduce negative socio-ecological impacts and to mitigate risk exposure.

Table-1 Globle Risk Exposure

Key Global Risks Horizon	Environmental	Social	Economic
Short-term Risk (0-2 years) Or Present dangers	*Extreme weather events* *Human (induced) environmental damage*	*Infectious* *Livelihood crises* *Youth disillusionment* *Social cohesionerosion*	*Prolonged stagnation*
Medium-term risks (3-5 years) Or Knock-on effects			*Asset bubble burst* *Price instability*
Long-term Risks (5-10 years) Or Existential threats	*Biodiversity loss* *Natural resource crises* *Climate action failure*	*Social Security collapse* *Backlash'against science*	*Industry collapse*

Sustainability practises: from a Voluntary to a Mandatory regime

After a prolong intellectual debate and activism by various stakeholders, the sustainability agenda is an important policy agenda, and it is coming within the statutory and regulatory frameworks.

Today, sustainability is no longer a voluntary disclosure obligation in many jurisdictions as organisations are mandated to disclose about their operation's environmental, social, and economic positive or negative impacts. In addition, stakeholders including investors are interested to know about an organisation's risk exposure from an holistic sustainability perspective.

In 45 countries across the globe have enacted about 140 laws and regulatory standards that mandates companies to disclose some aspect of a company's sustainability performance. For example: the Czech Republic updated its Accounting Law in 2017 and prescribed all large entities with more than 500 employees must report on their non-financial performance. In 2017 France transposed its '1180 Ordonnance' based on the Europe an NFRD into French law. In 2019 the Securities and Exchange Board of India (SEBI) instructed its top 1000 companies to publish Business Responsibility Reporting (BRR).

In 2017 Germany adopted the European NFRD and instructed all listed financial and non-financial companies with more than 500 employees to report on certain sustainability information. In 2018 Japan adopted TCFD recommendations and revised its Environmental Reporting Guidelines.

In 2018 the Securities and Exchange Commission (SEC) of Nigeria approved the Nigerian Stock Exchange's Sustainability Disclosure guidelines. In 2018 Pakistan adopted Sustainable Development Goals in its National Framework. In 2019, the UK introduced the Net Zero 2050 commitment in law and instructed UK's listed companies to publish information based on TCFD recommendations from 2022. The Abu Dhabi Stock Exchange (ADX) has made a formal commitment to incorporate sustainability aspects in financial market in partnership with the United Nations led initiative: The Sustainable Stock Exchange Initiative (SSE).

In addition, 15 stock exchanges have prescribed formal guidelines on sustainability reporting to their listed companies.

Contemporary Sustainability or ESG Frameworks

With a growing regulatory shift towards non-financial disclosures, many voluntary non-financial reporting frameworks and standards have evolved over the years.

The five most prominent contemporary sustainability reporting or ESG frameworks and standards have been promulgated by

- *The Global Reporting Initiatives (GRI),*
- *International Integrated Reporting Council (IIRC) or Integrated Reporting (IR),*
- *Sustainability Accounting Standard Board (SASB),*
- *Climate Disclosure Project (CDP) and*
- *Climate Disclosure Standards Board (CDSB).*

Global Reporting Initiatives (GRI) *provides multi-stakeholder focused standards and it positioned itself as a catalyst for a sustainable world. The purpose of the standard is to support thedecision-making process of an organisation and its stakeholders in relation to the economic, environmental, and social performance of the organisation. GRI's sustainability topics include: market presence, indirect economic impact, procurement practices, anti-corruption, anti-competitive behaviour, tax, material, energy, water, effluents, biodiversity, emission, waste, environmental assessment, employment, labour relation, OHS, training, diversity & equal opportunity, non-discrimination, freedom of association, child labour, forced labour, security practices, rights of indigenous people, human rights, local communities, supplier social assessment, public policy, customer health & safety, marketing & labelling,customer privacy, and socioeconomic compliance.*

GRI standards facilitate an organisation to identify and report financially material positive or negative economic, environmental, and social impacts of their operation on both the short- and long-term time horizons. As per GRI standards an organisation needs to identify material sustainability topics from two perspectives:

a) to identify those topic areas of an organisation's operation that are positively or negatively impacting as well as advancing or detrimental to sustainable development;

b) to disclosure that information which has the potential to influence significantly or substantively stakeholders' decision-making abilities and assessments..

Figure-1 Timeline of Contemporary Sustainability or ESG Frameworks

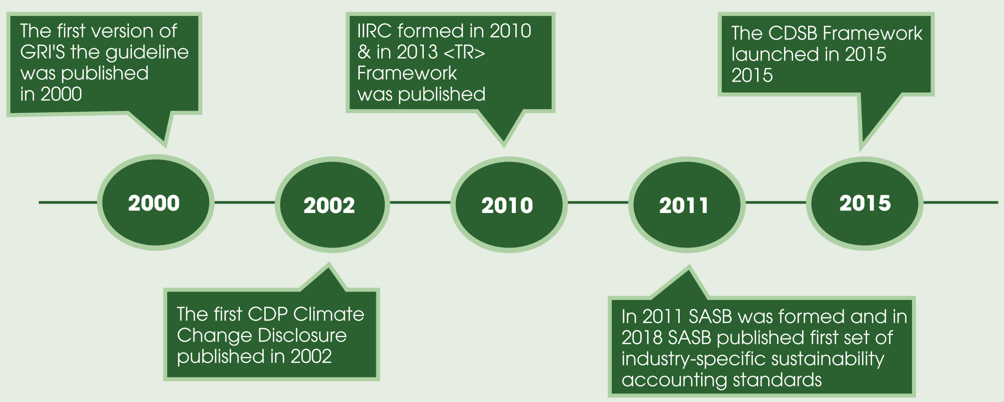


Table-2 An overview on GRI Standards

Framework	Purpose	Stackholder Focus	Materiality Approach	Disclosure Structure
Global Reporting Initiatives (GRI)'s Standards	*Catalys for a sustainable world* *Catalys for a sustainable world*	*Multi-stakeholder focus*	*Materiality is seen through the lens of environmental, social, and economic impacts.* *GRI expects to disclose material information that are positively or negatively impacting economy, environment, and society.* *Material topic can be an organisation's significant economic, environmental, and social impacts; or can be those topics that can substantively influence the stakeholder' ability to assess and make informed decisions.* *GRI also expects to disclose whether an organisation's operation positively contributing or negatively impacting sustainable development.* *Finally, material topics should not be deprioritised based on not being recognised as financially material by the organisation.*	*GRI - Standards are broadly categorised into four segments:* • *Management Approach.* • *Economic Performance.* • *Environmental Performance.* • *Social Performance.*

Most importantly, GRI strongly advocates that material topics should not be deprioritised based on not being recognised as financially material by the organisation.

Integrated Reporting (IR) *The Prince's Accounting for Sustainability Project (A4S) and the Global Reporting Initiative (GRI) formed the International Integrated Reporting Committee (IIRC) in 2010 and later the committee was renamed The International Integrated Reporting Council (IIRC). Integrated reporting is a principles-based framework founded on the concept of integrated thinking, which is a subset of systems thinking. Integrated reporting is designed to inform financial capital providers about how business is creating value through efficient utilisation of five broad based capitals (**Financial, manufactured, intellectual, human, social and natural**). Capital is the stock of value and input of an origination's business model, which transforms through business activities into outputs. Hence, an Integrated Report defines material information through the prism of value creation.*

As per IR, information is material if it substantively affects an organisation's value creation process in the short, medium, and long term. Currently, the International Integrated Reporting Committee (IIRC) and Sustainability Accounting Standard Board (SASB) are merged to form the **Value ReportingFoundation.**

Sustainability Accounting Standard Board (SASB): *SASB was established in 2011 as a not-for-profit organisation, to develop sustainability accounting standards for investors, lenders, and businesses in the U.S.A. SASB provides sector-specific metric-based voluntary reporting standards and it encompasses eleven sectors and seventy-seven industries. These sectors are:*

- *Consumer goods (7 industries),*
- *Extractive & Minerals Processing (8 industries),*
- *Financials (7 industries),*
- *Food & Beverages (8 industries),*
- *Health Care (6 industries),*
- *Infrastructure (8 industries),*

Table-3 An overview on Integrated Report <IR>

Framework	Purpose	Stackholder Focus	Materiality Approach	Disclosure Structure
Integrated Reporting (IR) ***(Presently IR Merged with SASB to Form Value Reporting Foundation)***	*For efficient and productive capital allocation.* *To enhance accountability for the broad-based capitals (financial, manufactured, intellectual, human, social and natural).*	*Quality information for providers of financial capital.*	*Materiality is described through a value creation lens.* *Information is material if it substantively affects an organisation's value creation process in th short, medium, or long term.* *IR's materiality concept primarily focused on the value creation perspective of financial capital providers.* *Organisation need not to list all material issues, however, should disclose the materiality determination process.*	*IR framework is structured around five broad based capitals with input and outcome focuses.* *Capital is the stock of value and input of an orgination's business model, which transform through business process into outputs.* *IR framework is primarily for-profit motive private sector; however, it has its universal applicability too.* *IR's core disclosure includes business model, strategy and resource allocation, performance, and governance.* *IR also expects to identify organisational specific risks and opportunities that affects an organisation's ability to create value in short, medium, and long term.*

- *Renewable Resources & Alternative Energy (6 industries),*
- *Resource Transformation (5 industries),*
- *Services (7 industries),*
- *Technology & Communications (6 industries),*
- *Transportation (9 industries).*

SASB covers five broad topics: environment, social capital, human capital, business model and innovation, and leadership & governance.

SASB's sector specific sustainability topics include:

- *GHG Emission,*
- *Air quality,*
- *Energy Management,*
- *Water & Wastewater Management,*
- *Waste & Hazardous Materials Management,*
- *Ecological Impacts,*
- *Human Rights & Community Relations,*
- *Customer Privacy,*
- *Data Security,*
- *Access & Affordability,*
- *Product Quality & Safety,*
- *Customer Welfare,*
- *Selling Practices & Product Labelling,*
- *Labor Practices,*
- *Employee Health & Safety,*
- *Employee Engagement,*
- *and Diversity Inclusion,*
- *Product Design & Lifecycle Management,*
- *Business Model Resilience,*
- *Supply Chain Management,*
- *Materials Sourcing & Efficiency, and*
- *Physical Impacts of Climate Change, Business Ethics,*
- *Competitive Behaviour,*
- *Management of the Legal & Regulatory Environment,*
- *Critical Incident Risk Management, and*
- *Systemic Risk Management.*

In the context of SASB, sustainability information is material if it is financially material and has the potential to impact an enterprise's value-creation process in the short, medium, and long-terms. SASB also prescribes a sector as well as an industry level materiality mapping tool. The materiality map helps corporates to strategies sustainability goals and provides the metrics to underpin disclosure topics. For an investor, the materiality map provides a tool to analyse industry or sector *issues, alongside specific sustainability risks and opportunities.*

Currently, the International Integrated Reporting Committee (IIRC) and Sustainability Accounting Standard Board (SASB) have merged to form the Value Reporting Foundation. The merger of IR and SASB created a new synergy by combining two perspectives a) to formulate strategy on how to utilise capitals (environment, social capital, human capital, business model and innovation, and leadership & governance) to enhance and maintain the value of an organisation over the time the value of the value of an organisation over the time horizon; and b) to identify industry-specific financially-material sustainability risks and opportunities that erode or enhance a company's ability to create value for investors over the time horizon.

Carbon Disclosure Project (CDP): *In 2000, CDP was established as a not-for-profit organisation with the aim of building a sustainable economy and to provide a global environmental disclosure system for companies, investors, cities. states and regions. CDP provides an open access online data portal to its members to disclose their action on climate, water, forest. supply chain and their risks, and adaptation and mitigation strategies.*

Table-4 An overview of the Sustainability Accounting Standard Board (SASB)

Framework	Purpose	Stackholder Focus	Materiality Approach	Disclosure Structure
Sustainability Accounting Standards Board (SASB)	*For efficient voluntary disclosure of material sustainability information in Forms 10-K, 20-F, and 40-F of US public listed companies.*	*To provide reasonably material and decision useful information to companies, investors, and corporate issuers.*	*SASB focuses on financially material issues which matter most to the investors and those issues that reasonably likely to impact financial condition or operating performance.* *Financially material sustainable information represents those sustainability factors which are material in short, medium, and long-term for enterprise's value creation.* *SASB Provides Sector as well as industry level materiality map. In the* ***sector level mapping system,*** *it provides hierarchy of material issues:* • *Likely material issues for more than 50% of industries in sector.* • *Likely material issues for fewer than 50% of industries in sector.* • *Not likely material issues for any of industries in sectore.* ***In the industry level mapping system:*** • *Likely a material issue or not likely material issue for companies in the industry.*	*SASB's sustainability topics are categorised into five broad dimensions:* • *Environment* • *Social Capital* • *Human Capital* • *Business Model and Innovation* • *Leadership & Governance*

The platform focuses on measuring environmental impact for investors, companies, cities, and governments, along with information about how these entities act on their environmental impact. As of 2021, over 14,000 organisations, including 13,000 companies and about 1,100 cities, states, and regions disclosed their environmental performance data through CDP's online platform.

Climate Disclosure Standards Board (CDSB): *the CDSB was formed in 2007 with a mission to standardise environmental information reporting. In the CDSB's standard, environmental information is material if "the environmental impacts or results it describes are, due to their size and nature, expected to have a significant positive or negative effect on the organization's*

Table-5 An overview of the Climate Disclosure Project (CDP)

Framework	Purpose	Stackholder Focus	Materiality Approach	Disclosure Structure
Climate Disclosure Project (CDP)	*The most comprehensive self-reporting online disclosure system for investors, companies, cities, states, and regions to manage environmental impacts.* *Organisation can publish their comprehensive environmental information in the CDP's online open data platform.*	*Company specific CDP information for investors and its customers.*	*CDP follows CLimate Disclosure Standard Board's materiality definition and scope.*	***Company specific CDP** disclosure platform has three primary disclosure areas: climate change, forests, and water security.* ***City specific CDP** platform has following disclosure theme: governance, Climate Hazards, Adaptation, City-wide Emissions, Emissions Reduction, Opportunities, Local government Emissions, Energy, Building Transport, Urban Planning, food waste, and water security.* *Based on the information disclosed a city gets its score and feedback from CDP.* ***States and Region specific** disclosure platform has following themes: governance, region wide-emission, strategy, risks and adaptation, water security and forest.*

current, past or future financial condition and operational results and its ability to execute its strategy; or omitting, misstating or misinterpreting it could influence decisions that users of mainstream reports make about the organization".

The CDSB framework expects an organisation to report about its' natural capital dependencies, environmental results, environmental risks and opportunities, environmental policies, outcome, strategies and targets, and performance against targets. These aspects are addressed through answering twelve Reporting Environmental Questions (REQs), which are aligned with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) on governance, strategy, risk management, metrics & targets. The twelve REQs are about: governance, management's environmental policies, strategy, and targets, risks and opportunities, sources of environmental impacts, performance and comparative management's environmental policies, strategy, and targets, risks and opportunities, sources of environmental impacts, performance and comparativeanalysis, outlook, organisational boundary, reporting policies, reporting period, restatements, conformance, and assurance.

The CDSB's environmental information disclosure is guided by the following principles: Relevance & materiality; Faithfully represented; Connected with other information; Consistent and The comparable; Clear and understandable; Verifiable; Forward-looking. In relation to environmental risks, CDSB expects an organisation to identify its environmental regulatory risks and the physical effects of climate change.

*For example, **Regulatory risks** include: GHG emission limits, energy efficiency standards, carbon taxation, process or product standards, participation in GHG trading schemes; and **Physical effects of climate change** include changing weather patterns, sea level rise, shifts in species distribution, changes in water availability, changes in temperature, variations in agricultural yield. In addition to these there are reputational as well as litigation risks.*

Hence, in the CDSB framework environmental information provides the scope of data where relevant environmental information is the subset of environmental information identified by management, and material information is the subset of relevant environmental information.

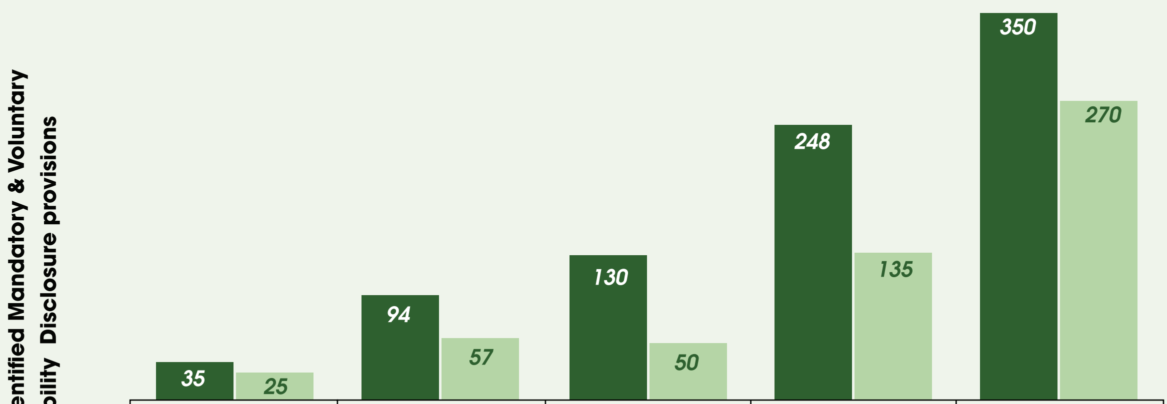
Table-6 An overview of the Climate Disclosure Standard Board (CDSB)

Framework	Purpose	Stackholder Focus	Materiality Approach	Disclosure Structure
Climate Disclosure Standards Board (CDSB)	*CDSB is a framework for reporting environmental and climate change information.* *A framework to align, equate, and advance environmental information with same rigour as financial information.* *To equate natural and financial capital information at par to assess corporate performance.*	*To provide investors with decision useful information on an organisation's natural capital dependencies, and environmental risks and opportunities.*	*CDSB framework is designed to report climate change-related and environmental information in mainstream reports.* *Materiality position of CDSB is near equivalent to the mainstream reporting model or like IASB* *Environmental information is material is:* • *the environmental impacts or results is expected to have a significant positive or negative effect on the organisation's current, past, or future financial condition and operation and its ability to execute strategy.* • *Omitting, misstating, or misinterpreting it could influence decisions that users of mainstream reports make about the organization.*	*CDSB do not specify the measures, indicators, and metrics to quantify sources of environmental impact.* *CDSB's environmental information includes:* • *Organisation's natural capital dependencies,* • *Environmental results,* • *Environmental risks and opportunities* • *Environmental policies, outcome, strategies, and targets,* • *performance against targets.*

Global trends on the uptake of Sustainability Practices

*The global trend shows that the sustainability agenda has been mainstreamed over the years. Longitudinal studies such as **'Carrots & Sticks'** by the GRI and **'The Time has Come'** a survey by KPMG confirm this growing global trend. The findings of these reports show that there has been a steady growth in mandatory disclosure provisions since 2006.*

Graph-1 – Growth in number of Mandatory & Voluntary Sustainability Disclosure provisions between 2006 to 2020



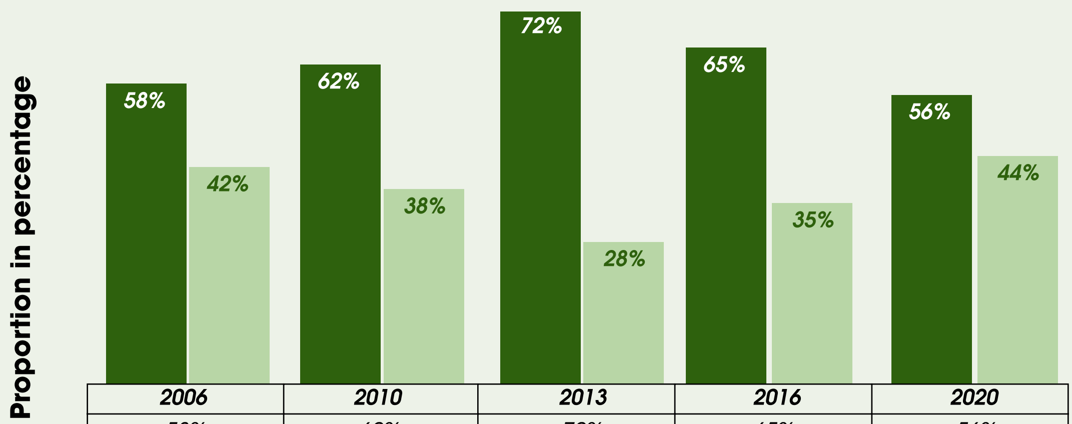
2006	2010	2013	2016	2022
35	94	130	248	350
25	57	50	135	270

■ *Growth in number of Mandatary Sustainability Disclosure (within identified samples)*

■ *Growth in number of Voluntary Sustainability Disclosure (within identified samples)*

The survey is also able to identify a growing proportion of voluntary sustainability disclosure provisions within the surveyed sample. This trend suggests that there is an increasing sense of urgency among organisations to monitor specific sustainability performance criteria.

Graph-2: Proportion of Mandatory & Voluntary Sustainability Disclosures (2006-2020)

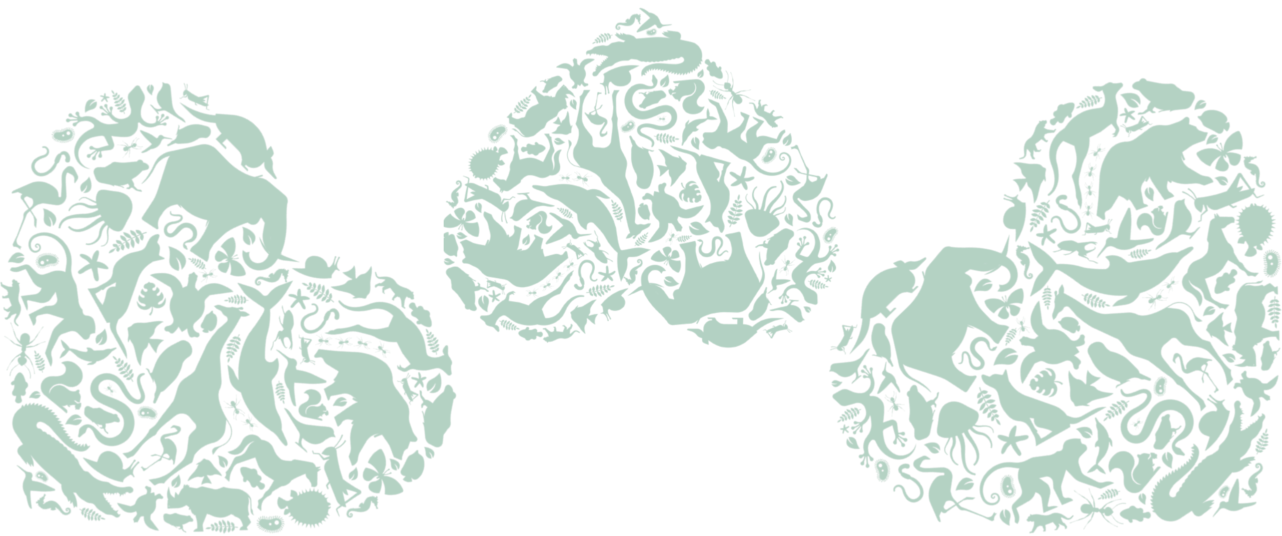


2006	2010	2013	2016	2020
58%	62%	72%	65%	56%
42%	38%	28%	35%	44%

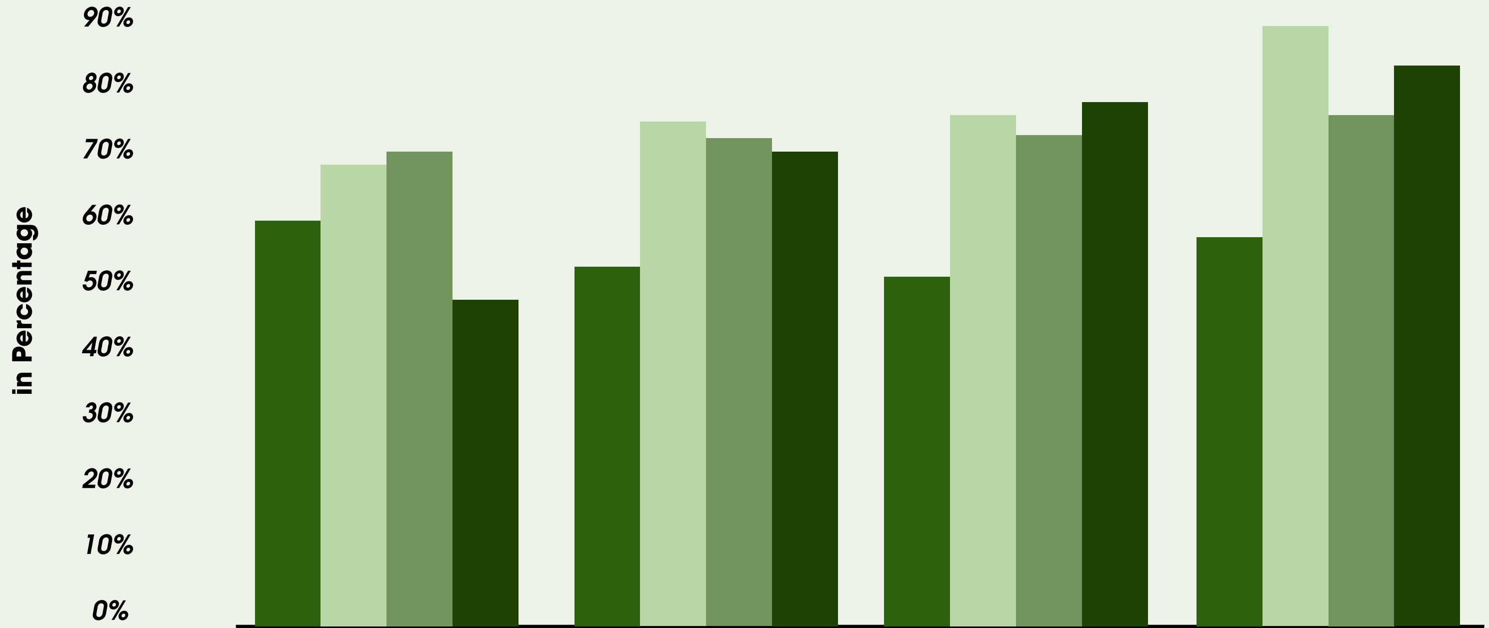
- Growth in number of Mandatory Sustainability Discloures (within Identified Samples)
- Growth in number of Voluntary Sustainability Discloures (within Indentified Sample)

Supportive of the growing trend data, uptake of sustainability disclosure among companies can also be noticed across regions. Companies in the Americas (including North and South Americas) report most on sustainability performance, followed by companies in Asia Pacific, Europe, Africa and Middle East. Among all regions, the trend of sustainability reporting among Asia-Pacific companies is growing fastest.

More specific country wise data showed that 90% of top companies (by revenue) in Japan, Mexico, Malaysia, India, the USA, Sweden, Spain, France, South Africa, the UK, Taiwan, Australia, Canada, and Germany report on their sustainability performance. While sector wise data highlight that, except in the retail sector, almost 70% of the top 100 companies in all sectors report on their sustainability performance.



Graph-3 Trend of Sustainability Reporting among Top 100 Companies by Revenue (Regional trend between 2011 to 2020)



	2011	2013	2015	2020
Africa & Middle East	61%	54%	53%	59%
Americas	69%	76%	77%	90%
Europe	71%	73%	74%	77%
Asia Pacific	49%	71%	79%	84%

Table-7 Countries where companies disclose sustainability information

Countries where more than 90% of Top 100 companies (by Revenue) provide sustainability disclosures				
Japan	*Mexico*	*Malaysia*	*India*	*USA*
Sweden	*Spain*	*France*	*South Africa*	*UK*
Taiwan	*Australia*	*Canada*	*Germany*	

Countries where average 77% to 90% of Top 100 companies (By Revenue) provide sustainability disclosures				
Finland	*Pakistan*	*Ireland*	*Netherlands*	*Italy*
Brazil	*Nigeria*	*Thailand*	*Argentina*	*Colombia*
Hungary	*Peru*	*Singapore*	*Switzerland*	*China*

Countries where less than 77% of Top 100 companies (By Revenue) provide sustainability disclosures				
Slovakia	*Austria*	*Belgium*	*Portugal*	*New Zealand*
Czech Republic	*Romania*	*Sri Lanka*	*Luxembourg*	*Panama*
Greece	*Kazakhstan*	*Costa Rica*	*Turkey*	*Iceland*

When it comes to sector wise trend, reporting rates of companies in sectors such as mining, technology, media & telecommunications, automotive, oil & gas, chemicals, and forestry & paper, exceed 80%.

Table-8 The MOST Sustainability Reporting Sectors

The MOST Sustainability Reporting Sectors

Sectors where More than 80% of Top 100 companies (by Revenue) provide sustainability disclosures		
Mining	*Technology, Media & Telecommunications*	
Automotive	*Oil & Gas*	*Chemicals*
Forestry & Paper		

Sectors where Less than 80% to 75% of Top 100 companies (by Revenue) provide sustainability disclosures		
Utilities	*Financial Services*	*Manufacturing & Metals*
Personal & Household Goods		

Sectors where Less than 75% of Top 100 companies (by Revenue) provide sustainability disclosures		
Food & Beverages	*Healthcare*	*Construction & Materials*
Tranport & Leisure	*Retail*	

Sustainability is an holistic concept, and the concept encompasses environmental, social, economic as well as governance topics. Any improvement in sustainability performance of an organisation depends on the extent and depth of coverage of environmental, social, governance and economic topics.

Among all ***environmental sustainability*** *topics:*

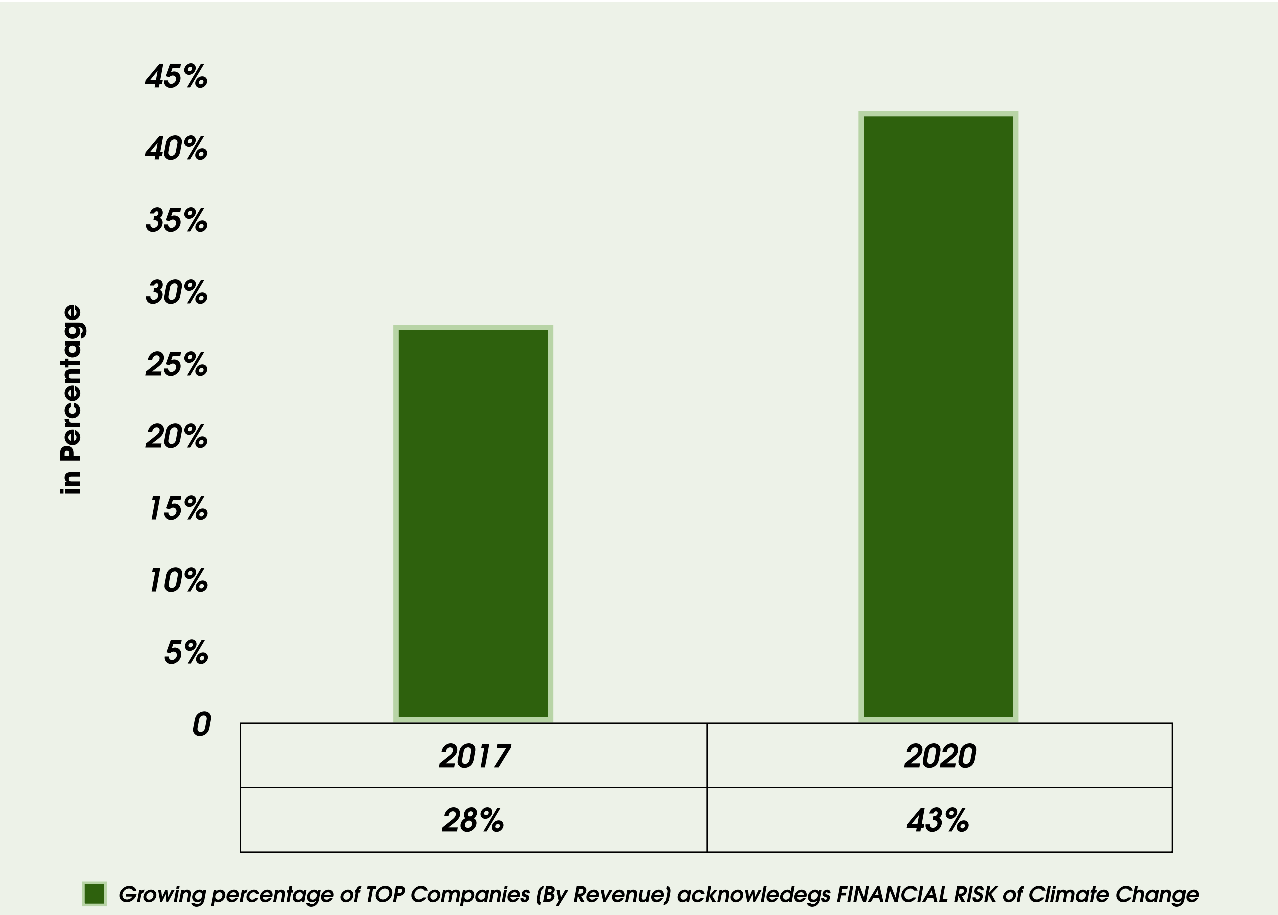
a) climate, GHG emissions, energy, land use & forests;

b) pollution, waste, hazardous substances; and

c) environmental compliance risks, are the TOPMOST reported topics.

Data suggest all major companies across the globe have started acknowledging the financial risk of climate change. Top companies in Taiwan, France, UK, The Netherlands, and South Africa the acknowledges the MOST the risk of climate change.

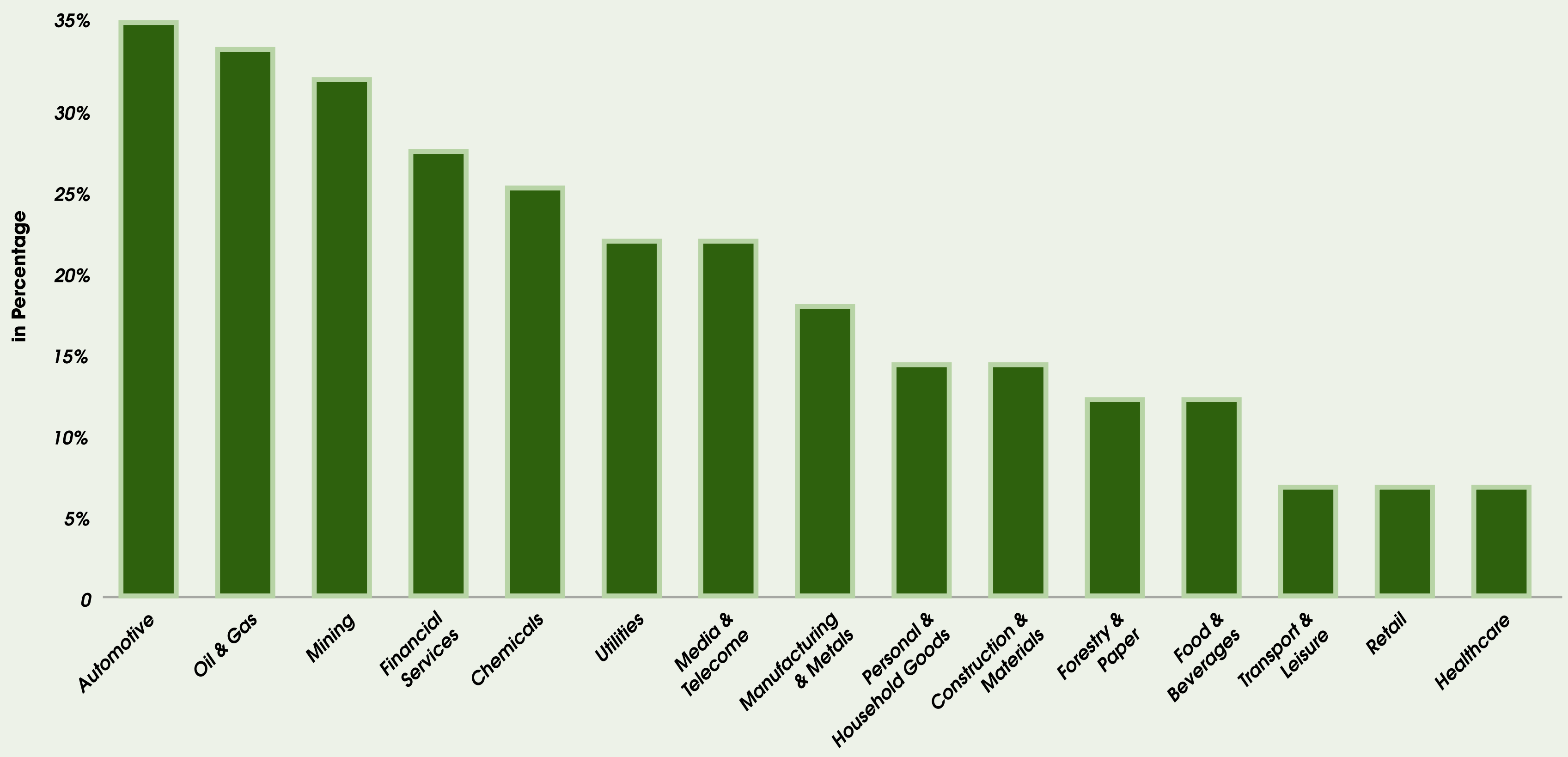
Graph-4 Percentage of companies acknowledging the FINANCIAL RISK of Climate Change



2017	2020
28%	43%

As the risk perception of climate change is increasing, companies across sectors are also aligning their corporate risk management strategies in line with the recommendations of the ***Task Force of Climate-related Financial Disclosures (TCFD).*** *In this respect, companies in the automotive, oil & gas, mining and financial services sectors are ahead of all other sectors.*

Graph-5 Sectors those aligned MOST with TCFD Recommendations



Automotive	Oil & Gas	Mining	Financial Services	Chem icals	Utilities	Media & Telecome	Manufactur ing & Metals	Personal & Household Goods	Construction & Materials	Forestry & Paper	Food & Beverages	Transport & Leisure	Retail	Healthcare
32%	31%	29%	25%	23%	20%	20%	16%	12%	12%	11%	11%	7%	7%	7%

Sectores those report MOST in line with TCFD Recommendations

In addition to climate change risks, the world is also facing similar risks from bio-diversity loss. The fifth UN Global Biodiversity Outlook report highlighted this fact and emphasised the interlinkage across climate change, unrecoverable loss of biodiversity and long-term food insecurity. Similarly, a report from the Swiss Re Institute also mentioned that 55% of global GDP depends on high-functioning biodiversity and ecosystems. Biodiversity is a fundamental component of long-term survival of businesses; therefore, it is critical for companies to disclose the impact of their operations on biodiversity as well as the risks of bio-diversity loss on their business.

As per KPMG's survey, sectors such as construction & building material, electricity, food & drug retailers, food producers & processors, forestry & paper, leisure & hotels, mining, oil & gas and utilities pose a high risk to biodiversity loss. In addition, sectors such as beverages, chemicals, financial services, general retail, household goods & textiles, personal care & household products, pharmaceuticals & biotech, support services, tobacco and transport pose a medium risk to biodiversity.

Table-9 Sectors pose RISKS to Biodiversity loss

Sectors pose RISKS to Biodiversity Loss

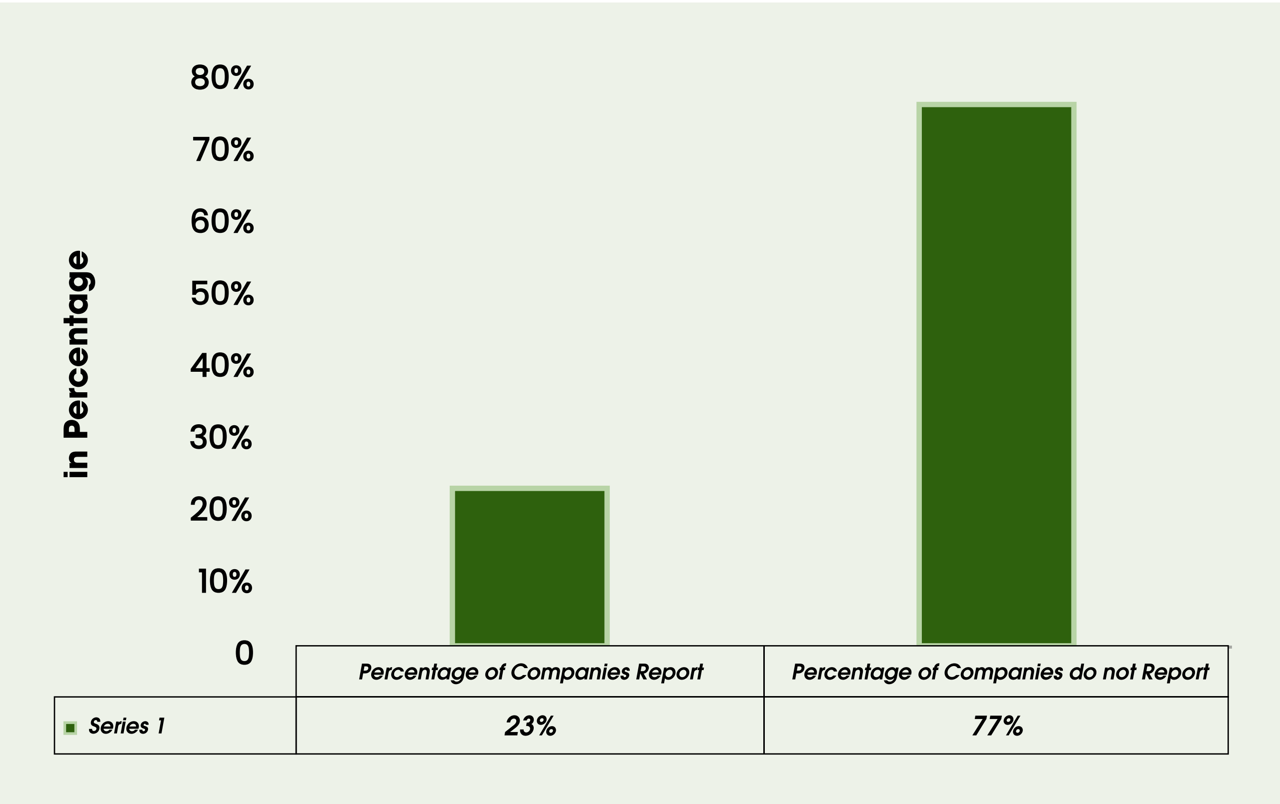
HIGH-RISK Sectors	
Construction & Building Material	*Forestry & Paper*
Electricity	*Leisure & Hotels*
Food & Drug Retailers	*Mining*
Food Producers & Processors	*Oil & gas*
	Utilities

MEDIUM-RISK Sectors	
Beverages	*Personal Care & Household Products*
Chemicals	*Pharmaceuticals & Biotech*
Financial Services	*Support Services*
General Retails	*Tobacco*
Household Goods & Textiles	*Transport*

Although, the Global Risks Report 2021 categorised 'Biodiversity Loss' as long term or existential risk, the reality is that disclosure of 'Biodiversity & Ecosystem Services' has remained low and generic across many companies. Much of our economic prosperity depends on quality of biodiversity. Many companies' profitability depends on quality of biodiversity. So, loss of biodiversity poses RISK to their business.

Under the ***social sustainability*** *topics: a) human rights; b) employment conditions, policies, and practices; and c) social impact and value creation are the TOP THREE reported topics among surveyed companies. Under the* ***economic sustainability*** *theme: a) economic performance; b) trade & investment; and c) business model, strategy & innovation are the most reported topics;*

Graph-6 Percentage of Top "At Risk" Companies reporting on the risk of biodiversity loss to their business opration



As per the survey, 77% of the top 'At Risk' companies do not report on the risk of biodiversity loss to their business.

Only 23% of companies report on the risk of biodiversity loss to their business and out of this reporting percentage, companies from mining, forestry & paper, food & beverages, oil & gas, and personal & household goods report the most on biodiversity loss.

whereas under the ***governance theme:*** *a) accountability, anti-corruption, anti-competitive behaviour; b) structure and leadership and c) ethics and integrity are the most reported themes. However, comprehensive analysis of the disclosures suggests that most disclosures of companies are relatively generic rather than providing an explicit narrative.*

Table-10 Top MOST Environmental themes addressed by Companies

- *Climate, GHG Emissions, Energy, Land use & forests*
- *Pollution, Waste, Hazardous Sustances*
- *Environment Compliance risks*
- *Water*
- *Material, Resource Efficiency (including circularity)*
- *Biodiversity & Ecosystem Service*
- *Supplier environmental assessment*

Table-11 Top MOST Social themes addressed by Companies

- *Human Rights*
- *Employment conditions, policies and practices*
- *Social impact and Value Creation*
- *Products & Service Responsibility*

Table-12 Top MOST Economic themes addressed by Companies

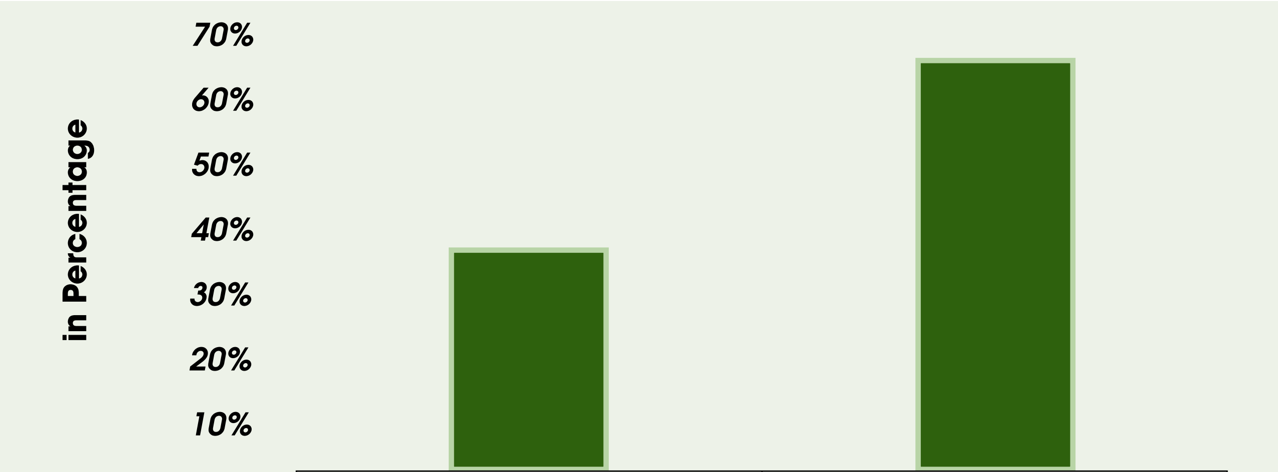
- *Economic performance*
- *Trade & Investment*
- *Business Model, Strategy & Innovation*
- *Procurement and Supply Chain Management*
- *Indirect Economic Impacts*
- *Market presence*

Table-13 Top MOST Governance themes addressed by Companies

- *Accountability, Anti-corruption, Anti-competitive Behaviour*
- *Structure and Leadership*
- *Ethics and Integrity*
- *Stokeholder Engagement*
- *Remuneration*
- *Effectiveness (including evalution process)*
- *Supplier Environmental Assessment*

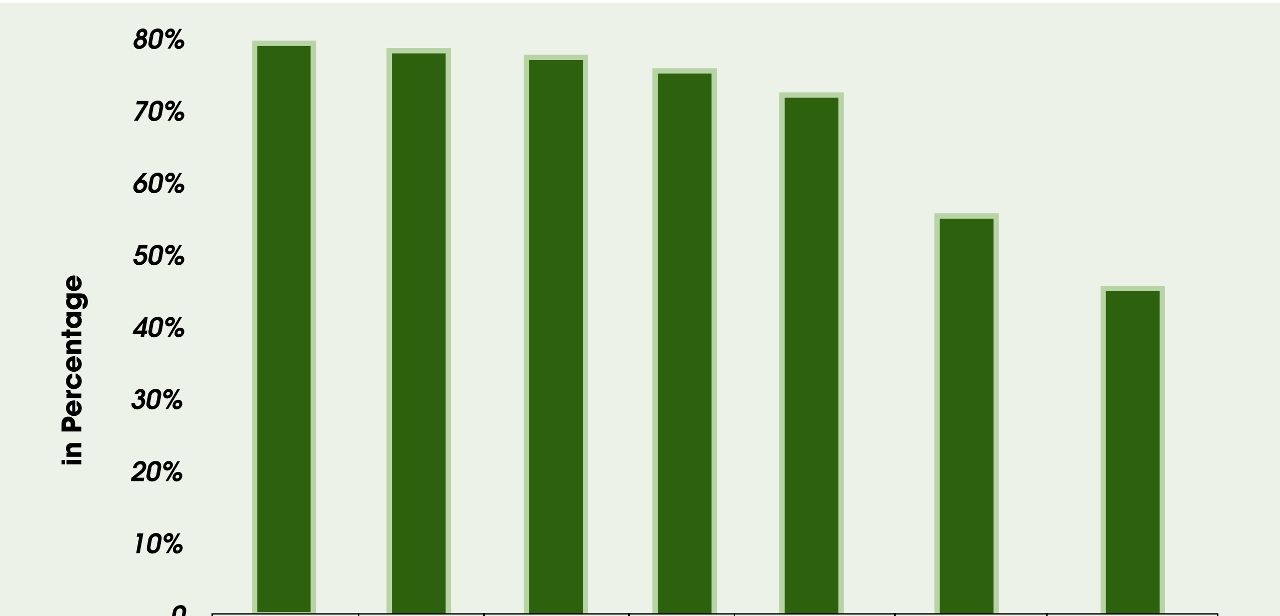
In addition to organisational specific sustainability frameworks such as GRI, IIRC, SASB, CDP and CDSB, since 2015 the Sustainable Development Goals (SDGs) act as a macro level road map for sustainable world. About 69% of companies across sectors align their business with SDGs and out of all sectors, companies from the automobile, oil & gas, and media & telecom sectors aligned their businesses MOST closely with the SDGs.

Graph-7 Percentage of Top companies aligned with Sustainable Development Goals



	2017	2020
Percentage of TOP Companies linked their business with SDGs	39%	69%

Graph-8 Sectors aligned with Sustainable Development Goals

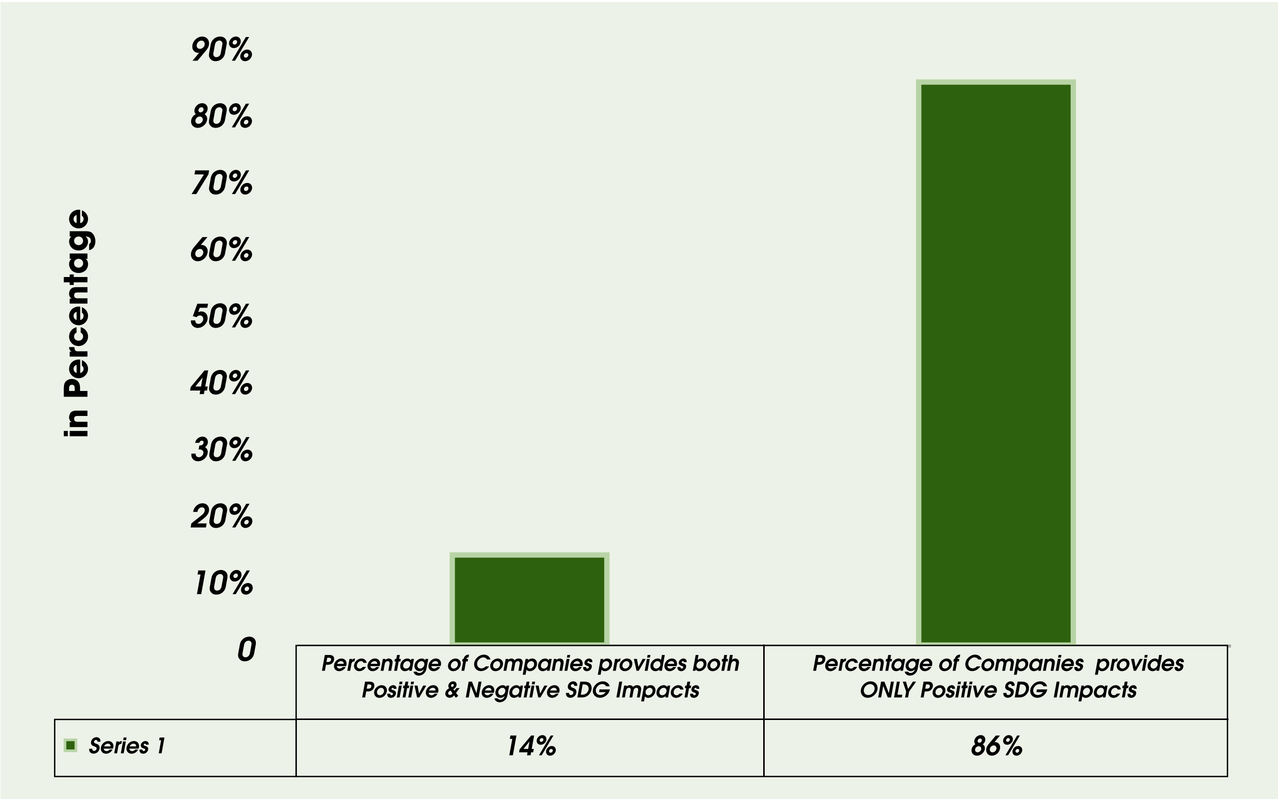


Automotive	Oil & Gas	Media & Telecom	Retail	Financial Services	Healthcare	Manufacturing & Metal
80%	78%	77%	75%	73%	56%	46%

Sectors those linked SDGs with their business activities

However, aligning a company's business with SDGs does not mean that they are providing a balanced view on their contribution to SDGs. The study suggests only 14% of all surveyed companies report on the positive and negative impacts of their operation.

Graph-9 Percentage of Top Companies providing balanced impact reports on Sustainable Development Goals



Conclusion

Non-financial voluntary reporting frameworks or sustainability reporting frameworks are into existence for last 22 years, starting with GRI as one of the pioneers followed by CDP, IIRC, SASB, and CDSB. We can broadly categorise GRI, IR, SASB, CDP and CDSB standards and frameworks into two groups:

a) multi-stakeholder focus as on the case of GRI;

b) investor and capital provider focus as in the case of IR, SASB, CDP and CDSB.

Furthermore, distinctions can also be drawn based on the materiality perspective. In the cases of IR, SASB, CDP, and CDSB, ***the materiality approach of a sustainability*** *topic is considered through the prism of financially material information.*

Conversely, in the case of GRI's the materiality approach of a sustainability topic is not limited to financially material information rather, it advocates that material sustainability information should not be deprioritised based on not being recognised as financially material by the organisation.

The trend of considering sustainability through the prism of financially material information has some further positive direct consequences.

Firstly, it will make non-financial sustainability data quantifiable and will improve its usefulness as investment grade information. Secondly, it will facilitate the flow of capital towards the green economy and *will advance the emerging sustainable finance domain.*

However, focusing on the financial materiality of sustainability information alone may lead to a sub-optimal outcome in the long term and may defeat the merits of early normative arguments for ***sustainability accounting and reporting*** *over traditional financial accounting.*

Hence, the literature argues that the inherent non-financial nature of ESG date should be embraced by the financial market. The pressure to incorporate calculability into ESG data may make many ESG issues invisible.

Because of the growing divergence within various sustainability frameworks and standards, there is a global trend towards convergence of sustainability or ESG reporting frameworks and standards. We have seen the formation of the Value Reporting Foundation after the merger of the International Integrated Reporting Committee (IIRC) and Sustainability Accounting Standard Board (SASB).Having said that, the fundamental conceptual models of IIRC and SASB did not cease to exist.

In addition, there is an international collaboration underway to consolidate sustainability or the ESG landscape under one comprehensive international sustainability standards. ***Hence, in 2021 the International Financial Reporting Standards (IFRS) Foundation have established the International Sustainability Standards Board (ISSB)****. The project is backed by the Financial Stability Board, the International Organisation of Securities Commissions, regulators, corporations, institutional investors, and other stakeholders.*

Currently, the Technical Readiness Working Group (TRWG) has been set up to enable the ISSB to draft a new international sustainability standard based on existing standards and frameworks, including the Climate Disclosure Standards Board, the Task Force for Climate-related Financial Disclosures (TCFD),the Value Reporting Foundation's Integrated Reporting Framework and SASB Standards, and the World Economic Forum's Stakeholder Capitalism Metrics.

The ISSB proposed to provide material, thematic and industry focused sustainability information relevant to investors' decision-making. The materiality approach of ISSB's proposed standards will focus on identifying"…sustainability matters that are reasonably possible to affect enterprises' value creation, preservation, or erosion over the short, medium, and long term which therefore would impact investors' investment decisions…".

Finally, the global trend in sustainability or ESG disclosures suggests that there has been considerable uptake of sustainability practices among companies worldwide from around paltry 12% in the early 90s to 80 % in 2020. The percentage is even higher, upto 90 percent, among the world's largest companies. GRI has remained the dominant ESG reporting standard globally, over peers such as IR and SASB.

The reason may be that GRI is the pioneer in this landscape, and hence possibly garners much more universal acceptance and legitimacy because of its stakeholder focus, rather than investor only focus. However, there has been a growth in adoption of IR in France, Japan, India, and Malaysia over recent years. One additional significant trend is the growth in providing third-party assurance of sustainability information by reporting entities. Even though 'reporting on risk from biodiversity losses remained low, climate change risk caught the imagination of the corporate world.

In regard to SDGs, the trend suggests that reporting on SDGs by corporates is often unbalanced and disconnected from business goals. However, the silver lining is that most companies are connecting their activities with the seventeen global Sustainable Development Goals set by the United Nations.

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