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SOLVING THE COMPLEX WORLD OF ESG ACRONYMS

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The sustainability world is infamous for its excessive use of acronyms which arguably muddy the waters when it comes to creating a more sustainable future.

In the past, when companies tried to understand their sustainability reporting obligations against the vast array of standards, they often reacted by deprioritizing their sustainability strategies in favour of their bread and butter businesses.

However, kicking the can down the road is no longer an option as investors, stakeholders, and regulators are demanding high quality sustainability action and reporting.

With that in mind, join us for a guided tour of the fast evolving world of ESG acronyms.

The acronyms introduced

Let's start by introducing the main ESG acronyms...

GRI – The Global Reporting Initiative has developed one of the most widely used sustainability reporting standards.

SASB – The Sustainability Accounting Standards Board is another group focused on establishing a leading sustainability reporting standard—this is now part of the IFRS Foundation.

ASSB – The Australian Accounting Standards Board is responsible for setting Australian accounting standards.

IFRS – The IFRS Foundation is a public interest group established to develop globally accepted accounting and sustainability disclosure standards.

ISSB - The IFRS Foundation's International Sustainability Standards Board was established at COP26 in 2021 with a view to developing the main global sustainability reporting standard (discussed below).

SDGs – The Sustainable Development Goals are the United Nations' calls for global action which have become core elements of impact measurement and sustainability reporting.

ISO 14046 – This is an International Standardization Organization methodology for measuring and reporting greenhouse gas emissions.

TCFD – The Task Force on Climate-related Financial Disclosures set a clear and consistent structure for climate-related disclosures in the areas of governance, strategy, risk management, and metrics and targets.

GHGP – The Greenhouse Gas Protocol is a well-recognized and utilized carbon accounting standard which breaks carbon emissions into Scopes 1, 2 and 3.

PCAF – The Partnership for Carbon Accounting Financials allows financial institutions to measure financed emissions in a harmonized manner.

Dizzy? Don't worry, all will become clear. Well, clearer.



Is there a global ESG/sustainability accounting standard?

When confronted with this large and disconnected world of ESG acronyms, the question many companies ask is: is there a global ESG/sustainability standard?

The short answer is: yes, the wheels are in motion. ISSB is working hard to develop a global sustainability standard based on the current standard setters, GRI and SASB for general sustainability accounting, and TCFD for climate change related issues.

So in acronym terms, ISSB = GRI + SASB + TCFD.

In June 2023, ISSB released its first two IFRS Sustainability Disclosure Standards, S1, covering general sustainability disclosures, and S2, covering climate-related disclosures.

What's already clear is that ISSB standards are going further than previous sustainability standards, particularly in terms of climate-related disclosures. Whereas TCFD often recommends qualitative descriptions, ISSB's proposed standards are demanding more granular climate-related information and data.

In other words, ISSB are raising the sustainability bar while they establish the global standard. The expected commencement date for ISSB's global standard is 1st January 2024. The main challenges ISSB is aiming to overcome by then are the vast differences in legislation across countries and regions—and the associated political tensions.

The Australian context

The Australian regulators, including ASSB, are embracing these global developments. They're currently considering whether to introduce mandatory climate reporting requirements that align with the proposed ISSB Standards.

In addition, the Australian Government is proposing large listed companies and financial institutions be required to report using ISSB's proposed standards. And longer term, unlisted and smaller companies are also likely to be required to report using ISSB proposed standards.



Which acronyms should be followed?

So it's fair to say ISSB's proposed standards are the optimal starting point for most Australian companies. By following them, companies will be positioning themselves to meet the needs of regulators and investors alike.

However, sustainability reporting doesn't end there.

There's also impact measurement which is an important and fast evolving space that's increasingly being integrated into sustainability reporting. In recent years, the SDGs have come to dominate the impact measurement world so tracking progress against the SDGs is worthy of inclusion in the sustainability reporting process. The rest of the ESG acronyms mentioned above can be called upon as and when they add value during the sustainability reporting process. Think of this as a mix 'n match process aimed at leveraging the best available sustainability information.

For example, ISO 14046 and GHGP can be called upon by companies with emissions-focused investors to improve the quality of the emissions information they report.

Where to start

So you understand the acronyms, but where do you start with your sustainability reporting?

The answer depends on what type of organization you are, your sustainability strategy (or lack thereof), and the expectations of your investors, employees and other stakeholders.

In the first instance, that means conducting a gap analysis of your current reporting practices versus the ISSB Standards' proposed disclosure requirements.

It also means investing the required time and money into the building blocks of a comprehensive sustainability reporting solution which is appropriate for your business over the long term.

As with most things in life, the costs of managing a sustainability reporting strategy tend to be lower when companies start on the right foot.

Navigating the world of ESG acronyms is worth the journey

Sustainability reporting is here to stay. However, with ISSB's global sustainability reporting standard fast approaching, the world of ESG acronyms is due to become a lot simpler soon.

While that process plays out, the best advice for most companies is to prepare in advance for the new global standard by integrating ISSB's proposed standards into their sustainability reporting and management mindset.

The benefits are compelling as sustainability reporting allows management to track their progress against their sustainability goals while positive progress is often associated with improved business outcomes. Hence, more companies are learning that navigating the world of ESG acronyms is worth the journey.



Impact HQ is an Australian ESG consulting company that offers strategic advice, specialised expertise and pragmatic solutions to help navigate the complex landscape of Sustainability and ESG strategy, management, and reporting.

Get in touch with us for all your ESG and sustainability needs.

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