

Campbell Institute

Research Outlook

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Sustainability Frameworks


As more organizations consider the impact they have upon the global society and the environment, they have increasingly incorporated sustainability reporting and metrics in other traditional types of annual reports released to major stakeholders. For Campbell Institute members in the past, this has typically meant the inclusion of safety and health indicators, such as incident rate and fatality rate. As part of their journeys, more have embraced a wider set of sustainability reporting guidelines and metrics, such as those put forth by the Global Reporting Initiative (GRI) and the Sustainability Standards Accounting Board (SASB) to demonstrate their commitment to a more sustainable business and planet.

A previous Campbell Institute white paper on sustainability showed that Institute organizations ascribe to a triple-bottom line definition of sustainability of people, planet and profit. While these terms may be worded slightly differently, the overall theme is that building a sustainable business means protecting the workforce, giving back to the community, ensuring a world where the business can continue to operate and providing value to customers and stakeholders. This approach is in keeping with another popular sustainability framework, the United Nations' sustainable development goals (SDGs) that are designed to achieve sustainability along three dimensions: economic, social and environmental.

The state of sustainability ratings and reporting is an area that has rapidly changed and expanded in the years since the last Institute white paper was released. The Dow Jones Sustainability Index (DJSI) was the most cited rating by the Institute participants in the last research study because of its recognition as a global sustainability benchmark. According to the latest SustainAbility Rate the Raters (Wong et al., 2019) report, which surveyed over 300 professionals in sustainability about their views of what constitutes a good sustainability rating and which ratings are most useful and valuable, RobecoSAM (the underlying assessment for the DJSI) is still considered one of the four highest quality sustainability ratings. Other ratings deemed high quality by sustainability professionals in the survey were CDP (which was ranked highly in the same assessment in 2012), MSCI and Sustainalytics. The key factors experts are looking for in quality ratings are the transparency of data sources and the robustness of the methodology.

The SustainAbility Rate the Raters (Wong et al., 2019) report showed that two-thirds of sustainability experts use these ratings to inform decision-making in four ways: data collection and disclosure, conducting internal assessments and developing strategy, identifying gaps and trends, and engaging stakeholders and investors. The major issue is that even as early as 2010, there were already over 100 sustainability ratings, and a third of those had emerged only since 2005 (Sadowski et al., 2011). The choice of which ratings to use has been difficult for organizations, stakeholders and investors not only because of the sheer number of ratings, but also because there is a lot of ambiguity about the data sources and methodologies that ratings utilize.

The survey participants in the SustainAbility Rate the Raters (Wong et al., 2019) report had the most esteem for RobecoSAM, MSCI, CDP and Sustainalytics, although they found them all higher in quality than usefulness. In general, these experts were looking forward to having more comparability and consistency among ratings. This includes making the process less time-consuming for organizations and providing greater transparency of rating methodology. Another suggestion from experts is to tie the ratings to actual sustainability thresholds and actionable measures, e.g. are the actions taken by organizations enough to make positive differences in sea levels or temperature rise? A final suggestion from the experts taking the survey is to include more industry-specific materiality in ratings and achieve more normalization within industries.



Sustainability ratings are essentially environmental, social and governance (ESG) data sources, which means they analyze company reports along with other public data sources to provide summaries on sustainability for investors in their decision-making. Ratings are not the same as sustainability frameworks, which include the GRI, the International Integrated Reporting Council (IIRC) and SASB, and act as guidelines for putting together sustainability reports that include ESG factors (Goldschein & Marks, 2019). There is a further distinction to be made between principles-based and standards-based frameworks. Principles-based frameworks provide high-level guidance to organizations on the content to include in their reports, but not specific disclosures or indicators. Standards-based frameworks explain how to report on specific topics, indicators and sectors. Some frameworks are a hybrid of principles- and standards-based (Corporate Reporting Dialogue, 2019).

In a study from the Sustainable Investments Institute (Si2) and the Investor Responsibility Research Institute (IRRC) (Kwon, 2018) on the state of sustainability and integrated reporting, there were only 14 companies on the S&P 500 that issued integrated sustainability reports in 2017, although that is double the number that had done so in 2013. Here, integrated reporting refers to the inclusion of ESG factors in reports to stakeholders and investors. Although most did not offer integrated reports, the majority (78%, 395 companies) did issue separate sustainability reports. Almost all (97%) did not follow any one reporting framework, like the GRI, choosing instead to loosely follow some frameworks and customize the style, format and content of their reporting. About one-quarter (26%) of the S&P 500 noted how their sustainability strategies align with the UN's 17 sustainable development goals (SDGs).

Si2 believes that the major sustainability reporting frameworks can and should work together to enhance companies' sustainability disclosures, seeing as these frameworks have the same general purpose: to encourage companies to behave as responsible citizens, act holistically, and measure and report on their actions. Several sources including Si2 have created matrices to compare and contrast aspects of the major sustainability reporting frameworks. The table below attempts to compile these matrices into one.

	SASB	IIRC	GRI	CDP	UN SDGs	TCFD	CDSB
Type of guidance	Standards	Framework	Hybrid	Framework	Framework	Hybrid	Hybrid
Scale	U.S.	Global	Global	Global	Global	Global	Global
Scope	Industry specific; includes disclosure topics, accounting metrics, technical protocols, activity metrics	General; model involves six capitals (financial, manufactured, human, social, intellectual, natural)	Interrelated standards both general and sector-specific	Questionnaire collects information on climate change, water security and forest commodities	Collection of 17 global goals addressing several challenges (poverty, inequality, climate, environmental degradation, prosperity, peace and justice)	Includes disclosures for climate-related financial risks	Includes disclosures for climate, natural capital, and other environmental issues
Target disclosure	Mandatory filing for annual reports	Flexible; content may be used for sustainability, annual or integrated reports	Voluntary and flexible; may be used for sustainability, annual or integrated reports	Voluntary and flexible; content may be used for sustainability, annual or integrated reports	Voluntary and flexible; content may be used for sustainability, annual or integrated reports	Voluntary	Voluntary; intended for annual reports
Target reporters	Publicly traded companies on U.S. exchanges	Publicly traded companies around the world	Public and private companies and organizations around the world	Public and private companies and organizations around the world	Public and private companies and organizations around the world		
Target audience central emphasis	Investors; quantitative metrics for material ESG topics	Investors; corporate value creation over time and ESG integration into strategy	All stakeholders; qualitative and quantitative ESG disclosures	Investors, purchasing organizations, policymakers	All stakeholders; qualitative and quantitative ESG disclosures	All stakeholders; investors, lenders, insurers	Investors

Figure 1: Comparison of various sustainability reporting frameworks (based on table found in Kwon, 2018)

To gain more clarity around how these different sustainability frameworks and ratings compare to each other, the Corporate Reporting Dialogue (2019) put together a report on the UN’s SDGs and the future of corporate reporting. The report was prepared by several different organizations involved in sustainability: CDP, the Climate Disclosure Standards Board (CDSB), GRI, IIRC, the International Organization for Standardization (ISO) and SASB. Knowing that the SDGs aim to achieve sustainability along economic, social and environmental dimensions, the Corporate Reporting Dialogue (CRD) set out to “promote greater coherence, consistency and compatibility” between the different reporting frameworks. The overall goal for CRD is to establish practical ways to better explain and align frameworks to help companies decide which framework is best for them, and also help companies more accurately measure their progress against the SDGs.

Sustainable Development Goal	CDP	CDSB	GRI	ISO
1. No poverty			✓	✓
2. No hunger			✓	✓
3. Good health and well-being			✓	✓
4. Quality education			✓	✓
5. Gender equality			✓	✓
6. Clean water and sanitation	✓	✓	✓	✓
7. Affordable and clean energy	✓	✓	✓	✓
8. Decent work and economic growth			✓	✓
9. Industry innovation and infrastructure			✓	✓
10. Reduced inequalities			✓	✓
11. Sustainable cities and communities	✓	✓	✓	✓
12. Responsible consumption and production	✓	✓	✓	✓
13. Climate action	✓	✓	✓	✓
14. Life under water		✓	✓	✓
15. Life on land	✓	✓	✓	✓
16. Peace, justice and strong institutions			✓	✓
17. Partnerships for the goals		✓	✓	

Figure 2: The UN SDGs addressed by select CRD participants (Corporate Reporting Dialogue, 2019)

CRD also launched the Better Alignment Project in 2019 to promote alignment between different participant frameworks (CDP, CDSB, GRI, IIRC and SASB) and to map the standards of the frameworks against the Task Force on Climate-related Financial Disclosures' (TCFD) principles. They found there is significant agreement and overlap between the TCFD principles, the reporting principles of the participants' frameworks and standards, which means organizations should be able to make effective disclosures and enhance climate-related financial disclosures in general. CRD also found broad alignment around TCFD's 50 illustrative example metrics with CDP, GRI and SASB for reporting on climate-related risks. This indicates the frameworks and standards of CDP, GRI and SASB can be used together for consistent and comparable disclosures.

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organisation's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Disclose how the organisation identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
(a) Describe the board's oversight of climate-related risks and opportunities.	(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	(a) Describe the organisation's processes for identifying and assessing climate-related risks.	(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
(b) Describe management's role in assessing and managing climate-related risks and opportunities.	(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	(b) Describe the organisation's processes for managing climate-related risks.	(b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	(c) Describe how processes for identifying and assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Figure 6: The TCFD's four core elements and 11 recommended disclosures. Source: TCFD (2017), Final Report.


Figure 3: The TCFD's four core elements and 11 recommended disclosures (TCFD Final Report, 2017)

After conducting a series of roundtable discussions with environmental, sustainability and governance (ESG) experts in various countries for the Better Alignment Project, CRD came away with some key conclusions. The main takeaway was that the participants of CRD (CDP, CDSB, GRI, IIRC and SASB) may want to consider collaborating on a single reporting framework that meets all needs. CRD could also consider more focus on specific sectors for the purposes of comparability and benchmarking. Execution on these considerations could also help companies better articulate the connection between ESG and financial information that is of interest to many stakeholders.

Eccles and Klimenko (2019) outline the main factors driving the change in ESG financial investment. The first factor is that investment firms have become so large they cannot afford to have the planet fail. Another factor is that more research points to evidence that companies with high ESG ratings actually experience more in financial returns. Increasingly, more senior leaders of companies are making sure that ESG analysis is integrated into financial activities carried out by analysts and portfolio managers. Lastly, there is more ESG activism on the part of asset managers who want to see companies address material issues that result in financial performance.

Even with these driving factors for more ESG investment, there are a few things that hold back financial investment in ESG activities. One thing is that company sustainability reporting is still mostly aimed at other stakeholders, like non-governmental organizations, and is therefore of little use to investors. There is also no governmental mandated use of standards like CDSB, GRI or SASB, which could help guide companies. And even though companies may voluntarily report numbers that adhere to some standard or framework, these numbers are rarely verified by a third party.

With these hindrances in mind, Eccles and Klimenko (2019) recommend five actions companies can take to prepare for this burgeoning new era of sustainable investing. First, is to publish a statement of purpose that states the company's reason for being, its key stakeholders and a timeline for executive decisions. Second, is to create a larger, integrated sustainability report to increase engagement with shareholders. The third action is to increase involvement of middle management in sustainability reporting, as this level in the organization often commits the resources for achieving strategic objectives. The fourth action is to



challenge financial software vendors to expand into including ESG metrics and encourage audit firms to verify ESG metrics in the same way they evaluate financial performance. Lastly, companies should call for more consensus in impact measurement as this will improve reporting.

It's apparent that sustainability reporting and rankings have changed and expanded significantly even in the last few years since the release of the previous Campbell Institute white paper on environment and sustainability. Institute members' perspectives regarding the various frameworks and standards reflect those outlined in the works cited below: that sustainability reporting can be complicated and cumbersome, that more information is needed on how frameworks align and that ESG deserves equal consideration with financial performance by organizations and their stakeholders. Because of these perspectives, the second Institute white paper on sustainability is focused not only on the frameworks and standards Institute members report to, how they decide on which frameworks to use and how they handle staffing and resourcing regarding reporting. It also focuses on how sustainability as a concept influences structure and strategy in the organization.

The research on sustainability to follow includes Institute member perspectives on how they define sustainability, where sustainability sits in their organizational structure, how they define areas of materiality and gain support from leaders and stakeholders, how they set targets for sustainability and the metrics they track to evaluate performance on sustainability. This research serves as much needed benchmarking for Institute members on the ways they approach sustainability and structure and house it within their organizations. It's the Institute's intent that this research will be useful to other organizations outside of the Campbell Institute to begin their sustainability journeys and start to see sustainability as an essential management system component to preserve the planet and protect their workforces.

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