

NAVIGATING SUSTAINABILITY REPORTING STANDARDS



September 2023

Alyssa Martinec | Sustainability Specialist

Introduction



- ▶ Sustainability Specialist, Burns & McDonnell
- ▶ Education
 - ▶ MSUS & MBA, Chatham University, 2023
 - ▶ B.A., University of Pittsburgh, 2019
- ▶ Certifications
 - ▶ SEA
 - ▶ ENV SP
- ▶ Fun fact: I have 3 cats named Lux, Mei, and Tolstoy



ENVISION™

SEA | Sustainability
Excellence
Associate

Agenda

- 1** The Purpose of Reporting
- 2** Frameworks You Should Know
- 3** A Strategic Approach to Reporting
- 4** Tools and Resources
- 5** Q&A



THE PURPOSE OF REPORTING





Sustainability is no longer a fringe business interest.

- ▶ A variety of stakeholders are demanding that companies do more for the environment and society



Consumers



Investors



Regulatory
Bodies



Communities



Employees

- ▶ Reporting standards make corporate sustainability:

Transparent. Science-based. Comparable.

Reporting v. Rating



REPORTING

- UN SDGs
- GRI
- SASB
- TCFD
- TNFD
- IFRS S1 & S2
- ESRS

- CDP
- EcoVadis

RATING

- Sustainalytics
- MSCI
- Bloomberg
- Refinitiv
- S&P
- (150+)



Climate change poses serious risks to businesses.

- ▶ **Physical Risk:** risks related to the physical impacts of climate change
 - ▶ Acute
 - ▶ Chronic
- ▶ **Transition Risk:** risks related to the transition to a lower-carbon economy
 - ▶ Policy and legal risks
 - ▶ Technology risk
 - ▶ Market risk
 - ▶ Reputation risk
- ▶ Climate change affects each of the risks commonly assessed in financial markets (market risk, credit risk, liquidity risk, and operational risk)





SEC proposes rules to enhance and standardize climate-related disclosures for investors.

- ▶ U.S. Securities and Exchange Commissions proposed a rule (anticipated to be adopted in 2024) to enhance and standardize climate-related disclosures for investors. It would require:
 - ▶ Governance of climate-related risks and relevant risk management processes
 - ▶ Climate-related financial risks
 - ▶ How climate-related risks affect strategy, business model, and outlook
 - ▶ Scope 1 & 2 emissions and scope 3 if material or included in emissions reduction target
 - ▶ Required first for larger companies, with later adoption for smaller companies
 - ▶ Not required for private companies, but many will need to report data for other companies reporting on their supply chain or wish to comply for benchmarking purposes





Do you operate in or export to the EU?

- ▶ Corporate Sustainability Reporting Directive (CSRD)
 - ▶ Required for large EU companies and EU subsidiaries of non-EU companies that generate an annual net turnover of EUR 150 million in the EU
 - ▶ Coming into affect in 2024 for EU companies and 2028 for non-EU companies
 - ▶ Requires reporting in accordance with European Sustainability Reporting Standards (ESRS) or standards deemed to be equivalent
 - ▶ Will impact over 3,000 US companies
- ▶ Carbon Border Adjustment Mechanism (CBAM)
 - ▶ Requires companies to collect data on the embedded emissions of certain imported goods in October of this year, with reporting beginning by the end of January 2024
 - ▶ Cement, iron & steel, aluminum, fertilizers, electricity, and hydrogen





FRAMEWORKS YOU SHOULD KNOW



UN Sustainable Development Goals



17 goals of the 2030 Agenda written by the UN General Assembly in 2015.





The first global reporting framework.

- ▶ The Global Reporting Initiative (GRI) Standards created by the Global Sustainability Standards Board (GSSB) and updated in 2021
- ▶ Oldest and most commonly used reporting framework
- ▶ Universal Standards
 - ▶ GRI 1: Foundation 2021
 - ▶ GRI 2: General Disclosures 2021
 - ▶ GRI 3: Material Topics 2021
- ▶ Sector Standards
 - ▶ Include “likely material topics” and link to the SDGs
 - ▶ 40 in development; Oil and Gas (GRI 11), Coal (GRI 12), and Agriculture, Aquaculture and Fishing (GRI 13) available for public use
- ▶ Topic Standards
 - ▶ Economic, environmental, and social disclosures based on materiality





Reporting for investors.

- ▶ The Sustainability Accounting Standards Board (SASB) Standards provides industry-based disclosures that could reasonably be expected to affect cash flows, access to finance, or cost of capital
- ▶ SASB uses the Sustainable Industry Classification System® (SICS®) to group companies based on shared risks and opportunities
- ▶ A combination of quantitative and qualitative disclosure topics with associated metrics and technical protocols to provide guidance on definitions, scope, implementation, and presentation





Decision-useful, forward-looking information.

- ▶ Task Force on Climate-related Financial Disclosures (TCFD), created by the Financial Stability Board to improve and increase reporting of climate-related financial information, created 11 recommended disclosures around these topics:
 - ▶ Governance
 - ▶ The organization's governance around climate-related risks and opportunities
 - ▶ Strategy
 - ▶ The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning
 - ▶ Risk Management
 - ▶ The processes used by the organization to identify, assess, and manage climate-related risks
 - ▶ Metrics and Targets
 - ▶ The metrics and targets used to assess and manage relevant climate-related risks and opportunities



The next big thing.

- ▶ Announced in 2020, the Taskforce on Nature-related Financial Disclosures (TNFD) consists of 40 individual Taskforce Members representing financial institutions, corporates and market service providers
- ▶ Climate change is important, but climate-related risks does not tell the full story
- ▶ TNFD Nature-Related Risk & Opportunity Management and Disclosure Framework final version was released on September 18th!





Public and private global disclosure system to manage environmental impacts.

- ▶ CDP has questionnaires for companies on climate change, forests, and water security
- ▶ Questionnaires submitted on time are scored from A to D- that correspond with four consecutive levels representing the steps a company moves through as it progresses towards environmental stewardship
 - ▶ Disclosure
 - ▶ Awareness
 - ▶ Management
 - ▶ Leadership
- ▶ Responses can be made public or private
- ▶ CDP Supply Chain Member





Documentation-driven reporting.

- ▶ Private company
- ▶ Companies submit answers with supporting documentation to a questionnaire tailored to the organization's industry, reflecting relevant metrics across four key areas of sustainability:
 - ▶ Environment
 - ▶ Ethics
 - ▶ Labor & Human Rights
 - ▶ Sustainable Procurement
- ▶ Companies receive a scorecard breaking down strengths and improvement areas
- ▶ EcoVadis awards medals (Platinum, Gold, Silver, Bronze, or no medal) based on the percentile rank of your company's EcoVadis score and a minimum theme score



Mandatory EU reporting is finally here.

- ▶ EU's Corporate Sustainability Reporting Directive (CSRD) mandates reporting based on a new set of standards known as the European Sustainability Reporting Standards (ESRS)
- ▶ Written by the European Financial Reporting Advisory Group (EFRAG)
- ▶ 12 standards divided into four reporting categories: general, environmental, social, and governance

**There are way too many
frameworks.**

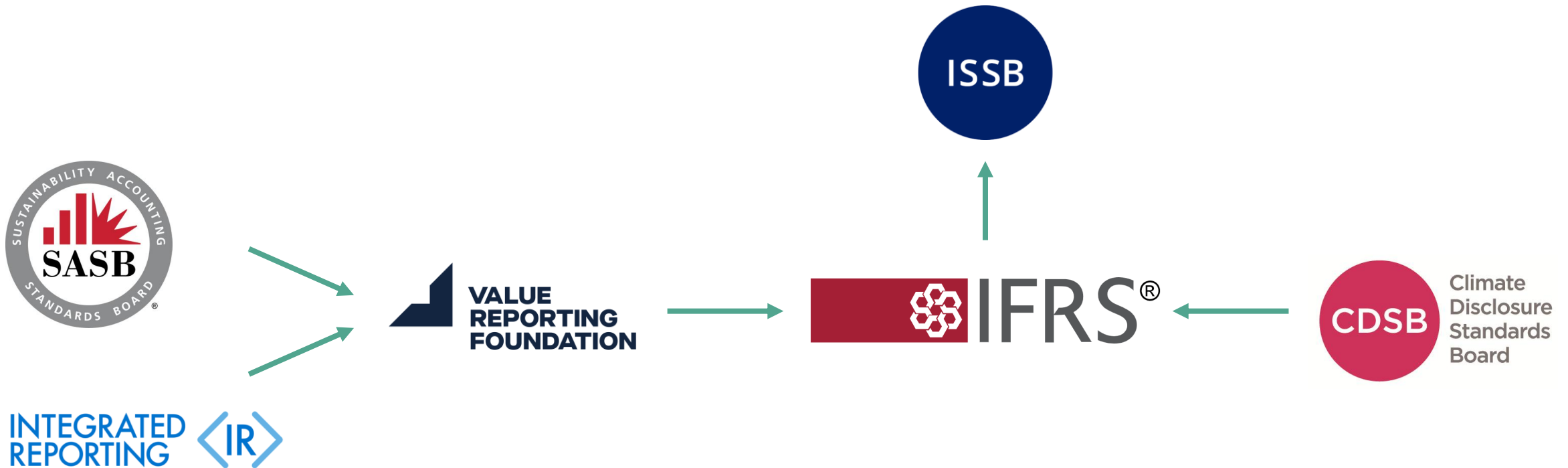


IFRS S1 and S2 Standards



A new world of reporting coming to you in 2024!

- ▶ The IFRS Foundation established the International Sustainability Standards Board (ISSB) in 2021, a sister board to the International Accounting Standards Board (IASB)





Creating synergy with existing frameworks.

- ▶ Standards published in 2023 for reporting periods beginning on Jan. 1, 2024
- ▶ IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
- ▶ IFRS S2 Climate-related Disclosures
- ▶ Took over TCFD monitoring responsibilities from the Financial Stability Board
- ▶ The European Commission published a revised draft of the ESRS with a primary objective to assure high interoperability and avoid creating a double reporting burden for those reporting with IFRS



IFRS and GRI aim to complement each other.

- ▶ In March 2022, the IFRS Foundation put out a statement that ISSB and GSSB will join each other's consultative bodies
- ▶ IFRS standards will develop a comprehensive global baseline of be investor-focused sustainability disclosures for the **capital markets**
- ▶ GRI will be the leading global standard-setter for **multi-stakeholder** focused sustainability reporting



For those interested in considering impact when assessing enterprise value, using the standards set by the ISSB and GSSB together will offer a complete and compatible suite of sustainability disclosures. This agreement will see the two standard-setting boards cooperate in pursuit of that objective.





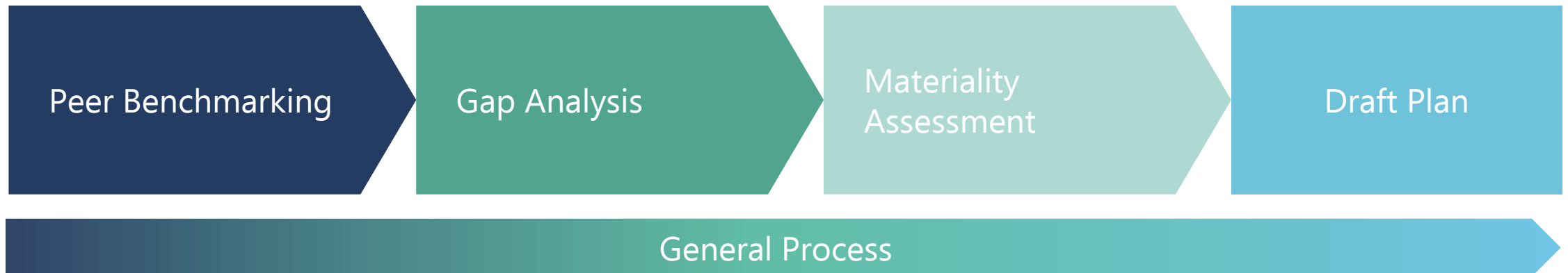
A STRATEGIC APPROACH TO REPORTING





Peer benchmarking, materiality, and compliance.

- ▶ Begin by researching your industry
- ▶ Conduct a materiality assessment
 - ▶ **Double materiality** combines impact materiality and financial materiality
- ▶ Between the CSRD, CBAM, and potential SEC ruling, compliance is becoming the norm
 - ▶ Do not wait for compulsory reporting



Reporting Standards Summary



Framework	Audience	Topics	Score
GRI	Multi-stakeholder	Economy, environment, society	No
SASB	Investors	Environment, human capital, social capital, business model and innovation, leadership and governance	No
TCFD	Investors	Climate-related governance, strategy, and risk management	No
TNFD	Investors	Nature-related governance, strategy, and risk management	No
CDP	Multi-stakeholder	Climate, water, forests	Yes
EcoVadis	Multi-stakeholder	Environment, ethics, labor & human rights, sustainable procurement	Yes
IFRS S1 & S2	Investors	Sustainability- and climate-related governance, strategy, and risk management	No



REPORTING IS AN OPPORTUNITY



Reporting should inform overall business strategy

Does your business model still work in a rapidly changing world?

Reassess products and services.



Reveal what is working and where you are falling behind

It is easy to get lost in the storm of sustainability initiatives.

Reorient your priorities.



Become a leader in your industry

This is an opportunity to stand out amongst your competitors.

Be the first to adopt a reporting standard.



Recruitment and retention

Young people in particular want to work somewhere that reflects their values.

Be a great place to work.



Verify your sustainability performance.

- ▶ Seeking third-party assurance verifies the claims made in your sustainability report
- ▶ Offered by a wide range of organizations, including CPA, engineering, and consulting firms
- ▶ Data and data-collection methodology reviews
- ▶ On-site assessments
- ▶ Proper alignment with reporting standards



THIRD-PARTY VERIFIED
GRI 2: General Disclosures
2-5 External Assurance



TOOLS AND RESOURCES





There are resources to help guide you.

- ▶ Calculate your **greenhouse gas emissions** using the GHG Protocol
- ▶ Set your **emissions reduction target** using the Science Based Targets initiative (SBTi)
 - ▶ The Science Based Targets Network (SBTN) is developing guidance on setting targets for nature
- ▶ Identify and determine how to measure your impacts and dependencies on **natural, social, and human capital** using the Capitals Coalition frameworks
 - ▶ Natural Capital Protocol
 - ▶ Social & Human Capital Protocol
- ▶ Investigate the **environmental justice** issues facing the communities in which you operate using the EPA EJScreen: Environmental Justice Screening and Mapping Tool
- ▶ Seek **guidance across the board** from consultants

Let's Connect!



Alyssa Martinec

Sustainability Specialist at Burns & McDonnell

Kansas City, Missouri, United States · [Contact info](#)

