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Module 6: ESG reporting and disclosure

Learning objectives

- Understand ESG disclosure
- Understand recognized ESG reporting standards
- Know the basic structure of an ESG report
- Understand the needs of different stakeholders
- Recognize the importance of accurate communication

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1. What is ESG disclosure?

ESG DISCLOSURE

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PUBLIC REPORTING ON ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE PERFORMANCE

Demonstrate commitment to sustainability

Increase employee motivation

Access sustainable funding

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2. Recognized reporting standards

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The business case for alignment

- Increased credibility and stakeholder confidence
- Better communication of sustainability impact
- Competitive advantage
- Improved operation efficiency and cost savings
- Future proofing
- Better benchmarking
- Access to sustainable funding

BUT ALIGNMENT CAN ALSO BE COSTLY AND BURDENSOME

Mandatory v voluntary reporting standards

Examples of mandatory standards

- Stock exchange requirements
- European Sustainability Reporting Standards (ESRS)

Examples of voluntary standards covering all ESG components

- GRI
- IFRS Sustainability Disclosure Standards (‘ISSB standards’)
- ISO

Examples of standards for ESG components

- CPD
- GHG Protocol
- Task Force on Nature-Related Financial Disclosures (TNFD)

Examples of sectoral reporting standards

- Sustainability Accounting Standards Board (SASB) standards
- MSC
- FSC

Standards without reporting frameworks

- SDGs
- ILO's International Labour Standards
- International Corporate Governance Network (ICGN)

National laws

Please mention any national laws relevant to company reporting and disclosure.

Choosing a reporting standard

Consider:

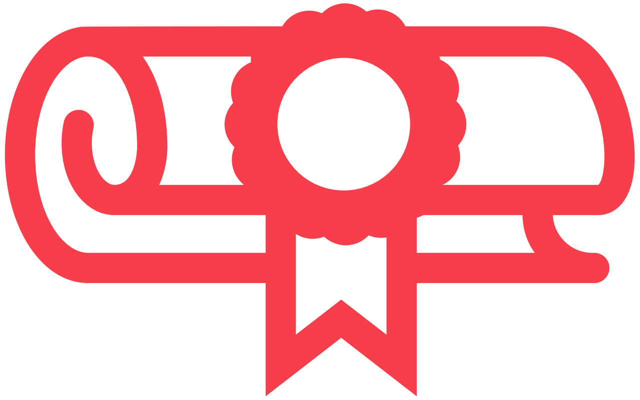
- Stakeholder expectations
- Costs
- Company expertise
- ESG goals
- Certification requirements
- Benefits

WHILE THERE IS SOME OVERLAP BETWEEN DIFFERENT REPORTING STANDARDS, THERE IS NO PERFECT ALIGNMENT

3. External verification

Benefits of external verification

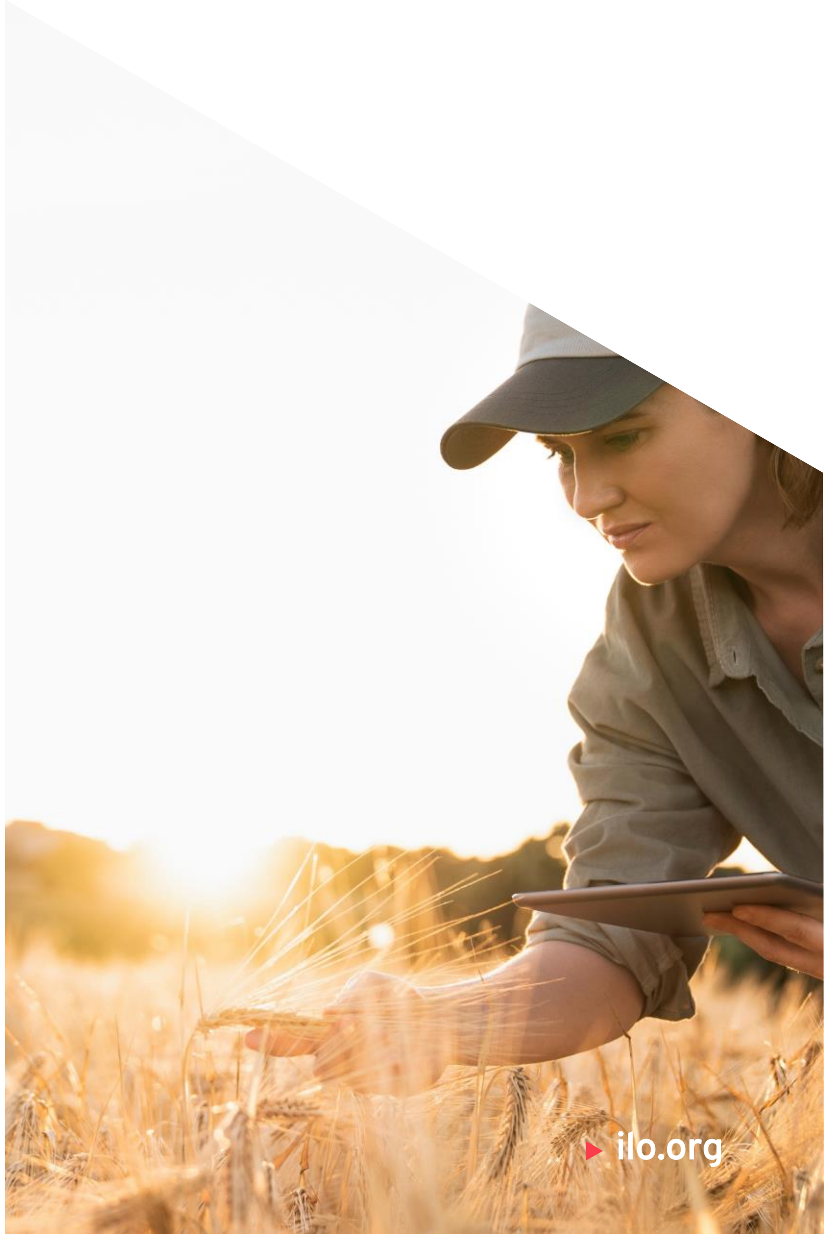
- Credibility and reputation
- Risk management
- Standardization
- Regulatory and investor requirements



BUT EXTERNAL VERIFICATION CAN ALSO BE COSTLY AND BURDENSOME

Different types of external verification

- Certification
- Third-party assurance
- Verification



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4. Communicate progress

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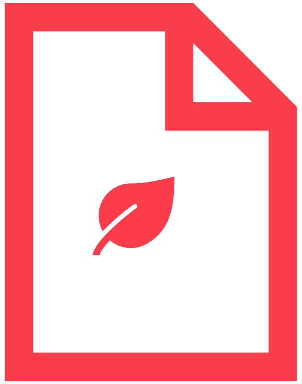
Communications tips

- Share milestones, success stories and challenges
- Develop key sustainability messages
- Produce communications products
- Choose the right channel

BEWARE OF GREENWASHING AND GREENHUSHING!

Real-life example: Colombian SME Cubiertas FM

The ESG report



Basic structure

- Statement of commitment
- Executive summary
- Company overview
- ESG strategy
- ESG performance
- Looking forward

Real-life examples: The ESG report

Consider including images of the front covers of two or three relevant and publicly available enterprise ESG reports

Sustainability Reporting Advice: From One SME Reporter to the Next