



ESG Reporting

According to PWC, financial services places more focus on ESG reporting than any other industry. And beyond meeting regulatory requirements, high-quality ESG reporting is instrumental in differentiating yourself in the eyes of investors. But getting it right means dealing with all sorts of challenges, from unconsolidated frameworks or standards to complicated company reporting processes.

Over the years, we've worked on dozens of ESG reports for some of the world's largest asset managers. Here's what we've learned:

How to pick your framework/standard:

An essential step in navigating the ESG alphabet soup is distinguishing between an ESG standard and framework, and figuring out which you need for your report.

An ESG standard is an agreed level of quality requirements. Think of standards as the **criteria and metrics of what should be reported**. Frameworks, on the other hand, provide a **guide for contextualising information, and are seen as more flexible than standards**.

Depending on industry and region, legal requirements will specify a framework or standard in reporting obligations. For instance, TCFD-based reporting is mandatory for larger UK-registered companies and financial institutions.

The most common ones used in investment management ESG reporting are shown opposite.

When picking your standard or framework, consider the following:



Audience

Is your report intended for institutional investors or the everyday investor? Choose an approach that best captures the answers your audience needs.



Legal reporting requirements

Factors such as amount of assets under management and location can influence your choice of approach.



Data availability

What sort of data is available/relevant to you? What can you quantify?



Content marketing

Your report can become a powerful marketing document, so think about the approach that best lends itself to your content plan.

Global Reporting Initiative

Standard or Framework?
Standard

Overview

The GRI uses a series of interconnected standards across 3 series: the GRI Universal Standards, the GRI Sector Standards, and the GRI Topic Standards.

These can be used to prepare a sustainability report, or selected GRI standards may be used to report specific information for specific users or purposes.

Requirements

If you want your report to be produced in accordance with the GRI standard, it must fulfil the Reporting Principles: Comparability, Accuracy, Timeliness, Clarity, Reliability, and Conclusion.



Task Force on Climate-related Disclosures

Standard or Framework?
Framework

Overview

The framework issued by the Task Force on Climate-Related Financial Disclosures consists of reporting on 4 pillars:

1. Governance
2. Strategy
3. Risk Management
4. Metrics and Targets

Requirements

A report produced using the TCFD framework must comply with the **Fundamental Principles For Effective Disclosure**, which determine the relevance, accessibility and consistency of the content in the report.



Sustainability Accounting Standards Board

Standard or Framework?
Standard

Overview

SASB disclosure topics (for asset management) include:

1. Transparent Information & Fair Advice for Customers
2. Employee Diversity & Inclusion
3. Incorporation of ESG Factors in Investment Management & Advisory
4. Business Ethics

This standard adopts a backward-looking approach on sustainability, rather than aspirational. In other words, it looks at what has been done rather than what the organisation is striving towards.

Requirements

SASB issues industry-specific guidelines for 77 different industries. Each company can determine which standards apply to them, as well as what disclosure topics are quantifiable within their business.



What kind of ESG data should you gather? (According to the **World Economic Forum**)



With any ESG data you collect, it's important to consider the impact that any ESG-related practices had on the organisation, the planet, or both. In other words, don't just say what you have or did, but what happened next.

Where should the data come from?



Good news: the majority of what you need for your reporting will be available within your organisation. Depending on the reporting structure, some data will be available publicly, while some will need to be requested. Allow plenty of time for the relevant teams to collect and parse the data.

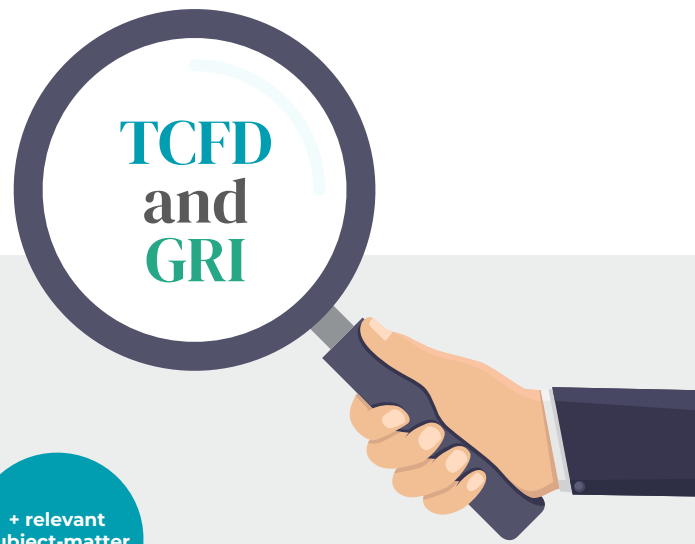


When reporting on things such as scenario planning or risk analysis, supporting data is necessary to explain the company's reasoning behind its reporting and/or initiatives. Examples include projected water levels over the next decades, survey data about financial inequality, or labour market participation in a specific US state.



For measurements that require estimation, send out a survey to the relevant parties.

A closer look

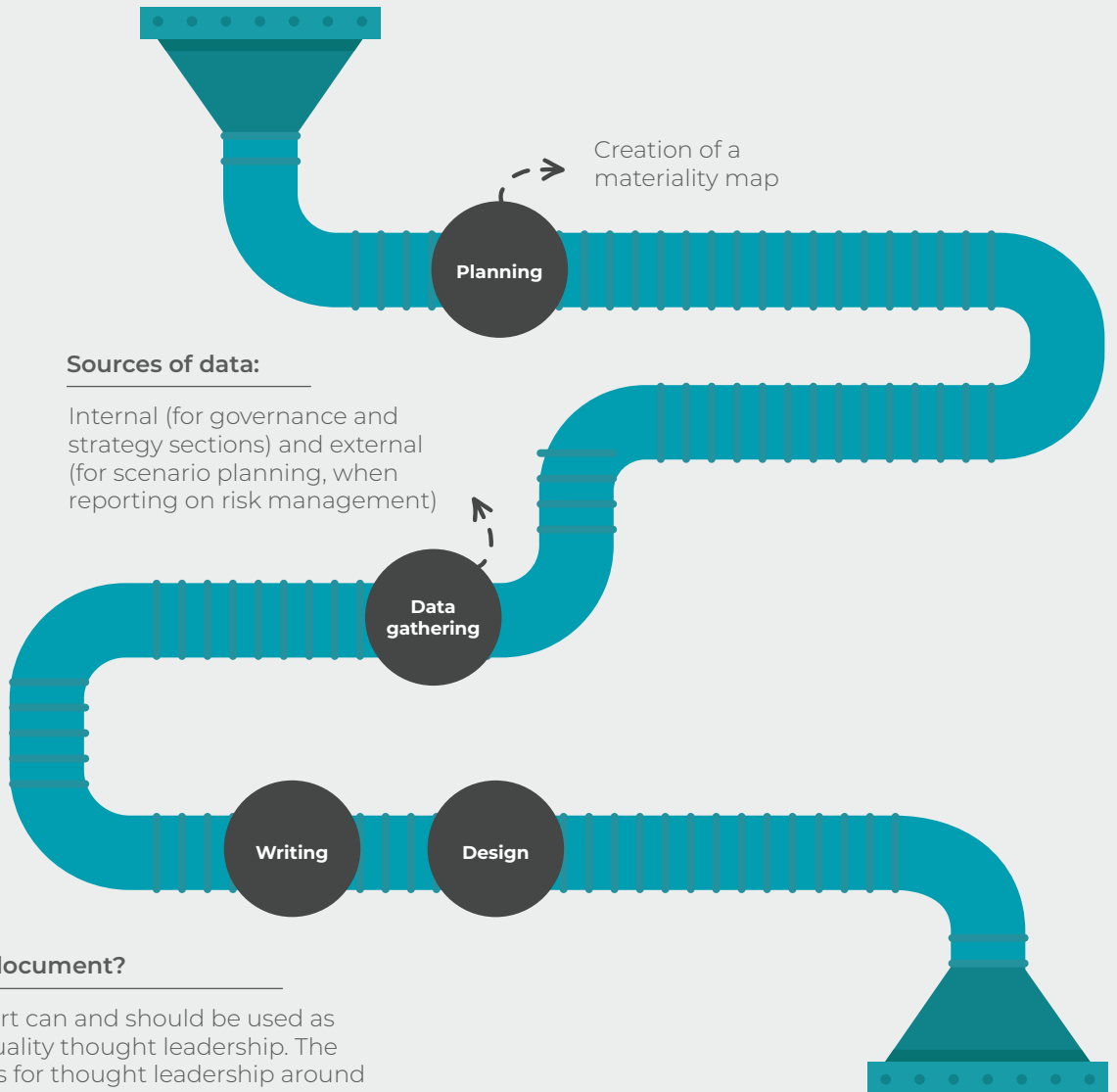


What goes into producing a TCFD report?



What is it?

Reports using the TCFD framework consist of four thematic areas that span from the micro to the macro of identifying and measuring climate-related risks. In terms of the ESG breakdown, the TCFD report mostly focuses on the environmental component, with some mention of social and governance-related topics.



Sources of data:

Internal (for governance and strategy sections) and external (for scenario planning, when reporting on risk management)

Can it be a marketing document?

Yes! Any regulatory report can and should be used as a foundation for high-quality thought leadership. The investing world is all ears for thought leadership around ESG, and a TCFD report lends itself well to thought leadership covering:

- ▶ Biodiversity
- ▶ Deforestation
- ▶ Sustainable development
- ▶ Soil erosion
- ▶ Recycling

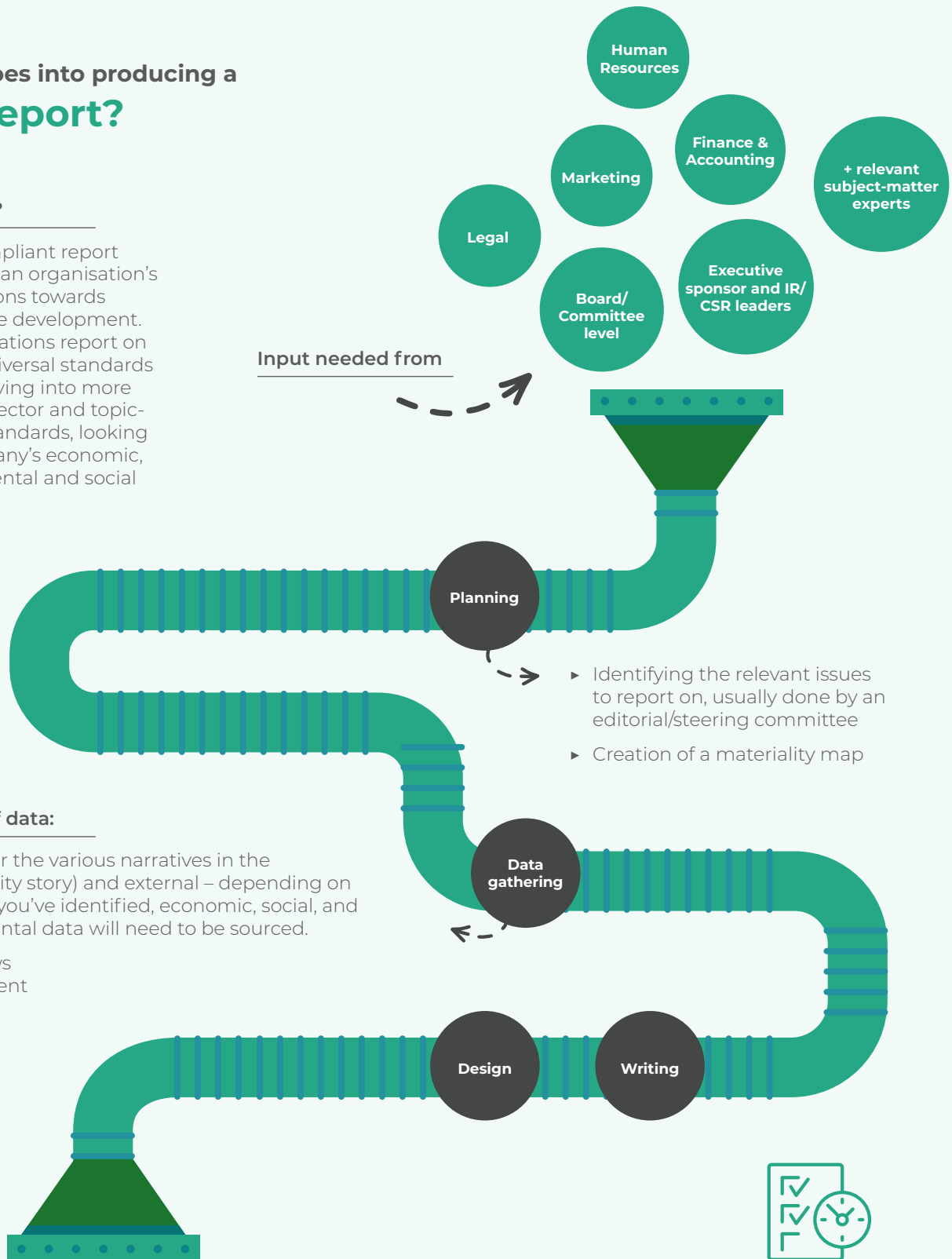
According to **Peregrine Communications**, audience demand for all these topics outstrips supply.



What goes into producing a GRI report?

What is it?

A GRI-compliant report highlights an organisation's contributions towards sustainable development. All organisations report on a set of universal standards before delving into more detail on sector and topic-specific standards, looking at a company's economic, environmental and social impacts.



Sources of data:

Internal (for the various narratives in the sustainability story) and external – depending on the issues you've identified, economic, social, and environmental data will need to be sourced.

- ▶ Interviews
- ▶ Assessment
- ▶ Research

Can it be a marketing document?

Yes. You went through all this work to produce your report, so be sure to add various media to the mix to strengthen the impact and readability of your message. To further improve reach, also consider short videos or infographics.

Estimated time to complete:

12 months, but processes may vary depending on team structure, legal requirements, available data, and other factors.

