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ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE: PRIVATE SECTOR INSIGHTS

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OVERVIEW:

The purpose of this brief is to contribute to a better understanding of: (1) how the private sector is using Environmental, Social, Governance (ESG) frameworks and indicators; (2) private sector motivations and needs as it relates to ESG; and (3) potential opportunities for engagement with the private sector on ESG issues.

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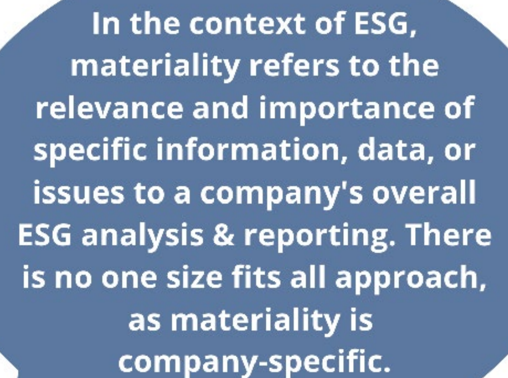
THE CURRENT ESG LANDSCAPE:

Shareholders and stakeholders are demanding greater transparency and more effective management of environmental, social, and economic risks and opportunities in the private sector. Investors in particular, utilize ESG criteria to evaluate the soundness of current and potential investments. Currently, the understanding and interpretation of ESG, as well as ESG reporting outputs, vary widely between sectors and industries. As such, the standardization and harmonization of ESG reporting frameworks and metrics have become a priority in the private sector, to facilitate increased usability by investors and consumers, among others.

How does the Private Sector think about ESG?

ESG is an umbrella term which encompasses determining factors and criteria for responsible investing. Although the environmental, social, and governance criteria which constitute ESG are non-financial, they have the potential to result in positive or negative financial impacts (i.e. they are financially-material). Environmental criteria considers a company's impact on nature; social criteria considers a company's relationship with its employees, suppliers, customers, and host communities; whereas governance criteria considers transparency, accountability, and integrity in leadership structures, as well as financial and accounting information for example.



What determines a company's priority for ESG investments?

Materiality assessments form the basis of ESG reporting in mainstream capital markets, as they assist in determining the relative importance of various ESG opportunities and risks for specific companies. ESG guidelines and principles may deliver better financial returns, lower financial risk, or an improved corporate image. Additional incentives include:

- Attracting and retaining investments
- Reducing vulnerability to current and future risks
- Informing future economic and financial decisions
- Satisfying stakeholder demands and maintaining trust
- Ensuring compliance with regulatory or legislative bodies
- Determining the company's relative performance on ESG issues
- Analysis of strengths, weaknesses, opportunities, and threats (SWOT)
- Gaining and maintaining competitive advantage or industry leadership

Who is the potential audience for ESG disclosures?

The audience for ESG disclosures is diverse, with a wide array of shareholders and stakeholders having demonstrated interests in ESG.

- Corporate leadership (e.g. Board of Directors, C-suite executives, and sustainability officials)
- Shareholders (e.g. investors, insurers and reinsurers, asset managers, and other capital allocators)
- Clients, customers, and consumers
- Current and aspiring employees
- ESG rating and ranking agencies
- Data and business analytics platforms
- Broader Civil Society (e.g. NGOs, activists, academia, media, and engaged members of the public)
- Government actors (e.g. regulatory and legislative bodies, policymakers, and elected officials)

ESG REPORTING AND DISCLOSURES:

What are the most common ESG reporting frameworks?

ESG prioritizes measurable goals and quantitative results, yet there are dozens of ESG disclosure systems which vary widely. The vast majority include optional metrics for reporting, and are sector-, industry-, or even stakeholder-specific. Many companies utilize a hybrid approach to reporting, by adapting multiple frameworks to their own priorities and needs. Even when companies utilize the same frameworks, their approach to, and understanding of materiality may differ. A few of the most commonly used reporting systems are included below. Additionally, many companies also reference the United Nations Sustainable Development Goals (UN SDGs), the U.S. International Development Finance Corporation's Impact Quotient, and the Global Impact Investing Network's IRIS+ system, to guide their understanding and reporting of ESG.

REPORTING SYSTEM	TYPE OF GUIDANCE	FOCUS
Global Reporting Initiative (GRI)	Standards	ESG
CDP (formerly the Carbon Disclosure Project)	Questionnaires, scoring	Climate, water, forest
Sustainability Accounting Standards Board (SASB)	Standards	ESG
Taskforce on Climate-Related Financial Disclosures (TCFD)	Framework	Climate

Challenges and limitations associated with ESG standards, ratings, and frameworks

- Too many frameworks to navigate; limited guidance on where to start, and what and how to disclose
- Lack of alignment in corporations' understanding and application of core concepts and key metrics
- Duplication, inconsistency, and incomparability between frameworks
- Differences in values, goals, and demands among the intended audiences
- Fear of litigation based on disclosures
- Disproportionate focus on single or static data points, instead of multi-year trends
- Disproportionate focus on past performance, versus current and projected future performance
- Questionable accuracy, validity, and traceability of raw data ("greenwashing")
- Changeable relationships between sustainability and competitiveness, as well as ethics and profitability

THE FUTURE OF ESG

What are the major developments in favor of standardized ESG reporting?

Investors are continually demanding greater usability and consistency in sustainability and ESG-related disclosures so that they can make sound financial decisions. Furthermore, some of the most influential global investors have formed partnerships in favor of standardized reporting frameworks.

- In September 2020, the International Federation of Accountants called for the creation of a new sustainability standards board; 5 major reporting companies announced intent to work together.
- In October 2020, the Financial Reporting Council (UK) proposed the development of a new framework.
- In December 2020, a prototype climate-related financial disclosure standard was launched.
- A week later, WEF and the Big Four accounting firms announced a new common set of ESG metrics.
- In June 2021, the International Integrated Reporting Council (IIRC) and SASB officially merged to form the Value Reporting Foundation.

What is next for ESG in the private sector?

- Due to increased demands from investors, more government regulation is expected in the US, especially on the part of the US Securities and Exchange Commission (SEC)[1].
- ESG regulation in Europe (via the European Green Deal, the European Union's (EU) Non-Financial Reporting Directive, and the EU Taxonomy for Sustainable Finance for example), is expected to impact the decisions of US corporations, especially those operating internationally.
- Global economic disruptions resulting from COVID-19 or large-scale violence, have the potential to catalyze shifts in global power dynamics (in favor of China or Russia for example), and could significantly impact ESG priorities and/or global uptake of US frameworks.
- The mainstreaming of public awareness and advocacy around Diversity, Equity, and Inclusion (DEI), climate change, information privacy, as well as other social and environmental issues, will continue to be important determinants in ESG disclosures because of the impact on corporate image and financial performance

1. In March 2021, the SEC announced the creation of a Climate and ESG Enforcement Task Force to monitor related private sector disclosures. In March 2022, the SEC proposed rule changes to standardize climate-related disclosures.

ADDITIONAL RESOURCES

For additional USAID resources on private sector engagement through ESG, see below:

- Private Sector Engagement Harmonizing Indicators Tool
- USAID Private-Sector Engagement Policy
- USAID Private Sector Engagement Hub
- USAID Private-Sector Evidence and Learning Plan
- USAID Private Sector Engagement Opportunities Tool

For more information, please visit the USAID Private Sector Engagement webpage, or contact Melissa Paulsen, Associate Director of Entrepreneurship and Education Programs, at the Pulte Institute for Global Development.

Appendix A

Most widely used ESG frameworks (adapted from the Shaping your ESG & Sustainability Reporting Journey webinar)

Framework	Description	Audience	Report Focus	ESG Focus	Scoring	Cost
Global Reporting Initiative (GRI)	Set of standards used by companies to report the topics that are material to their business	All stakeholders	How business impacts on society	Environment, Social, Governance	No	No
Sustainability Accounting Standards Board (SASB)	Industry-specific standards to help companies select topics that may impact their financial performance	Investors	How ESG issues affect the business	Environment, Social, Governance	No	No
CDP (formerly the Carbon Disclosure Project)	Disclosure of environmental information through questionnaires - ability to benchmark against peers and engage supply chains	All stakeholders	How business impacts on governance	Environment, Governance	Yes	Yes
Sustainable Development Goals (SDGs)	Broad goals that help track against global issues. Good for engaging with wide range of stakeholders	All stakeholders	How business impacts on society	Environment, Social, Governance	No	No
SDG Impact Standards	A decision-making framework, providing guidance on the practices organizations should adopt to	All stakeholders	How business impacts on society	Environment, Social, Governance	No	No

	measure and manage SDG impact. The first standards to be consistent across enterprises and investors.					
Taskforce on Climate-Related Financial Disclosures (TCFD)	Guidance for disclosing the impact of climate-related risk on your business	Investors and financial stakeholders	How climate impacts the business	Environment, Governance	No	No
United Nations Global Compact	Commitment to 10 principles and produce an annual progress update	All stakeholders	How business impacts on society	Environment, Social, Governance	No	Fee for large companies
Climate Disclosure Standards Board (CDSB)	Framework for reporting environmental and natural capital information	All stakeholders	How business impacts on society	Environment, Governance	No	No

Additional ESG frameworks and standards (compiled via a literature review on ESG, completed January 2022)

Framework	**Description**	**Audience**	**Report Focus**	**ESG Focus**	**Scoring**	**Cost**
The Greenhouse Gas Protocol	Greenhouse gas accounting standards to measure and manage emissions	Investors, companies, and governments	How business and government impacts the environment	Environment	No	No
The Taskforce on Nature-related Financial Disclosures (TNFD) framework	Disclosure framework for nature-related risks and opportunities	All stakeholders	How the environment impacts business	Environment	No	No

International Sustainability Standards Board (ISSB) - IFRS Sustainability Standards	Comprehensive global baseline of sustainability-related disclosures focused on the needs of investors and the financial markets	Investors, but also all stakeholders	How ESG issues affect the business	Environment, Social, Governance	Yes	Yes (membership)
The World Bank's Sovereign ESG Data Framework	Provides information on 17 key sustainability themes spanning environmental, social, and governance categories	Financial sector, governments	How business impacts environment, society, and governance	Environment, Social, Governance	No (possible for future versions)	No
UN Guiding Principles on Business and Human Rights (UNGPs) - the Protect, Respect and Remedy Framework	Global framework for companies' accountability and responsibility in preventing, mitigating, and remediating the actual and potential negative impacts on people/human rights	All stakeholders	How business impacts society	Environment, Social, Governance	No	No
The World Benchmarking Alliance	Assesses keystone companies based on seven benchmarks that will compare companies' performance on the SDGs	All stakeholders	How businesses impacts environment and society	Environment, Social, Governance	Yes	No
Fixing the Business of Food Initiative – the Four Pillar Framework and Standards for Food	Guides business alignment with the SDGs and the Paris Climate Agreement (PCA), specifically for companies in the	All stakeholders	How businesses impacts environment and society	Environment, Social, Governance	Yes	No

Company Alignment with the SDGs	food and agriculture sector					
Principles for Responsible Investment (PRI) Reporting Framework	The largest global reporting project on responsible investment	Investors	How ESG issues affect the business	Environment, Social, Governance	Yes	Yes (membership)
World Economic Forum's (WEF) Stakeholder Capitalism Metrics	Set of 21 core and 34 expanded metrics and disclosures for consistent sustainability reporting	All stakeholders	How business impacts on environment, society, and governance	Environment, Social, Governance	Yes	No
International Integrated Reporting (IR) Framework	Used to accelerate the adoption of integrated reporting across the world. Integrates financials/business information with sustainability disclosures A more cohesive and efficient approach to reporting that enhances accountability and stewardship across financial, natural, manufactured, human, intellectual, and social and relationship capital	All stakeholders	How ESG issues affect the business How the business impacts environment and society	Environment, Social, Governance	Yes	Yes (membership)

Science Based Targets Initiative (SBTi)	Targets which show companies how much and how quickly businesses need to reduce their GHG emissions towards decarbonization. Assists companies in seizing the benefits of climate change and boosting their competitiveness in the transition to a net-zero economy	Companies, investors	How ESG issues affect the business	Environment	Yes	Yes
Workforce Disclosure Initiative (WDI)	Investor collective created to help companies better communicate labour practices to stakeholders in an efficient way	Investors	How business impacts society	Society, Governance	Yes	Yes
Boardclic's ESG Index (third-party standard)	Benchmark that gives you a clear view of how you are performing in comparison to other companies	Corporate entities	How the business impacts environment and society	Environment, Society, Governance	Yes	Yes
Morgan Stanley Capital International (MSCI) Sustainability Accounting Standards Board SASB Index (Third-party standard)	Indirect ESG index based on data collected from various sources such as NGOs, company disclosures, sustainability reports, proxy reports	Investors	How the business affects environment and society	Environment, Society, Governance	Yes	Yes

Impact Reporting and Investment Standards (IRIS)	Catalogue of performance metrics for small to medium enterprises, used primarily by the recipients of impact investing funds to measure their performance of their own funds	Investors and companies	How the business impacts environment and society	Environment, Society	Yes	No
The B Impact Assessment	Used to certify small to medium businesses into a network of “Benefit Corporations”	All stakeholders	How the business impacts environment, society, and governance	Environment, Society, Governance	Yes	No
The Future-Fit Assessment	Publicly available guideline designed for small to medium firms to self-assess the fitness of their mission and operations for a systematically sustainable future	Companies, investors, advisors	How the business impacts society	Environment, Society, Governance	Yes	No

Appendix B

The following table provides summaries of the documents (including but not limited to papers, articles, reports, and guides), which were referenced in the making of this brief.

Source	Summary
Luke Widyawati. 2019. A systematic literature review of socially responsible investment and environmental social governance metrics	As Socially Responsible Investments (SRI) have grown popular in recent years for reaching sustainable development goals, Luke Widyawati investigates SRI literature and ESG metrics in the SRI field in this article. First, the article offers a bibliographic map to analyze the diversity of literature on SRI's, seeing a disconnect between the financial and ethical paradigms, with hyper fixation on the financial. He finds three key themes in SRI literature, firstly that it is dominated by performance studies, that performance studies are exacerbated by the little integration of other key research themes, and that there is lack of understanding about the role of ESG metrics as an enabling factor of SRI. Widyawati identifies that ESG metrics play two crucial roles in the SRI field, one as a proxy for sustainability and performance (providing an aggregated score) and the other as an enabler of the SRI market (providing legitimacy, building awareness for the market, and accelerating growth.) However, ESG metrics are limited by a lack of transparency and lack of convergence. The lack of transparency stems from the insufficient amount of information disclosed for interpretation and comparison. The lack of convergence stems from the lack of a standardized data collection and methodology. Other findings in this article include: belief systems are the most influential factor in investment decisions, SRI investors play important and multiple roles in sustainable development, and that no specific characteristics of influential SRI performance studies influence portfolio return results.
Leslie P. Norton. 2021. 3 experts on the future of ESG - and 12 picks	In this article, three business experts (Karina Funk of Brown Advisory Sustainable Growth, Katherine Collins of Putnam Sustainable Leaders, and Jon Hale of Morningstar), share their predictions on the future of Environmental, Social,

	and Corporate Governance (ESG), also referred to here as Sustainable Investing. Interviewees state that a corporate shift in thinking about sustainability systemically, as a core component of successful long-term business and investor strategy, is a good indicator of what is to come. They predict that because of this shift (which has been accelerated because of the pandemic and the global call for racial justice), measuring, managing, disclosing, and understanding how social and environmental risks impact companies' financial statements, their strategies, and prospects for growth, will become better. Corporations are also expected to be increasingly responsive to client's demands for increased engagement around sustainability; science-based climate targets; diversity, equity, and inclusion; and ethical conduct relating to data and technology. According to the experts which were interviewed, many organizations care about sustainable investing and are therefore already practicing ESG whether they explicitly report so or not. Additionally, ESG will continue to be subjective until current barriers to standardization (which include lack of oversight and self-regulation, as well as inadequate disclosures), are addressed sector-wide. Initiatives such as the European directive on sustainable finance (which will also impact U.S corporations), and the Sustainability Accounting Standards Board, are expected to assist in efforts towards standardization.
Barilla Center for Food & Nutrition (BCFN), UN Sustainable Development Solutions Network (UN SDSN), Columbia Center on Sustainable Investment (CCSI), Santa Chiara Lab - University of Siena (SCL). 2021. Fixing the Business of Food: Aligning Food Company Practices with the SDGs	'Fixing the Business of Food' is an annual report which identifies challenges to corporate SDG alignments and recommends a Four Pillar Framework of standards to guide the activities of food processing companies towards alignment with the UN SDGs and by extension, the Paris Climate Agreement. The report begins with an overview of the four pillars and accompanying standards, along with a background of their key features. This is followed by an empirical analysis of the alignment of food companies' sustainability practices. The report concludes with notes on adopting the Four Pillar Framework to various business contexts. An empirical analysis of the 100 largest companies' sustainability reports highlights that the real contribution that corporations make to sustainable food systems is still not clear. The authors found that although corporations disclose some interesting commitments, due to a lack of consensus on standards and definitions, on average, companies still did not consistently provide

	information on strategic goals and achievements with reference to all relevant topics. The Four Pillar Framework Standards summarize the activities that are expected of food processing companies that seek to align with the UN SDGs by asking four questions: (1) are products good for consumer's health?; (2) are the production processes environmentally sustainable?; (3) is the organization improving unsustainable social conditions in the company 's value chains, both upstream to suppliers and downstream to customers?; and (4) are companies practicing good citizenship i.e. ' do no harm'. The authors of this report found that smaller businesses often see sustainability standards as a threat and not as an opportunity, and as such, should receive guidance in seeing the advantages of sustainability; the good solutions already adopted by other companies; and how to integrate metrics and targets in their governance and management systems. Companies can also increase their impact through business relationships and partnerships. The authors also found that smaller businesses often see sustainability standards as a threat and not as an opportunity, and as such, should receive guidance in seeing the advantages of sustainability; the good solutions already adopted by other companies; and how to integrate metrics and targets in their governance and management systems.
Alphabet. CDP Climate change Response 2021	This report focuses specifically on the ESG reporting of 'Alphabet' - a collection of businesses which includes Google. It details how climate change is integrated into the corporate strategy of this group of companies utilizing the following themes: governance; risks and opportunities; business strategy; targets and performance; emissions data; energy consumption; overall sustainability strategy; energy efficiency; carbon footprint; climate resilience; circularity; and supply chain. Climate-related issues appear to be at the forefront of the organization's internal as well as external reporting, as many of the organization's products, services, and by extension profits, are dependent on conditions in "international and local social, political, economic, tax, and regulatory conditions or laws and policies''. These factors affect the cost of doing business, and the feasibility of pursuing certain business models in various regions and jurisdictions.

	The report also refers to the Task Force on Climate-related Financial Disclosures (TCFD) as one of the guiding frameworks utilized by Alphabet, along with its own custom metrics and strategies for incentivizing, measuring, projecting, and reporting climate-related risks and opportunities. Google has established itself as a leader where sustainability is concerned and has set its own goal of operating on carbon-free energy by 2030, through increased investments in renewable energy, energy efficiency, and carbon offsetting. Complementary to its commitment to carbon neutrality, Google continues to identify, assess, and respond to climate-related risks and opportunities, through a non-independent internal Sustainability Board which is "focused on scaling sustainability impact through strategic cross-functional alignment;" Google's Ecology Program which was launched in 2014; and the Renewable Energy Buyers Alliance (REBA) which it helped launch in 2019.
Nina Hatch and Adam Fishman, with input from Dunstan Allison-Hope. 2020. Five Steps to Good Sustainability Reporting: A Practical Guide for Companies	This "Practical Guide for Companies," developed by the Business for Social Responsibility (BSR), condenses sustainability reporting best practices into five steps, namely: set priorities and develop strategy; build structure and gather data; develop and revise content; finalize and communicate; and review learnings and iterate. The guide also provides "10 principles of good reporting" which include: materiality and consciousness; strategic and forward-looking; sustainability context; key performance indicators and narrative; completeness; stakeholder engagement; balance; assurance; consistency and comparability; and connectivity of information. The authors acknowledge the global increase in sustainability and ESG-related reporting, by drawing on data reflecting the percentage increases in sustainability reports by participating companies between 2011 and 2019 (which have increased from twenty percent to ninety percent during that time). The authors of this guide state that the significant increase in published reports annually have been due to the fact that sustainability reporting is increasingly becoming an expectation versus a luxury, even though reporting is still in the nascent stages of formalization through regulatory and legislative processes. Corporations make sustainability reporting available to a wide range of internal and external stakeholders, on key material aspects such as data privacy and cybersecurity, sustainability, and diversity and inclusion. According to the

	authors, this satisfies two dual outcomes which provide internal and external benefits for companies: informed decision-making by stakeholders and improved sustainability performance by companies. The guide identifies and recommends the following frameworks and regulatory bodies in this regard: GRI (formerly Global Reporting Initiative); Sustainability Accounting Standards Board (SASB); International Integrated Reporting Council (IIRC); and Taskforce on Climate-related Financial Disclosures (TCFD).
Ester Clementino and Richard Perkins. 2020. How Do Companies Respond to Environmental, Social and Governance (ESG) ratings? Evidence from Italy	This article narrows the gap in knowledge of companies' responses to ESG by examining how firms react and the factors influence their response. The article presents a fourfold typology that captures conformity and resistance to ratings across two dimensions of firm behavior, how companies adjust their policies, processes, and practices to comply with ratings and degree to how companies engage with ratings and SRAs. The authors argue that corporate responses depend on managers' belief systems regarding the "business value" of internalizing and adjusting to ESG ratings. The authors acknowledge that their data is limited given that it is from one country, Italy, that has unique characteristics and is comparatively smaller, and that those willing to participate in the study may have provided bias. Lastly, the authors believe their work is new to the literature of ESG and ESG company responses, but still encourage more research to be done on typologies of company responses to reach a wider range of geographical and organizational settings.
Paula Kovarsky and Luis Henrique Cals De Bauclair Guimaraes. 2020. Cosan SA Webinar focused on ESG best practices - Final	This transcription is based on an online seminar on ESG best practices, which was facilitated by Cosan South America (SA) Executives, Paula Kovarsky (Head of IR), and Luis Guimares, (CEO and Director). Here, the facilitators discuss the ESG and sustainability reporting of Cosan and its various controlled companies, with a focus on safety (preservation of life), and efficiency (doing more with less), but also including data on carbon emissions, diversity, and community engagement. According to Cosan executives, ESG attracts investors and customers, builds brand value, reduces risk, and reduces the cost of capital in the long term. In summary, ESG delivers good financial results. Still, Cosan executives admit that profitable sustainable goals have only become possible due to mainstream investor

	recognition and support. Sustainability reporting and the understanding of ESG has therefore evolved to match this demand. For example, the understanding of Governance has shifted from ownership to good management and long-term sustainability. The shift towards a more sustainable company culture is therefore expected to continue if not accelerate soon.
Patrick Temple-West, Billy Nauman and Kristen Talman. 2020. ESG 'alphabet soup' enriched with fewer - Financial Times	This Financial Times article (shared on News Bank Inc.) on the evolution of ESG standards, calls for the simplification and standardization of reporting metrics via a globally recognized framework from the International Financial Reporting Standards (IFRS) Foundation which provides financial accounting standards which are recognized and accepted world-wide. The new sustainability standards would build upon IFRS' well established accounting standards, by adding climate and other ESG matters. This is a timely proposal, as investors and businesses have found it difficult to agree on just one of the myriad of available reporting frameworks available for use. In this article, the push for companies to transition to an ESG-relevant update to the IFRS standards comes from BlackRock, the world's largest asset manager which plays an important role in the allocation of capital and advises other entities on these matters. In the interim, BlackRock encourages businesses to continue using reporting frameworks provided by the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD), for example.
Todd Cort and Daniel Esty. 2020. ESG Standards: Looming Challenges and Pathways Forward	Over recent years, mainstream investors have demanded greater clarity and comparability regarding ESG performance, however, this article argues that more is to be done to better understand and formulate the ESG data standards for decision-useful information in the future. The authors offer three recommendations to better illuminate the current landscape and frame the articles in this Special Issue. First, a coherent framework for sustainable investing requires methodological standards of ESG data, aggregation, and validation Second, is that value-minded sustainability investors need materiality-based standards to identify ESG factors that drive financial risk and opportunity. Third, value-oriented investors want impact metric standards that demonstrate in a trusted and carefully structured manner the social and environmental benefits delivered by companies. The authors observe ESG

	norms that may evolve, the need for portfolio managers, the history of popular ESG data to assess standard gaps. A coherent framework with methodological standards would create greater reliability in the metrics that would facilitate understanding the variety of new reporting and disclosure approaches and boost investor confidence that they will be able to separate sustainability signals from noise. This framework would require a minimum threshold of practice for the collection, aggregation, and validation of ESG data and rules for data management and aggregation, tools for statistical analysis, procedures to prevent inconsistent data, and auditing protocols. There are two types of materiality-based standards. The first type builds on the assignment of a company to an industry or sector then prescribes a list of material issues. The second type supposes that individual companies or their own stakeholder-informed determine material standards for assessment of impacts and opportunities. The first type is too narrow and the second is too flexible, making it difficult to compare and risks companies only evaluating ESG metrics they know they are successful in. Measuring social and environmental impact is new, looking at input, output, outcome, as well as implementing policy targets. An impact assessment needs to frame effective measurement based on a suite of metrics that creates coverage across ESG issues for a wide range of investment strategies.
Irina-Eugenia Iamandi, Laura-Gabriela Constantin, Sebastian Madalin Munteanu and Bogdan Cernat-Gruici. 2019. Mapping the ESG Behavior of European Companies. A Holistic Kohonen Approach	This academic paper utilizes regional, national, thematic, stakeholder lenses, to analyze the ESG behavior of European companies, which in a global economy, is expected to impact US companies as well. The author notes an increased awareness over the last decade, for complying with the multiple requirements for sustainable development so that stakeholders have adequate information to analyze corporate behaviors. According to the author, the ESG approach of European reporting companies are mature; strategic; future-oriented; and competitive, all while supporting societal well-being and placing environmental and social priorities at the forefront. The author found that European companies tend to implement hybrid or customized approaches to ESG, to achieve efficiency and competitiveness. This is consistent with findings found in other studies based on the ESG

	approaches of US companies. What the author found to be significant about the European context, was a greater emphasis on labor and employees, externally-directed measures, operational issues, and process-orientation in the planning and execution of corporate ESG.
Sara Bernow, Jonathan Godsall, Bryce Klempner, and Charlotte Merten. 2019. More than values: The value-based sustainability reporting that investors want	This report (produced by McKinsey & Company), compiles data collected from business surveys on ESG to provide updated information on which sustainability practices are currently in demand by Private Equity and Principal Investors. The authors of this report state that there is a considerable amount of evidence linking companies' financial performance to ESG and other non-financial matters, though this is not always reflected clearly in reports. This is important to note, as ESG matters "can meaningfully affect a company's assets, operations, and reputation." Investors are increasingly interested in ensuring that companies are addressing the diverse needs of their stakeholders, including investors themselves. The report reveals that although ESG reports are informative, they are inconsistent, as businesses currently have the freedom to apply any of the major reporting frameworks as they see fit. Investors are therefore calling for increased standardization of ESG reporting frameworks and sustainability disclosures, to compare companies' performance in terms of materiality and long-term financial value, and better inform investment decisions. To address critiques about the inconsistency, incomparability, and the lack of alignment identified in the surveys mentioned above, the authors of this report provide guidelines for good sustainability reporting and disclosures, which include direct relevance to ESG and progression over time. The report also provides detailed information on the following major reporting frameworks, guidelines,, standards, and governing bodies: the Global Reporting Initiative (GRI); the Greenhouse Gas Protocol released by the World Business Council for Sustainable Development and the World Resources Institute released; UN Global Compact and the Carbon Disclosure Project (now CDP), the International Integrated Reporting Council (IIRC) and the International Integrated Reporting Framework; the Sustainability Accounting Standards Board (SASB); and the Embankment Project for Inclusive Capitalism.
2020. Open Letter to Erik Thedéen, Director General of Finansinspektionen, Sweden, Chair	This document - an open letter from CDP Global, the Climate Disclosure Standards Board (CDSB), the Global

of the Sustainable Finance Task Force of the International Organization of Securities Commissions (IOSCO)	Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), the and Sustainability Accounting Standards Board (SASB) - articulates a shared vision for a corporate ESG reporting system developed under the oversight of the IFRS Foundation. This initiative aims to satisfy the demands of stakeholders seeking more transparent and streamlined measurement and disclosure of sustainability performance, by aligning ESG reporting with the International Accounting Standards Board (IASB)'s Management Commentary Practice Statement, a standard reporting practice in most global companies. The letter is addressed to the Chair of the Sustainable Finance Task Force of the International Organization of Securities Commissions (IOSCO). The letter stresses the significant role that sustainability reporting plays for society, effective business management, as well as the assessment of value and risk for investment decisions. The authors of the letter stress the dynamic and two-way relationship between positive gains for the economy, environment, and society; and positive gains for enterprises. Additionally, they maintain that sustainability disclosures that are material for enterprise value creation also provide two-way benefits by contributing towards collective progress in achieving the UN's Sustainable Development Goals. Other global actors have openly expressed their support for the new IFRS reporting system. These organizations include the Impact Management Project, the World Economic Forum; Deloitte; the International Federation of Accountants (IFAC); Accountancy Europe; the Association of Chartered Certified Accountants (ACCA); the Center for Audit Quality (CAQ);the Institute of Chartered Accountants in England and Wales (ICAEW); and the CFA Institute.
Marguerite Ward. 2021. Bank of America, KPMG, Mastercard, and some 60 other top companies adopt new ESG metrics	This news article (published in Better Capitalism), covers the breaking news in which 60 domestic and international companies (including Bank of America, KPMG, and Mastercard), have agreed to adopt a new ESG reporting framework. The World Economic Forum and the International Business Council (IBC), partnered with "the Big Four" accounting firms (Deloitte, PwC, EY, and KPMG), to create the reporting framework of 21 ESG standards. This new framework is expected to hold companies accountable for their commitments and contributions to ESG by making it standard procedure for companies to report on ESG matters, in the same way they report on

	financial matters. The article defines ESG standards (also referred to here as “Stakeholder Capitalism Metrics”), as a set of criteria used to measure a company's performance as it relates to its environmental impact, labor practices, and diversity. The article also states that “many in the business community see ESG metrics as a concrete way to advance stakeholder capitalism, the leading economic theory today that says companies are responsible to all stakeholders, including their employees, customers, the environment, as well as their shareholders.”
Souhir Khemir. 2019. Perception of ESG criteria by mainstream investors: evidence from Tunisia	Research has shown that assessing environmental, social, and governance (ESG) criteria enables the financial industry to gain a deep understanding of investment risks and opportunities. However, most research has been conducted in developed countries such as Australia and the United States- limiting the understanding of ESG criteria and their global impact. Therefore, Souhir Khemir's research explores how ESG values are interpreted and applied in Tunisia to understand the perception of these criteria in developing economies. By conducting semi-structured face-to-face interviews with financial professionals, Khemir found that some companies recognize the importance of analyzing ESG criteria and have redoubled their efforts to implement them in their decision-making procedures. The data showed that the growing interest in the criteria is associated with the desire to reach new markets, improve brand image, and build new partnerships. However, the study showed that most companies in the country are far from applying the criteria due to the lack of flexibility of the laws, lack of information, and the favoring of short-term investment.
E. Christopher Johnson, Jr., John H. Stout and Ashley C. Walter. 2020. Profound Change: The Evolution of ESG	This article records a series of telephone discussions among E. Christopher Johnson, Jr., John H.Stout, and Ashley C. Walter, to discuss the evolution of the terms CRS, ESG, and sustainability. The coronavirus pandemic and the death of George Floyd heavily influence the discussion. John H. Stout discusses the long roots of these terms in American and world history, referring to the Civil War, human rights, the Emancipation Proclamation, the United Nations' SDGs, the Environmental Protection Act, and others as issues of sustainability, how our social order will respond to the changes being demanded. And, asks if the forces of ESG and CRS will push the international community to support states suffering from the pandemic, social and political

	upheaval? Christopher Johnson touches on racial inequality in America that he has seen in his past as well as what still needs to be done, specifically pushing for more pipeline programs that will help racially diversify career fields and create responsible citizens and leaders. Ashley Walter discusses the emergence of factors that have driven more focus on ESG. First, that ESG governance has been linked to long-term value creation, investor approaches and expectations are evolving with respect to these issues, the number of customer requirements are increasing, and new legal compliance. Stout spoke on his time as the Governance Committee chair and how he saw topics emerge that are related to ESG, CRS, and sustainability in addition to the creation of the Rule of Law Working Group that affirms that the rule of law is essential to the sustainability of our society, values, and economy. Johnson spoke on the creation of the Working Group which became a subcommittee to the CRS committee, and Walter spoke about her work as a co-editor of the CRS desk book that provides a map of the many ways ESG can impact business. All three speakers agree that businesses need to use the ESG and CSR principles in the future to address failures to eliminate regulation, assuring corporate integrity is essential to stakeholders' and investors' decisions and the sustainability of companies and their ESG and CSR responsibilities, and that organizations must take a stance against racism and racial injustice and act according so.
John W. White, Matthew Morreale, and Michael Arnold. 2021. Responding to the ESG Paradigm Shift: Practical Steps for Boards and Management	In this business article, the authors note the "paradigm shift" towards ESG issues and detail their recommendations for how corporate leadership teams should respond to this era of enhanced reporting and disclosures. According to the authors, the shift is mainly due to pressure from various stakeholders, particularly investors who utilize ESG data in making decisions about the allocation of capital. In this article, ESG often refers to issues around climate (e.g. carbon emissions); diversity, equity, and inclusion; and labor and human capital. The article notes that the industry shift mentioned above has resulted in a wide range of data collectors, standard setters, and other bodies providing different frameworks and surveys related to ESG. This lack of standardization has contributed towards the fractured, fragmented, and fluid

	nature of the ESG space. Still, the potential risks posed by inaction, noncompliance, or delay when it comes to ESG, are great. Here risks include damage to a company's reputation, ratings, investments, customer base, and business opportunities to name a few. The article also notes the following actors as some of the most prominent participants in the ongoing conversation regarding ESG: the Task Force on Climate- Related Financial Disclosure (TCFD), the Sustainability Accounting Standards Board (SASB); the Global Reporting Initiative (GRI); the International Business Council (IBC) of the World Economic Forum (WEF); the Carbon Disclosure Project (CDP); MSCI and Sustainalytics; and the IFRS Foundation's proposed Sustainability Standards Board (SSB). According to the authors, there are several domestic and international trends which could be highly impactful to ESG decision-making and reporting. Domestically, these include possible ESG mandates from the White House and the Securities and Exchange Commission (SEC) during the Biden administration. There have also been discussions around Congress preempting SEC rule-making and passing legislation directly requiring the reporting of certain ESG metrics. Internationally, new ESG laws and reporting requirements coming out of the European Green Deal are expected to impact US companies as well.
Alphabet Inc. 2020. Alphabet Sustainability Bond Framework 2020	The Sustainability Bond Framework was developed under Google's five-year sustainability strategy to facilitate financing for projects which may have an environmental and/or social benefit, and are aligned with the SDGs. Google's five-year sustainability strategy focuses on the following key pillars: carbon-free energy and a circular economy; responsible technological advancement; and giving back to communities. The document itself walks readers through the process of how finances are used; the process for evaluating and selecting environmental and/or social projects; how finances are managed; and lastly, reporting. According to the report, Google has been carbon neutral since 2007 and has made additional investments in affordable housing and racial equity to name a few. Going forward, proceeds from the sales of sustainability bonds will fund ongoing and new environmentally and socially responsible projects in the following areas: energy efficiency; clean energy; green buildings; clean transportation; circular economy and design; affordable

	housing; commitment to racial equity; and support for small businesses and COVID-19 crisis response.
Thomas Singer, Anuj Saush and Anke Shrader. 2020. Sustainability Practices 2020 Edition	This report includes an analysis of corporate sustainability disclosures for the year 2020 under the following themes: climate risks; water; biodiversity; gender diversity and pay equity; human rights; and incentive compensation. The report finds that overall, transparency in reporting continues to increase across key sustainability issues, with the most common sustainability metrics being: safety; greenhouse gas emissions; ethnic/racial diversity due to worldwide protests on racial inequality; and employee health due to the pandemic. Special attention is paid to climate and water stress (as water instability can impact financial security and the security of supply chains); as well as gender, ethnic and racial diversity, especially on corporate boards. Coming out of Covid-19, the authors make increased connections between environmental health and public health. In this regard, the authors mention the Task Force on Nature-related financial Disclosures (TNFD) recommendations and the Task Force on Climate-related financial Disclosures (TCFD) principles. The report predicts that going forward, there will be increased regulatory and investor attention on the impact of climate change on business, therefore companies are likely to increase disclosures of climate risks in their financial reports. Also predicted for the near future include the harmonization of sustainability reporting and peer-learning, especially within industries or sectors.
ToR for She Belongs in School (SBIS) Feasibility Assessment	N/A - Not directly relevant
Governance and Accountability Institute. 2020. Flash Report S&P 500, 2020	This report contains the results of a 2019 study conducted by the Governance and Accountability (G&A) Institute on the non-financial reporting and disclosure activities of “large-cap” companies (i.e. companies with a market capitalization of over $10 billion), which are included in the S&P 500 Stock Index - a list of the 500 leading US publicly traded companies. The study found that 90% of the S&P 500 companies are now reporting ESG data and narratives. This is a drastic increase from the year 2011, when 80% of companies were not publishing similar reports. According to the study, 50% of the reporting companies utilized the Global Reporting Initiative (GRI) Standards disclosure framework. 25% of the reporting companies

	referenced or used the Sustainable Accounting Standards Board (SASB) framework. 65% of the reporting companies referenced or used the Carbon Disclosure Project (CDP) survey. 16% of the reporting companies referenced or used the Task Force on Climate-related Financial Disclosures (TCFD) framework. Lastly, 36% of the reporting companies were in alignment with specific U.N. Sustainable Development Goals (SDGs). The authors state that publicly traded companies have increased their use of sustainability reporting due to "increasing demand from investors and other important stakeholders for greater disclosure of the corporate ESG strategies, actions, and achievements." This has led the corporate sector to adapt to maintain industry leadership and competitive advantage when it comes to capital. Although each reporting framework and survey is distinct, many are complementary to one another. Many companies therefore utilize multiple frameworks and surveys via hybridized approaches.
Ilze Zumente and Jūlija Bistrova. 2021. ESG Importance for Long-Term Shareholder Value Creation: Literature vs. Practice	This academic article (published in the Journal of Open Innovation), explores the motivation behind companies' responsiveness to the sustainability trend through a quantitative content analysis of available literature. Overall, the study finds that companies have become more "ESG aware" (both inwardly and outwardly) and have integrated sustainability- and consumer-oriented keywords and perspectives into their mission statements to communicate this shift, while at the same time, decreasing shareholder- and profit-focused mission statements. According to the study, this increase in ESG awareness is motivated by the positive relationship between ESG and long-term stakeholder value creation (i.e. the positive financial effects of becoming more ESG-conscious). The authors found that on average, holding other things equal, higher sustainability awareness was associated with improved financial performance, improved management quality, and reduced risk, with complementary and additional benefits in terms of reputation, stakeholder trust, and employee satisfaction and engagement. Qualitative factors were shown to have a greater long-term impact on corporate value as opposed to solely quantitative financial factors.
2020. Statement of Intent to Work Together Towards Comprehensive Corporate Reporting: Summary of alignment discussions among leading sustainability and integrated reporting organisations CDP, CDSB, GRI, IIRC and SASB	This report summarizes the expressed intent of some of the leading sustainability and integrated reporting organizations (also referred to here as framework- and standard-setting institutions), to work more closely together for the purposes of corporate ESG reporting.

	These entities include CDP, the Climate Disclosure Standards Board, the Global Reporting Initiative, the International Integrated Reporting Council, and the Sustainability Accounting Standards Board. The positive correlation between performance on certain sustainability topics and drivers of enterprise value creation has fueled the rise of sustainability disclosure standards as the information disclosed is not already reflected in annual financial accounts, but still central to a business's financial success. Due to "dynamic materiality," topics and issues which are central to sustainability reports, can change over time. According to the authors of this report, businesses have benefited from economic growth, globalization, consumerism, technological advances, and fossil fuels to become primary providers of goods, employment, and infrastructure, and as such, they are important participants in sustainability discourse around climate, biodiversity, health, and labor. In this regard, stakeholders and shareholders seek to understand and evaluate companies' purpose, and benefit; gain insight into the overall stability and efficiency of financial markets; and hold business accountable for their conduct, all by demanding transparent measurement and disclosure of sustainability performance. This sustainability disclosure (also referred to here as ESG or non-financial disclosure), has become a core concern for effective business management and preserving stakeholders' confidence in business, as users of sustainability information can make pivotal decisions (economic or otherwise), in response to opportunities and risks. The wide range of stakeholders who utilize data from sustainability reports, include, but are not limited to policymakers, consumers, employees, investors, civil society organizations, data providers, analytics platforms, end users, regulators, and companies themselves.
Danny Z. X. Huang. 2019. Environmental, social and governance (ESG) activity and firm performance: a review and consolidation	This academic paper, published in Accounting and Finance journal, explores the relationship between ESG performance and corporate financial performance. The authors conducted a systematic review of 21 studies and found a "positive, statistically significant, but economically modest" relationship between the two, and that this relationship holds under varying measures and conditions. Specifically, the authors found that environmental factors had a stronger relationship to financial performance, than

	social or governance factors. Although these findings are consistent with theoretical expectations, in practice, this relationship is more complex, and varies more widely, raising questions about the comparability and generalizability of theoretical findings. According to the authors, the total costs, and benefits of ESG may not be fully reflected in observed market prices and are not apparent in companies' financial disclosures. Despite the increasing interest in ESG, significant gaps remain in understanding ESG, its conceptions, motivations, benefits, and future trends. Further research will be needed to identify and better understand the various motivators for ESG activity, and their relationship to financial
Mark S. Bergman, Brad S. Karp, Richard A. Rosen, Paul, Weiss, Rifkind, Wharton & Garrison LLP. 2020. ESG Disclosures: Frameworks and standards Developed by Intergovernmental and Non-Governmental Organizations	This paper, posted in the Harvard Law Forum on Corporate Governance, focuses on ESG disclosures within the context of the current landscape, and future projections. According to the authors, ESG matters have become an important focus of investors and regulators, with ESG themes increasingly influencing the agendas of asset managers, banks, insurance companies, boards of directors of companies, rating agencies, proxy advisors, regulators, and activists. The 2015 Paris Agreement on Climate Change, the United Nations (UN) Sustainable Development Goals (SDGs) include some of the catalysts for this shift in focus. As the prominence of ESG has grown, so has the demand for disclosures, and the number of ESG disclosure initiatives, standards, and frameworks. Those noted by the authors of this paper include the Principles of Responsible Investment (PRI), the UN Environment Programme Finance Initiative, the United Nations Sustainable Development Goals, the Task Force on Climate-related Financial Disclosures, CDP Global (formerly the Carbon Disclosure Project), The Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), The International Integrated Reporting Council (IIRC), and the Sustainability Accounting Standards Board (SASB). Although many available disclosures have been voluntary, due to political and other pressures, regulators are moving towards more prescriptive measures or even mandatory reporting, such as is being seen in Europe. This shift has taken some time due to the breath of the ESG space and the lack of consensus on conceptualizations of ESG terms and elements. Effective disclosure is expected to allow stakeholders to better understand the potential upside

	opportunities and downside risks associated within the ESG landscape, to make appropriate capital allocation decisions and respond to stakeholder concerns. Effective disclosure is also expected to allow governments to be better prepared for the risks facing communities and businesses, such as those associated with climate change. Even with increased opportunities for disclosure, the vast number of reporting standards and rating systems have resulted in challenges for companies which may incorporate and be evaluated by multiple frameworks. Looking ahead the authors predict continued pressure for ESG disclosures to keep up with ESG public discourse coupled with more demands for uniform disclosure measures. For example, in July 2020 SASB and GRI announced that they will partner on a guide for companies that use both standards. According to the authors of this paper, the next challenge in ESG reporting is how eagerly and how soon standardized frameworks will be widely accepted.
Satyajit Bose. 2020. Evolution of ESG Reporting Frameworks	'Evolution of ESG Reporting Frameworks' corresponds to chapter two (2) of the book entitled 'Values at work: sustainable investing and ESG reporting'. In this chapter, the authors mention several frameworks utilized for non-financial reporting; identify meaningful differences between these frameworks; and predict major trends in the next evolution of frameworks. According to the authors, sustainability accounting frameworks have evolved in response to investor demand for consistent and readily available non-financial information which might impact finances and capital allocation. Still, these frameworks vary widely in the type, quality, and specificity of the information garnered. The overarching differentiating attributes of frameworks have been identified as: audience (e.g. stakeholders, investors, or both); the meaning of materiality; and reporting metrics. The authors have specifically noted the following frameworks, because of their widespread use: the Global. Reporting Initiative; International Integrated Reporting Council; Sustainability Accounting Standards Board; Carbon Disclosure Protocol; recommendations of the Task Force on Climate-Related Financial Disclosures, and the United Nations Sustainable Development Goals. Specifically for

	smaller companies, the authors mention the Impact Reporting and Investment Standards, the B Impact Assessment, and the Future-Fit Assessment. In terms of what is next in the evolution of sustainability reporting/disclosure frameworks, the authors predict increased coalescence between frameworks; continued differences between investor-focused and stakeholder-focused approaches; and increased or decreased popularity of US-centric approaches based on the global political climate and balance of power between nation states where international business is concerned.
Todd Cort. 2020. ESG Risk Depends on Management control Quality	'ESG Risk Depends on Management Control Quality' corresponds to chapter three (3) in the book 'Recent Developments in ESG Reporting'. This chapter begins with an overview of the failures of current ESG performance data, using case studies and examples; and concludes with proposals for the evolution of ESG metrics in years to come. The authors of this chapter find that interest from investors in ESG data has grown in part due to corporate failures which have been made public, and the resulting losses for investors. Here, corporate governance is highlighted as an undervalued or often overlooked aspect of ESG in terms of its relevance in managing environmental and social impact. The authors of this chapter state that even though a correlation between corporate sustainability and financial performance has been widely established, the causes of this correlation, and the combination of factors which underlie this relationship remain unclear. Governance has therefore been identified here as critical to whether ESG performance will result in financial impact or gains. Risk identification in ESG reporting is potentially especially useful to stakeholders and investors, yet companies still face challenges in incorporating decision-useful ESG information into reports. Even with the wide variety of reporting frameworks available (e.g. Global Reporting Initiative, International Integrated Reporting Council, Climate Disclosure Standards Board), additional efforts have been called for by investors. These include the Task Force on Climate-related Financial Disclosures Guidelines, and the Committee of Sponsoring Organizations of the Treadway Commission's Internal Control Framework. These additional efforts have sought to provide investors with information that is comparable and accurate, based on the

	principle of materiality (i.e. “”what environmental and social issues are material to performance?.” Several examples are presented to illustrate the persistent elusively of decision-useful information and metrics in predicting corporate risks. These include the The 2010 Deep Water Horizon off-shore oil spill; the 2019 California wildfires caused by Pacific Gas and Electric power lines; and the 2015 emissions testing scandal involving Volkswagen “clean-diesel” engine vehicles. The companies in each of the above examples, were considered industry leaders in terms of sustainability, and prior to the devastating incidents, had reported a commendable set of policies, commitments, management systems, controls, and metrics in terms of sustainability and corporate responsibility. This has demonstrated to investors that current ESG metrics prove insufficient in accurately predicting current and potential risks faced by companies; and the importance of good management and governance in response to ESG risks. In terms of the future of ESG metrics, the authors propose a renewed focus on the quality of management practices specific to the most material ESG risks; and more relevant indicators, metrics, and data in ESG reporting, which address the quality of processes used to identify ESG risks, as well as the breadth and depth of management controls and governance systems. Still, the authors acknowledge the ongoing difficulty that will be involved in attempting to obtain comparable, detailed, and accurate non-financial information through purely public disclosures.
Daniel C. Esty. 2010. Creating Investment-Grade Corporate Sustainability Metrics	’Creating Investment-Grade Corporate Sustainability Metrics’ corresponds to chapter four (4) in the book ‘Recent Developments in ESG Reporting’. This chapter begins with an overview of the challenges in developing ESG metrics; followed by the gaps and shortcomings in the current reporting structures and frameworks; and concludes with recommendations for the path towards “investment-grade” ESG metrics. According to the authors of this chapter, the increasing interest in sustainable investing and the resulting scrutiny of ESG reporting has revealed that “existing ESG metrics lack clear definitional foundations, methodological consistency, analytic regards, and reliable verification.” This has led investors, fund managers, and investment advisors to doubt the accuracy

	and relevance of ESG disclosures in determining relative and absolute ESG performance. Several challenges have been identified, which have contributed to the conceptual challenges in developing investment-grade metrics and these include: (1) different understandings of the meaning of sustainability and sustainability priorities; (2) disagreement over the relationship between sustainability leadership and market success; (3) ambiguity regarding which ESG metrics and issues are material; (4) difficulties in striking a balance between delivering on corporate goals as well as societal goals; (5) the changing dynamics of which factors determine sustainability leadership, which may not necessarily match which factors determine competitiveness; and (6) differences in values and goals between various stakeholders and investors. Furthermore, these conceptual challenges have contributed to the following limitations and shortcomings in ESG data: (1) inconsistent reporting frameworks; (2) lack of normalization, standardization, and consolidation; (3) questionable accuracy and traceability; (4) over-reliance on single data points or data sets, instead of multi-year trends; (5) focus on past performance vs future perform; and (6) over-emphasis on negative impacts at the detriment of positing corporations to provide positive solutions. To address the lack of confidence in the validity, integrity, and comparability of ESG disclosures and minimize unsuccessful efforts to develop clear, credible, and actionable ESG metrics, the authors have recommended a movement towards menu of "consistently defined and rigorously gathered" sustainability metrics instead of one single, rigid structure. The authors propose that increased government oversight and enforcement will facilitate and compliment these efforts.
Daniel C. Esty and David A. Lublin. 2020. Toward a Next Generation of Corporate Sustainability Metrics	'Toward a Next Generation of Corporate Sustainability Metrics' corresponds to chapter seven (7), in the book entitled 'Recent Developments in ESG Reporting'. This chapter begins the sustainability imperative - the driving factors behind the increase in ESG popularity; continues with different approaches to modeling and understanding the relationship between sustainability and value creation; and concludes with predictions for "next-generation

	sustainability metrics." The authors describe the sustainability imperative as the current "business mega trend," and states that investors want to understand how companies navigate this trend, as well as remain competitive in this changing environment/landscape. As such, investors and investment analysis have begun to question the ESG data being made available to them, in terms of their accuracy, comparability, and relatability in predicting financial out-performance. The authors identify the main elements of the sustainability imperative as follows: decarbonization and a movement towards clean and renewable energy; a movement avail from profit-centered shareholder primacy, to a people- and plant-centered stakeholder responsibility; emergent and heightened public expectations with regards to racial justice and economic equity; and changes in legislation, regulations, and societal expectations in favor of advocacy, integrity, transparency, privacy protection, and good governance. The authors of this chapter re-emphasize the relationship between successful management of changing customer desires, shifting marketplace realities, and evolving societal expectations associated with the sustainability imperative; and the increased probability of revenue growth, productivity, and reduced business risk. This makes the consistency, validity, rigor, and comparability associated with presenting and analyzing ESG data so important. Unfortunately, this chapter notes that the current reporting frameworks (including those offered by the industry leaders such as the Sustainability Accounting Standards Board, and the Task Force on Climate-related Financial Disclosures), do not facilitate this advanced level of assessment. Going forward, it is projected that investors will continue to demand refined ESG metrics which encompass the depth and width of the sustainability landscape, and the capacity of companies to capitalize on sustainability-driven challenges and opportunities. In particular, the authors expect a continued focus on diversity; human capital; workplace equity and broader human rights; customer confidence; business integrity and transparency; and good governance.
Paul A. Davies, Paul M. Dude, and Kristina S. Wyatt. 2020. Recent Developments in ESG Reporting	'Recent Developments in ESG Reporting' corresponds to chapter eleven (11) from the book entitled 'Values at work: sustainable investing and ESG reporting'. The chapter clearly identifies ESG as a mainstream, business concern;

	gives an overview of the major reporting frameworks in the United States; and provides predictions for the future of ESG reporting, based on calls for standardization and convergence by investors and companies. According to the authors, an increased focus on companies' impact on society has been coupled with an increased demand from investors for information about companies' ESG risks and opportunities. Still, companies have faced significant challenges in disclosure and reporting, due to the plethora of available frameworks, many of which are not interchangeable or even comparable. Notably, companies have also had to balance calls for increased transparency, with the potential threat of litigation or divestment resulting from their disclosures (or lack thereof). The U.S. Securities and Exchange Commission (SEC) has provided limited guidance for how companies should disclose ESG matters, allowing much leeway for companies to interpret and apply their understanding of related principles and materiality. As such, investors have become increasingly reliant on the dozens of available disclosure regimes and questionnaires (such as the CDP, the Climate Disclosure Standards Board, the Global Reporting Initiative, the Sustainability Accounting Standards Board, the Task Force on Climate-Related Financial Disclosures, and the United Nations Sustainable Development Goals). Still, much is left to be desired in terms of consistency, usefulness, and comparability between available frameworks. Investor pressure on SEC to amend its rules to promote ESG disclosures have been met with resistance from SEC due to several reasons, including the fact that ESG issues have only recently become the focus of mainstream investors, and the forward-looking projections required of useful ESG disclosures are difficult to calculate with elevated levels of confidence. In response, major market participants and stakeholders have put forward their own recommendations on how to converge existing standards. For example, the World Business Council for Sustainable Development's Reporting Exchange has published an ESG Disclosure Handbook, and the Corporate Reporting Dialogue (a partnership between several Standards Boards), has provided comparisons. and summaries of principal reporting standards. Added to the above, the World Economic Forum (WEF) and the International Organization of Securities Commissions

	(IOSCO), have issued a proposal for a unified reporting structure, which draws from existing reporting standards. The proposed unified reporting structure seeks to address the following key areas with regards to ESG reporting: consistency and comparability; quality and usefulness of data reported; and protection from liability for projections made in good faith. In conclusion, the authors of this chapter predict a general movement towards greater standardization in the years to come, along with a commitment by the SEC towards more rigorous ESG disclosures which compliments evolutions in the reporting frameworks.