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ESG CONSIDERATIONS FOR INVESTMENT MANAGERS AND A REVIEW OF CURRENT ESG STANDARDS AND FRAMEWORKS

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ESG CONSIDERATIONS FOR INVESTMENT MANAGERS AND A REVIEW OF CURRENT ESG STANDARDS AND FRAMEWORKS

The environmental, social, and governance (ESG)¹ landscape is being shaped by the establishment of various ESG standards and frameworks (summarized and compared herein), many of which have been adopted on a voluntary basis by funds, investment managers, and the companies in which they invest. Although, as of June 2021, there are currently no ESG-specific regulations or rules in the United States, there are many existing securities laws that apply to ESG investing and related claims, and the Securities and Exchange Commission (SEC) is focused on ESG investing from policy, regulatory, examination, and enforcement perspectives. There are a number of steps that funds and their investment managers can, and should, take to assess and address the potential issues presented by ESG investing.

- **Understanding the ESG Landscape**

- ESG strategies and terminologies currently lack precision and standardization, which makes the ESG landscape at times confusing to both funds and investors.
- Understanding the various ESG standards and frameworks – and their minimum standards – is a helpful place to start.

- **Cross-Firm Coordination**

- ESG considerations span many investment and operational functions within an investment firm, including investment management, investment risk, product development, compliance, legal, marketing, board relations teams, and firm leadership.
- Connecting the dots between investment and operational functions is critical to effectively managing the potential risk areas implicated by ESG investing.

- **ESG Leadership and Oversight**

- Determining where oversight of ESG policies and strategies should sit (e.g., compliance, ESG committee, “chief sustainability officer,” or similar) will be firm-specific.
- An ESG oversight function should be tasked with managing any necessary cross-firm coordination.
- The ESG oversight function should also monitor for market risks and regulatory developments, including SEC focus areas and/or common deficiencies.

- **Function-Specific ESG Considerations**

- *Product development:* Determine correct stakeholders to consult when launching an ESG mandate or claiming compliance with any ESG standards and frameworks.

¹ In the context of investing, “ESG” as used herein is meant to also encompass similar terms such as “sustainable,” “responsible,” and “impact” investing. The principles discussed should not be taken as necessarily prescriptive or required in all circumstances. Correspondingly, statements that certain things “should” be considered, undertaken, or addressed should be understood to mean where circumstances warrant.

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- *Disclosure* – Ensure that ESG strategy, compliance with any ESG standards and frameworks, and risk disclosure is accurate and consistent across fund registration statements, offering documents, SEC filings, Form ADVs, websites, and marketing materials.
- *Proxy voting policies* – Ensure that proxy voting records reflect existing policies and procedures.
- *Compliance* – Determine compliance controls necessary to implement ESG strategies and guidelines and to adhere to any applicable ESG standards and frameworks, and whether an ESG-specific compliance policy is warranted.
- *Investment management* – The execution of an ESG strategy raises a number of considerations, including whether investment management decisions are being documented adequately.
- **Strategy-Specific ESG Considerations**
 - Each particular ESG strategy raises unique considerations and it is important to ensure that each strategy, as disclosed, is being executed and documented accordingly.
 - For strategies that rely on third parties such as sub-advisers, index providers, rating entities, and data providers, take appropriate steps in an effort to ensure that due diligence and necessary oversight of these third parties is being performed.
 - Many ESG strategies use or are based on one or more ESG standards or frameworks, or otherwise consume public company reporting that is based on one or more ESG standards or frameworks. The following pages summarize and compare some of the more prevalent ESG standards and frameworks being utilized by funds, investment managers, and companies today.

ESG and sustainable business practices have become increasingly paramount as companies around the world look to align their operations and investments with their values and their investors' values. While many such companies are eager to share their ESG credentials and results, and investors and other stakeholders are increasingly seeking such information, regulators in the United States have yet to adopt a cohesive ESG disclosure framework. As a result, myriad voluntary ESG goals, principles, standards, and frameworks (collectively, ESG frameworks) have emerged from international and nongovernmental organizations. These voluntary ESG frameworks can generally be divided between those focused on aspirational goals or principles (as reflected in the first table below) and those focused on specific ESG metrics (as reflected in the second table below). A review of several of the more popular ESG frameworks follows. The two charts below compare key information across ESG frameworks with appendices at the end providing additional details about each. Following the charts is a discussion of recent initiatives to harmonize and consolidate some of the existing ESG frameworks. Please note that the information contained herein is current as of June 2021.

I. ESG Frameworks Focused on Aspirational Goals or Principles

	UN Sustainable Development Goals (SDGs)	Principles for Responsible Investment (PRIs)	Equator Principles (EPs)
Founded	2015	2005	2003
Governing Organization	The Division for Sustainable Development Goals (DSDG) in the United Nations Department of Economic and Social Affairs (UNDESA) acts as the Secretariat for the SDGs.	The PRI Association is an investor initiative in partnership with the UN Environment Programme Finance Initiative and the UN Global Compact.	The EP Association is the unincorporated association of member Equator Principles Financial Institutions (EPFIs). The EP Association was formed to ensure the long-term viability and ease of management of the member EPFIs, and to manage, develop, and administer the EPs.
History	The 2030 Agenda for Sustainable Development, adopted by all UN member states in 2015 at the UN Sustainable Development Summit, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At the heart of the 2030 Agenda are the 17 SDGs, which build on decades of work by various countries and the UN, including UNDESA.	In early 2005, the then-UN Secretary-General Kofi Annan invited a group of the world's largest institutional investors to develop the PRIs. A 20-person investor group drawn from institutions in 12 countries was supported by a 70-person group of experts from the investment industry, intergovernmental organizations, and civil society. The PRIs were launched in April 2006 at the New York Stock Exchange.	The EPs were launched in Washington DC on June 4, 2003, when 10 global financial institutions announced that they had agreed to adopt a uniform standard for managing environmental and social issues in their project finance businesses.
Mission	The SDGs are an urgent call to action by all countries—developed and developing—in a	The PRI Association believes that an economically efficient, sustainable global	The aim of the EPs is to introduce good practices for

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	UN Sustainable Development Goals (SDGs)	Principles for Responsible Investment (PRIs)	Equator Principles (EPs)
	<p>global partnership. The SDGs recognize that ending poverty and other deprivations must go hand in hand with strategies that improve health and education, reduce inequality, and spur economic growth—all while tackling climate change and working to preserve our oceans and forests.</p>	<p>financial system is a necessity for long-term value creation, and that such a system will reward long-term, responsible investment and benefit the environment and society as a whole. The PRI Association works to achieve such sustainable global financial system by encouraging adoption of the PRIs and collaboration on their implementation; fostering good governance, integrity, and accountability; and addressing obstacles to a sustainable financial system that lie within market practices, structures, and regulation.</p>	<p>financial institutions in the management of environmental and social risks when providing applicable financial products, other forms of infrastructure financing, or advisory services. The EPs have also helped spur the development of other responsible environmental and social management practices in the financial sector and banking industry, and have supported member banks in developing their own environmental and social risk management systems.</p>
Overview	<p>The SDGs are a globally accepted set of 17 aspirational goals, underpinned by 169 specific targets and 232 indicators. Numerous targets include a year (between now and 2030) by which they should be achieved in order to meet the corresponding SDG, and the indicators detail the information that should be used to measure compliance toward each target.</p>	<p>The six PRIs are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice.</p>	<p>The EPs are a risk management framework, voluntarily adopted by financial institutions, for determining, assessing, and managing environmental and social risk in projects. The EPs are primarily intended to provide a minimum standard for due diligence and monitoring to</p>

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	UN Sustainable Development Goals (SDGs)	Principles for Responsible Investment (PRIs)	Equator Principles (EPs)
			support responsible risk decision-making.
Target Users	The SDGs are applicable to UN member states, local authorities, the private sector, the scientific and technological community, academia, civil society, and others.	The PRIs are applicable to institutional investors.	The EPs apply globally to all industry sectors and to financial institutions that provide (1) project finance advisory services, (2) project finance, (3) project-related corporate loans, (4) bridge loans, and (5) project-related refinance and project-related acquisition finance.
Goals/ Principles	<p>From a high level, the SDGs seek to achieve (1) no poverty; (2) zero 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 below water; (15) life on land; (16) peace, justice, and strong institutions; and (17) partnerships for the SDGs.</p> <p>For additional information on the SDGs, please see Appendix A.</p>	<p>The PRIs require signatories to commit to:</p> <ol style="list-style-type: none"> 1. Incorporating ESG issues into investment analysis and decision-making processes; 2. Being active owners and incorporating ESG issues into their ownership policies and practices; 3. Seeking appropriate disclosure on ESG issues by the entities in which they invest; 4. Promoting acceptance and implementation of the PRIs within the investment industry; 	<p>The EPs broadly include the following: (1) review and categorization, (2) environmental and social assessment, (3) applicable environmental and social standards, (4) an Environmental and Social Management System and Equator Principles Action Plan, (5) stakeholder engagement, (6) grievance mechanism, (7) independent review, (8) covenants, (9) independent monitoring and reporting,</p>

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	UN Sustainable Development Goals (SDGs)	Principles for Responsible Investment (PRIs)	Equator Principles (EPs)
		<p>5. Working together to enhance their effectiveness in implementing the PRIs; and</p> <p>6. Reporting on their activities and progress toward implementing the PRIs.</p> <p>The PRIs also offer a menu of possible actions for following each PRI and incorporating ESG issues into an investor’s investment practices. For additional information on the PRIs, please see Appendix A.</p>	<p>and (10) reporting and transparency.</p> <p>For additional information on the EPs, please see Appendix A.</p>
Reporting Requirements	<p>The Partnership Data for SDGs (PD4SDGs) initiative is a collaboration between the DSDG of UNDESA, the UN Office for Partnerships, and the UN Global Compact aimed at improving the transparency, accountability, and the sharing of experiences of the work being carried out by multi-stakeholder partnerships and voluntary commitments in support of the SDGs. Entities that are part of PD4SDGs commit to:</p> <ol style="list-style-type: none"> 1. Publish information in the agreed PD4SDGs format about multi-stakeholder partnerships and voluntary initiatives that they are directly engaged in or promote through their work; and 	<p>PRI signatories are required to report on their responsible investment activities annually via the PRI Reporting Framework. The PRI Reporting Framework includes two main components:</p> <ol style="list-style-type: none"> 1. Core Component – A relatively stable, process-focused “core” component of closed-ended questions that will be mandatory to report on and disclose, and which will be assessed; and 2. Plus Component – An evolving, process- and outcome-focused “plus” component of mostly open-ended questions that will be voluntary to report on and disclose, and which will not be assessed. 	<p>EPFIs must, at least annually, report publicly on transactions that have reached financial close and on their EP implementation processes and experiences. Each EPFI must report according to the minimum reporting requirements listed in Annex B of the EPs, which require, among other things, that data and implementation reporting be published on the EPFI’s website in a single location and in an accessible format.</p> <p>For additional information on the EP minimum</p>

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	UN Sustainable Development Goals (SDGs)	Principles for Responsible Investment (PRIs)	Equator Principles (EPs)
	<p>2. Make the published information publicly accessible and consistent with the SMART criteria, meaning the information is specific, measurable, achievable, resource-based, and time bound.</p> <p>For additional information on the SMART criteria, please see Appendix A.</p>	<p>The PRI Reporting Framework is structured around six modules, which include the (i) C-level statement; (ii) organizational overview; (iii) investment and stewardship policy; (iv) manager selection, appointment, and monitoring; (v) asset class-specific modules; and (vi) sustainability outcomes.</p> <p>*Signatories who fail to meet certain minimum requirements over a 2-year period, following extensive engagement with the PRI Association, will be delisted. The minimum requirements are being reviewed, and revised minimum requirements are expected to be introduced in the 2022 PRI Reporting Framework.</p> <p>For additional information on the PRI Reporting Framework, please see Appendix A.</p>	<p>reporting requirements, please see Appendix A.</p>
Prominence	<p>As of June 2021, there are approximately 5,419 multi-stakeholder partnerships and voluntary commitments in support of the SDGs.</p>	<p>As of June 2021, there are currently more than 3,945 PRI signatories, which include many of the world's largest asset managers.</p>	<p>There are currently 118 financial institutions that have officially adopted the EPs, which cover the majority of international project finance debt within developed and emerging markets.</p>
Relevant Links	<p>SDGs Website</p> <p>UN 2020 SDGs Report</p>	<p>PRI Website</p> <p>PRI Signatory Directory</p>	<p>EPs Website</p>

II. ESG Frameworks Focused on Specific ESG Metrics

	Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations	Sustainability Accounting Standards Board (SASB) Standards	International Integrated Reporting Council (IIRC) Framework	Global Reporting Initiative (GRI) Sustainability Reporting Standards
Founded	2015	2011	2013	1997
Governing Organization	The TCFD of the Financial Stability Board (FSB). The TCFD consists of 31 members from across the G20, including JPMorgan Chase & Co., UBS Asset Management, BlackRock, Moody's Corporation, S&P Global Ratings, KPMG, EY, Deloitte, and PwC, among others.	The SASB Foundation operates in a governance structure similar to the structure adopted by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB). This structure includes a board of directors (the Foundation Board) and a standard-setting board (the Standards Board). The Standards Board develops, issues, and maintains SASB standards (the SASB Standards). The Foundation Board oversees the strategy, finances, and operations of the SASB Foundation and appoints the members of the Standards Board.	The IIRC is a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia, and nongovernmental organizations. The coalition promotes communication about value creation, preservation, and erosion as the next step in the evolution of corporate reporting.	GRI is an independent, international organization that provides the GRI Sustainability Reporting Standards (the GRI Standards). GRI has numerous governing bodies, but the Global Sustainability Standards Board (GSSB) has sole responsibility for setting the GRI Standards. The 15 members of the GSSB represent diverse sectors, backgrounds, and regions around the world.
History	In April 2015, the G20 Finance Ministers and Central Bank Governors asked the FSB to	SASB was founded in 2011 by Jean Rogers, who sought to develop standards that would	The International Integrated Reporting Framework (the IR Framework) was developed	GRI was founded in Boston in 1997, following public outcry over the environmental damage

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	Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations	Sustainability Accounting Standards Board (SASB) Standards	International Integrated Reporting Council (IIRC) Framework	Global Reporting Initiative (GRI) Sustainability Reporting Standards
	review how the financial sector could take account of climate-related issues. In December 2015, the FSB established the TCFD to identify the information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities. The TCFD released its climate-related financial disclosure recommendations (Recommendations) in June 2017, which are meant to promote transparency and lead to better climate risk management.	enable sustainability fundamentals of a company to be available alongside its financial fundamentals. She believed that such information would allow investors to compare performance on critical social and environmental issues and allocate capital to the most sustainable outcomes. The SASB Standards were first published in November 2018.	under the IIRC's long-term vision of a world in which integrated thinking ² is imbedded within mainstream business practice in the public and private sectors, facilitated by integrated reporting ³ as the corporate reporting norm. The IR Framework was first published in 2013, and the most recent version was published in January 2021.	of the Exxon Valdez oil spill. The aim was to create the first accountability mechanism to ensure that companies adhere to responsible environmental conduct principles, which was then broadened to include social, economic, and governance issues. The first version of what were then the GRI Guidelines was published in 2000. After three additional versions of the GRI Guidelines, in 2016 GRI transitioned away from providing guidelines and launched the GRI Standards.
Mission	The TCFD is committed to market transparency and stability, and it believes that better information will allow	SASB's mission is to establish and improve industry-specific disclosure standards across financially material ESG topics	The IIRC's mission is to establish integrated reporting and thinking within mainstream business practice as the norm in	GRI exists to help organizations be transparent and take responsibility for their impacts

² The IR Framework defines "integrated thinking" as "the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects."

³ The IR Framework defines "integrated reporting" as "a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation." An integrated report is a concise communication about how an organization's strategy, governance, performance, and prospects, in the context of its external environment, lead to value creation over time.

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	companies to incorporate climate-related risks and opportunities into their risk management and strategic planning processes. As this occurs, the TCFD believes that companies' and investors' understanding of the financial implications associated with climate change will grow, empowering the markets to channel investment to sustainable and resilient solutions, opportunities, and business models.	that facilitate communication between companies and investors about decision-useful information.	the public and private sectors. Its vision is a world in which capital allocation and corporate behavior are aligned to the wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking.	so that a sustainable future is possible.
Overview	The Recommendations developed by the TCFD are voluntary, applicable to all organizations, and meant to be included in an organization's financial filings. The Recommendations are designed to solicit decision-useful, forward-looking information on financial impacts, and they are focused on risks and opportunities related to the	The SASB Standards are designed to identify a minimum set of sustainability issues most likely to impact the operating performance or financial condition of a typical company in an industry, regardless of location. The SASB Standards are designed to enable communications on corporate performance on industry-level sustainability issues in a cost-effective and decision-useful	The IR Framework takes a principles-based approach and attempts to strike an appropriate balance between flexibility and prescription that recognizes the wide variation in individual circumstances of different organizations, while enabling a sufficient degree of comparability across organizations to meet relevant information needs. The IR Framework does not prescribe specific key performance	The GRI Standards create a common language for organizations and stakeholders with which the economic, environmental, and social impacts of organizations can be communicated and understood. The GRI Standards are designed to enhance the global comparability and quality of information on these impacts, thereby enabling greater transparency and accountability of organizations. The GRI

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	transition to a lower-carbon economy.	manner using existing disclosure and reporting mechanisms.	<p>indicators, measurement methods, or the disclosure of individual matters, but it does include a small number of requirements that are to be applied before an integrated report can be said to be in accordance with the IR Framework.</p> <p>An integrated report aims to provide insight about the resources and relationships used and affected by an organization—these are collectively referred to as “the capitals”⁴ in the IR Framework, and they include financial, manufactured, intellectual, human, social and relationship, and natural. For additional information about the capitals, please see Appendix B.</p>	Standards are divided into four series, which include universal standards and topic-specific standards.

⁴ The capitals in the IR Framework are stocks of value on which an organization’s business model depends as inputs, and which are increased, decreased, or transformed through its business activities and outputs.

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Target Users	The Recommendations are applicable to organizations across sectors and jurisdictions.	The SASB Standards are applicable to companies across 77 industries. Companies can use the SASB Standards to better identify, manage, and communicate to investors sustainability information that is financially material. The SASB Standards can help investors by encouraging reporting that is comparable, consistent, and financially material, which can enable investors to make better investment and voting decisions.	The IR Framework is written primarily in the context of private sector, for-profit companies of any size, but it can also be applied and adapted as necessary by public sector and not-for-profit organizations. An integrated report benefits all stakeholders interested in an organization's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators, and policymakers.	The GRI Standards are designed to be used by all organizations to report on their impacts on the economy, the environment, and/or society. Organizations can either use the GRI Standards to prepare a sustainability report in accordance with the GRI Standards or they can use selected GRI Standards or parts of their content to report information for specific users or purposes, such as reporting their climate change impacts for their investors and consumers.
Standards/ Principles	The Recommendations are structured around four thematic areas that represent core elements of how organizations operate: (1) governance, (2) strategy, (3) risk management, and (4) metrics and targets. The four overarching Recommendations are supported by recommended disclosures that build out the framework with information that	The SASB Standards are a set of 77 industry-specific sustainability accounting standards, categorized pursuant to SASB's Sustainable Industry Classification System (SICS). Each SASB Standard describes the industry that is the subject of the Standard, including any assumptions about the predominant business model and industry segments that are	The IR Framework includes seven guiding principles that underpin the preparation and presentation of an integrated report, informing the content of the report and how the information is presented. The seven guiding principles broadly include (1) strategic focus and future orientation, (2) connectivity of information, (3) stakeholder relationships, (4)	The GRI Standards are divided into four series, which include the (1) 100 Series, which consists of three universal standards, including the Reporting Principles; (2) 200 Series, which focuses on economic topics; (3) 300 Series, which focuses on environmental topics; and (4) 400 Series, which focuses on social topics.

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	<p>will help investors and others understand how reporting organizations assess climate-related risks and opportunities.</p> <p>For additional information on the Recommendations and the recommended disclosures, please see Appendix B.</p>	<p>included. The SASB Standards broadly include (1) disclosure topics, (2) accounting metrics, (3) technical protocols, and (4) activity metrics.</p> <p>For additional information on the SASB Standards, please see Appendix B.</p>	<p>materiality, (5) conciseness, (6) reliability and completeness, and (7) consistency and comparability.</p> <p>For additional information on the IR Framework and the guiding principles, please see Appendix B.</p>	<p>For additional information on the GRI Standards and the four series, please see Appendix B.</p>
Reporting Requirements or Guidance	<p>To underpin the Recommendations and help guide current and future developments in climate-related financial reporting, the TCFD developed seven Fundamental Principles for Effective Disclosure. The Fundamental Principles assert that disclosures should (1) present relevant information; (2) be specific and complete; (3) be clear, balanced, and understandable; (4) be consistent over time; (5) be comparable among organizations within a sector, industry, or portfolio; (6) be reliable, verifiable, and objective; and (7) be provided on a timely basis.</p>	<p>Use of the SASB Standards is voluntary. A company determines which SASB Standards are relevant to the company, which disclosure topics are financially material to its business, and which associated metrics to report. It is also up to a company to determine the means by which it reports SASB information to investors, which could be done via sustainability reports, integrated reports, websites, or annual reports to shareholders.</p> <p>SASB also published an Implementation Primer, which provides key considerations for implementing the SASB Standards and is intended to be</p>	<p>The IR Framework requires an integrated report to include eight content elements. The eight content elements broadly include (1) organizational overview and external environment, (2) governance, (3) business model, (4) risks and opportunities, (5) strategy and resource allocation, (6) performance, (7) outlook, and (8) basis of presentation.</p> <p>For additional information on the eight content elements of an integrated report, please see Appendix B.</p>	<p>If an organization wants to claim that its sustainability report has been prepared in accordance with the GRI Standards, it is required to comply with the Reporting Principles, which include the (i) Reporting Principles for Defining Report Content and (ii) Reporting Principles for Defining Report Quality.</p> <p>The Reporting Principles for Defining Report Content include (1) stakeholder inclusiveness, (2) sustainability context, (3) materiality, and (4) completeness.</p> <p>The Reporting Principles for Defining Report Quality include</p>

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	Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations	Sustainability Accounting Standards Board (SASB) Standards	International Integrated Reporting Council (IIRC) Framework	Global Reporting Initiative (GRI) Sustainability Reporting Standards
	For additional information on the Fundamental Principles for Effective Disclosure, please see Appendix B .	a reference document for companies that have chosen to integrate the SASB Standards into their communications with investors. For additional information on key considerations for implementing the SASB Standards, please see Appendix B .		(1) accuracy, (2) balance, (3) clarity, (4) comparability, (5) reliability, and (6) timeliness. For additional information on the Reporting Principles, please see Appendix B .
Prominence	The TCFD has 2,000+ supporting organizations that span the public and private sectors and represent more than 80 industries in 78 countries, including the governments of 11 countries. As of March 2021, the 2,000+ supporters include more than 859 financial firms that are responsible for \$175 trillion in assets.	As of June 2021, 226 institutional investors, representing \$72 trillion in assets under management (AUM), and 23 countries support SASB and/or use the SASB Standards to inform their investment decision-making.	As of June 2021, more than 2,000 businesses in more than 70 countries are implementing integrated reporting.	As of June 2021, there are more than 10,000 GRI reporters in more than 100 countries.
Relevant Links	TCFD Website TCFD Knowledge Hub TCFD Recommendations Report	SASB Website SASB Standards SASB Implementation Primer SASB Materiality Map	IIRC Website IR Framework IR US Community Website	GRI Website GRI Standards

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Some additional voluntary ESG frameworks that also focus on specific ESG metrics include the following:

- **CDP (formerly Carbon Disclosure Project)** – CDP, a global nonprofit founded in 2000, runs a global environmental disclosure system for investors, companies, cities, states, and regions to measure and manage their risks and opportunities on climate change, water security, and deforestation. Each year, CDP takes the information obtained through its annual reporting process and scores companies and cities on their journey through disclosure and toward environmental leadership. More than 9,600 companies, 800 cities, and 120 states and regions have reported through CDP on climate change, water security, and deforestation. See the [CDP website](#) for more information.
- **The Climate Disclosure Standards Board (CDSB)** – The CDSB is an international consortium of business and environmental nongovernmental organizations that was founded in 2007. The CDSB offers companies a framework to report environmental information with the same rigor as financial information. The CDSB Framework for reporting environmental and climate-change information consists of guiding principles and reporting requirements, and it is designed to help organizations prepare and present environmental information in mainstream reports for the benefit of investors. In addition to investors, the CDSB Framework also aims to benefit analysts, companies, regulators, stock exchanges, and accounting firms. See the [CDSB website](#) for more information.
- **Stakeholder Capitalism Metrics** – The Stakeholder Capitalism Metrics, which were first launched in September 2020, were developed by the World Economic Forum and its International Business Council, in collaboration with Deloitte, EY, KPMG, and PwC. The Stakeholder Capitalism Metrics consist of 21 core and 34 expanded ESG metrics and disclosures. The core metrics and disclosures are primarily quantitative metrics for which information is already being reported by many firms (albeit often in different formats) or can be obtained with reasonable effort, and they focus primarily on activities within an organization’s own boundaries. The expanded metrics and disclosures tend to be less well-established in existing practice and standards and have a wider value chain scope or convey impact in a more sophisticated or tangible way, such as in monetary terms. The expanded metrics and disclosures represent a more advanced way of measuring and communicating sustainable value creation. See the [Stakeholder Capitalism Metrics](#) for more information.

III. Recent Announcements and New Initiatives

Over the last several years, there has been an increase in the push for uniformity and consistency among the various ESG frameworks, and there has been progress made on that front. It remains to be seen, however, which existing or potential future ESG framework, if any, might prevail as the ESG disclosure standard globally. The following summarizes some recent announcements and new initiatives with respect to ESG frameworks and standards:

- In July 2020, SASB and GRI announced a collaborative workplan to show how companies can use both sets of standards together. SASB and GRI recently published *A Practical Guide to Sustainability Reporting Using GRI and SASB Standards*, which highlights the ways in which companies are already using the two sets of standards together, demonstrates the complementary nature of the GRI and SASB Standards, and provides reporters with valuable insights from peer companies to support their sustainability reporting and disclosure. See the [GRI and SASB Announcement](#) and [GRI and SASB Practical Guide](#) for more information.
- In September 2020, the CDP, CDSB, GRI, IIRC, and SASB (referred to as the “group of five”) announced a shared vision for a comprehensive corporate reporting system that includes both financial accounting and sustainability disclosure, connected via integrated reporting. In December 2020, the group of five published a prototype climate-related financial disclosure standard that illustrates how the concepts from their joint paper can be applied to climate disclosure and consolidates content and metrics into one practical guide. See the [Group of Five Announcement](#) and [Group of Five Joint Paper](#) for more information.
- In November 2020, SASB and the IIRC announced their intention to merge into a unified organization, the Value Reporting Foundation. The Value Reporting Foundation will merge SASB and the IIRC into a credible, international organization that maintains the IR Framework, advocates integrated thinking, and sets sustainability disclosure standards for enterprise value creation. The Value Reporting Foundation could eventually integrate other entities focused on enterprise value creation, and the Value Reporting Foundation and CDSB have jointly signaled interest in entering exploratory discussions. The Value Reporting Foundation will be formed by mid-2021. See the [SASB and IIRC Announcement](#) for more information.
- The Chartered Financial Analyst (CFA) Institute has been working toward developing its ESG Disclosure Standards for Investment Products. It released a consultation paper in 2020 that included, among other items, proposed standardized definitions of ESG-related terms, proposed disclosure requirements, and a framework for classification of ESG-related features. The consultation was met with mixed feedback from industry participants. In May 2021, the CFA Institute published an “exposure draft” of its ESG Disclosure Standards for Investment Products and welcomed further comment from industry participants. The deadline for comment on the exposure draft is July 14, 2021, and the CFA Institute expects to finalize the standards by November 2021. The CFA Institute has established similar standards in other contexts. Its Global Investment Performance Standards (GIPS®) are globally accepted standards considered industry best practice for investment performance reporting and presentation and have been adopted by hundreds of organizations around the world. See the [CFA Institute ESG Disclosure Standards for Investment Products](#) for more information.

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- The International Organization of Securities Commissions (IOSCO) announced in February 2021 that it would be working with the International Financial Reporting Standards (IFRS) Foundation to develop a framework for sustainability reporting that would improve the consistency, comparability, and reliability of such disclosures. The goals it is focused on include encouraging globally consistent standards for sustainability reporting and promoting comparable metrics and narrative disclosures. The IFRS has established a Sustainability Standards Board to focus on this work, which IOSCO will ultimately oversee. IOSCO plays a similar role in the endorsement and oversight of international accounting standard-setting by the IASB, which is part of the IFRS. The IOSCO Board is the governing and standard-setting body of IOSCO and is made up of 34 global securities regulators (including both the SEC and the Commodity Futures Trading Commission). See the [IOSCO Announcement](#) and [IFRS Sustainability Reporting](#) for more information.

APPENDIX A

UN Sustainable Development Goals

The following is a more detailed list of the SDGs:

1. **No Poverty** – End poverty in all its forms everywhere
2. **Zero Hunger** – End hunger, achieve food security and improved nutrition, and promote sustainable agriculture
3. **Good Health and Well-Being** – Ensure healthy lives and promote well-being for all at all ages
4. **Quality Education** – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5. **Gender Equality** – Achieve gender equality and empower all women and girls
6. **Clean Water and Sanitation** – Ensure availability and sustainable management of water and sanitation for all
7. **Affordable and Clean Energy** – Ensure access to affordable, reliable, sustainable, and modern energy for all
8. **Decent Work and Economic Growth** – Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all
9. **Industry, Innovation, and Infrastructure** – Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation
10. **Reduced Inequalities** – Reduce inequality within and among countries
11. **Sustainable Cities and Communities** – Make cities and human settlements inclusive, safe, resilient, and sustainable
12. **Responsible Consumption and Production** – Ensure sustainable consumption and production patterns
13. **Climate Action** – Take urgent action to combat climate change and its impacts
14. **Life Below Water** – Conserve and sustainably use the oceans, seas, and marine resources for sustainable development
15. **Life on Land** – Protect, restore, and promote sustainable use of terrestrial ecosystems; sustainably manage forests; combat desertification; and halt and reverse land degradation and halt biodiversity loss
16. **Peace, Justice, and Strong Institutions** – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels
17. **Partnerships for the SDGs** – Strengthen the means of implementation and revitalize the global partnership for sustainable development

When reporting on the SDGs, information on multi-stakeholder partnerships and voluntary initiatives should be consistent with the SMART criteria, meaning that the information is:

- **Specific** – Registered initiatives should aim for concrete deliverables, contributing to specific goals and targets under the 2030 Agenda. In the case of multi-stakeholder partnerships, each partner should have a clear role to play.

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- **Measurable** – To facilitate review of progress, registered initiatives should set measurable progress indicators.
- **Achievable** – Registered initiatives should set attainable goals and strive to deliver results.
- **Resource-Based** – Initiatives should have a secured resource base, rather than merely project proposals.
- **Time Bound** – Deliverables should be time specific.

Principles for Responsible Investment

The PRI Reporting Framework has two types of questions, which are focused on (i) processes, and (ii) sustainability outcomes. The process-focused questions will capture (1) how ESG factors are incorporated into an organization's overall approach to responsible investment and its asset allocation decisions; and (2) how signatories assess and understand sustainability outcomes, and how signatories may be measuring such outcomes. The sustainability outcome questions will capture what the sustainability outcomes of investments are, and such questions will appear in the "plus" components of the framework and will grow incrementally over time.

The PRI Reporting Framework is structured around six modules, which include the following:

1. **C-Level Statement** – The statement is meant to provide context on who the signatory organization is, including its general responsible investment beliefs, approach, governance, and accountability. The statement also covers what has changed over the last year, what is new, and the responsible investment achievements for the reporting year.
2. **Organizational Overview** – The Organizational Overview module consists of questions related to the reporting organization's headquarters, the number of staff, and asset breakdown, which is meant to allow stakeholders to understand the organization better and compare it to peers.
3. **Investment & Stewardship Policy** – The module covers broad firm-level themes such as responsible investment policy and strategy, governance, stewardship policy, people and capabilities, reporting and disclosure, and TCFD-based questions.
4. **Manager Selection, Appointment, and Monitoring** – The module is designed for signatories who outsource some or all of their investment activities to external investment managers, and it is mandatory for those signatories who have either 10% of the AUM, or \$10 billion or more, in an externally managed asset class in the reporting year.
5. **Asset Class-Specific Modules** – On an asset-class level, signatories are required to respond to applicable modules, of which there are six: Listed Equity, Fixed Income, Private Equity, Real Estate, Infrastructure, and Hedge Funds.
6. **Sustainability Outcomes** – The module is voluntary for signatories to report on. The module includes three sections, focusing on (i) targets set for priority issues (e.g., SDGs, Paris Agreement, human rights); (ii) actions taken to achieve those targets; and (iii) progress made toward achieving the targeted outcomes.

Over the next 10 years, the PRI Association will focus on the following areas of impact:

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1. **Responsible Investors** – The PRI Association plans to strengthen, deepen, and expand its core work to lead responsible investors in their pursuit of long-term value and to enhance alignment throughout the investment chain by (i) empowering asset owners, (ii) supporting investors incorporating ESG issues, (iii) fostering a community of active owners, (iv) showcasing leadership and increasing accountability, and (v) convening and educating responsible investors.
2. **Sustainable Markets** – The PRI Association intends to address unsustainable aspects of the markets that investors operate in, to achieve the economically efficient, sustainable global financial system that responsible investors and beneficiaries need by (i) challenging barriers to a sustainable financial system and (ii) driving meaningful data throughout markets.
3. **Prosperous World for All** – The PRI Association intends to enable signatories to improve the real world—now and in the future—by encouraging investments that contribute to prosperous and inclusive societies for current and future generations, including by (i) championing climate action and (ii) enabling real-world impact aligned with the SDGs.

In 2018, the PRI Association implemented the following minimum requirements for PRI membership for investors. Existing and future asset owner and investment manager signatories who fail to meet these requirements over a two-year period, following extensive engagement with the PRI Association, will be delisted. The minimum requirements are currently being reviewed, with the aim of introducing revised requirements in the 2022 PRI Reporting Framework.

Minimum Requirement	Strategy and Governance (SG) 2020 Module Indicator	Investment & Stewardship Policy (ISP) 2021 Module Indicator
RI policy, setting out: <ul style="list-style-type: none"> ▪ overall approach or guidelines on E, S, or G factors, and ▪ covers >50% of AUM 	SG 01	ISP 1 ISP 1.1 ISP 3
Senior-level oversight of RI	SG 07	ISP 6
Internal/external staff implementing RI	SG 07	ISP 7

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Equator Principles

The following is a more detailed list of the EPs:

1. **Review and Categorization** – When a project is proposed for financing, the EPFI will, as part of its internal environmental and social review and due diligence, categorize the project based on the magnitude of potential environmental and social risks and impacts, including those related to human rights, climate change, and biodiversity.⁵
2. **Environmental and Social Assessment** – The EPFI will require the client to conduct an appropriate assessment process to address, to the EPFI's satisfaction, the relevant environmental and social risks and scale of impacts of the proposed project. The assessment documentation should propose measures to minimize, mitigate, and, where residual impacts remain, compensate/offset/remedy for risks and impacts to workers, affected communities, and the environment, in a manner relevant and appropriate to the nature and scale of the proposed project.
3. **Applicable Environmental and Social Standards** – The assessment process should, in the first instance, address compliance with relevant host country laws, regulations, and permits that pertain to environmental and social issues. The EPFI's due diligence will include, for all Category A and B projects globally, review and confirmation by the EPFI of how the project and transaction meet each of the EPs.
4. **Environmental and Social Management System and Equator Principles Action Plan** – For all Category A and Category B projects, the EPFI will require the client to develop and/or maintain an Environmental and Social Management System (ESMS). Further, an Environmental and Social Management Plan (ESMP) will be prepared by the client to address issues raised in the assessment process and incorporate actions required to comply with the applicable standards. Where the applicable standards are not met to the EPFI's satisfaction, the client and the EPFI will agree to an Equator Principles Action Plan (EPAP) in order to outline gaps and commitments to meet EPFI requirements in line with the applicable standards.
5. **Stakeholder Engagement** – For all Category A and Category B projects, the EPFI will require the client to facilitate and demonstrate effective stakeholder engagement, as an ongoing process in a structured and culturally appropriate manner, with affected communities, workers, and, where relevant, other stakeholders.
6. **Grievance Mechanism** – For all Category A and, as appropriate, Category B projects, the EPFI will require the client, as part of the ESMS, to establish effective grievance mechanisms that are designed for use by affected communities and workers, as appropriate, to receive and facilitate resolution of concerns and grievances about the project's environmental and social performance.
7. **Independent Review** – For all Category A and, as appropriate, Category B projects, an Independent Environmental and Social Consultant will carry out an independent review of the assessment process including the ESMPs, the ESMS, and the stakeholder engagement process documentation in

⁵ The categorization is based on the International Finance Corporation's (IFC's) environmental and social categorization process, which includes Categories A, B, and C. Category A includes projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible, or unprecedented. Category B includes projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. Category C includes projects with minimal or no adverse environmental and social risks and/or impacts.

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order to assist the EPFI's due diligence and determination of compliance with the EPs.

8. **Covenants** – An important strength of the EPs is the incorporation of covenants linked to compliance. For all projects, where a client is not in compliance with its environmental and social covenants, the EPFI will work with the client on remedial actions to bring the project back into compliance. If the client fails to reestablish compliance within an agreed grace period, the EPFI reserves the right to exercise remedies, including calling an event of default, as considered appropriate.
9. **Independent Monitoring and Reporting** – For all Category A and, as appropriate, Category B projects, the EPFI will require independent monitoring and reporting to ensure that the project remains in compliance with the EPs over the life of the loan. Monitoring and reporting should be provided by an Independent Environmental and Social Consultant or, alternatively, the EPFI will require that the client retain qualified and experienced external experts to verify its monitoring information.
10. **Reporting and Transparency** – Both the EPFI and the client have ongoing reporting requirements.

The minimum reporting requirements are detailed in Annex B of the EPs, and they require that the EPFI report at least annually, taking into account appropriate confidentiality considerations. The minimum reporting requirements include, among others, that:

- data and implementation reporting will be published on the EPFI's website, in a single location and in an accessible format;
- the EPFI will report on the total number of project finance advisory services mandated during the reporting period, broken down by sector and region;
- the EPFI will report on the total number of project finance transactions and total number of project-related corporate loans that reached financial close during the reporting period, each broken down by category, sector, region, country designation, and whether an independent review was carried out;
- the EPFI will report on the total numbers of refinance and acquisition finance transactions that reached financial close during the reporting period, each broken down by sector, region, and country designation;
- the EPFI will report on its implementation of the EPs, including (1) the mandate of the EPs' reviewers (e.g., responsibilities and staffing); (2) the respective roles of the EPs' reviewers, business lines, and senior management in the transaction review process; and (3) the incorporation of the EPs in its credit and risk management policies and procedures; and
- the EPFI will submit project name data directly to the EPs' Association Secretariat for publication on the EPs' Association website.

APPENDIX B

Task Force on Climate-Related Financial Disclosures Recommendations

The following is a more detailed list of the Recommendations and supporting recommended disclosures:

1. **Governance** – Disclose the organization’s governance around climate-related risks and opportunities. The recommended disclosures include (a) describe the board’s oversight of climate-related risks and opportunities, and (b) describe management’s role in assessing and managing climate-related risks and opportunities.
2. **Strategy** – Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material. The recommended disclosures include (a) describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term; (b) describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning; and (c) describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2 °Celsius or lower scenario.
3. **Risk Management** – Disclose how the organization identifies, assesses, and manages climate-related risks. The recommended disclosures include (a) describe the organization’s processes for identifying and assessing climate-related risks; (b) describe the organization’s processes for managing climate-related risks; and (c) describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.
4. **Metrics and Targets** – Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. The recommended disclosures include (a) disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process; (b) disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions,⁶ and the related risks; and (c) describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

⁶ GHG emissions Scope levels include the following: Scope 1 refers to all direct GHG emissions; Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam; and Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions (e.g., the extraction and production of purchased materials and fuels, outsourced activities, and waste disposal).

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The following is a more detailed list of the TCFD Fundamental Principles for Effective Disclosure:

1. **Disclosures should present relevant information** – The organization should provide information specific to the potential impact of climate-related risks and opportunities on its markets, businesses, corporate or investment strategy, financial statements, and future cash flows.
2. **Disclosures should be specific and complete** – An organization’s reporting should provide a thorough overview of its exposure to potential climate-related impacts; the potential nature and size of such impacts; the organization’s governance, strategy, and processes for managing climate-related risks; and performance with respect to managing climate-related risks and opportunities.
3. **Disclosures should be clear, balanced, and understandable** – Disclosures should be written with the objective of communicating financial information that serves the needs of a range of financial-sector users (e.g., investors, lenders, insurers, analysts), including by using text, numbers, and graphical presentations, as appropriate.
4. **Disclosures should be consistent over time** – Disclosures should be consistent over time to enable users to understand the development and/or evolution of the impact of climate-related issues on the organization’s business, including by using consistent formats, language, and metrics from period to period.
5. **Disclosures should be comparable among organizations within a sector, industry, or portfolio** – Disclosures should allow for meaningful comparisons of strategy, business activities, risks, and performance across organizations and within sectors and jurisdictions.
6. **Disclosures should be reliable, verifiable, and objective** – Disclosures should provide high-quality reliable information. They should be accurate and neutral (i.e., free from bias) and should be based on objective data and use best-in-class measurement methodologies, to the extent possible.
7. **Disclosures should be provided on a timely basis** – Information should be delivered to users or updated in a timely manner using appropriate media on, at least, an annual basis within the mainstream financial report.

Sustainability Accounting Standards Board Standards

In developing the SASB Standards, SASB identified sustainability topics from a set of 26 broadly relevant sustainability issues organized under the following five sustainability dimensions:

1. **Environment** – Includes issues such as GHG emissions, air quality, energy management, water and wastewater management, waste and hazardous materials management, and ecological impacts.
2. **Social Capital** – Includes issues such as human rights and community relations, customer privacy, data security, access and affordability, product quality and safety, customer welfare, and selling practices and product labeling.

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3. **Human Capital** – Includes issues such as labor practices, employee health and safety, and employee engagement and diversity and inclusion.
4. **Business Model and Innovation** – Includes issues such as product design and lifecycle management, business model resilience, supply chain management, materials sourcing and efficiency, and physical impacts of climate change.
5. **Leadership and Governance** – Includes issues such as business ethics, competitive behavior, management of the legal and regulatory environment, critical incident risk management, and systemic risk management.

The following is a more detailed list of the SASB Standards:

1. **Disclosure Topics** – A minimum set of industry-specific disclosure topics reasonably likely to constitute material information, and a brief description of how management or mismanagement of each topic may affect value creation.
2. **Accounting Metrics** – A set of quantitative and/or qualitative accounting metrics intended to measure performance on each topic.
3. **Technical Protocols** – Each accounting metric is accompanied by a technical protocol that provides guidance on definitions, scope, implementation, compilation, and presentation, all of which are intended to constitute suitable criteria for third-party assurance.
4. **Activity Metrics** – A set of metrics that quantify the scale of a company's business and are intended for use in conjunction with accounting metrics to normalize data and facilitate comparison.

The SASB Implementation Primer highlights key considerations for implementing the SASB Standards, which include:

1. **Establishing a foundation** – Effective implementation of the SASB Standards may require integrating sustainability more fundamentally into existing processes and practices related to governance, strategic planning, risk management, and performance management. In this way, organizations can build culture and capacity to better ensure that they meet their strategic, operational, compliance, and reporting objectives.
2. **Choosing the right tools for the job** – For corporate reporting to effectively support decision makers, companies must identify key audiences and understand their sustainability information needs. The SASB Standards are designed to meet the needs of providers of capital, such as shareholders and creditors. The SASB Standards are complementary to and may be used in conjunction with other frameworks focused on multiple audiences.
3. **Deciding where to disclose** – Companies communicate with investors in many different ways, all of which may be appropriate channels for using the SASB Standards. Companies opt to disclose SASB data through a variety of channels, including annual reports to shareholders, integrated reports, sustainability reports, standalone SASB reports, and investor relations websites.
4. **Understanding the SASB Standards** – Each company is unique and therefore must make its own determinations about the sustainability risks and opportunities it faces and the disclosure standards most relevant to its circumstances. Understanding how the

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SASB Standards are structured—including industry classifications, topic descriptions, and metric specifications—can help your company more effectively identify, manage, monitor, and report on key sustainability challenges.

5. **Assessing your readiness** – Many companies that already collect sustainability information find they have a shorter-than-expected path to robust external reporting. By comparing existing metrics to the SASB Standards and evaluating data collection platforms and internal controls, companies can determine the most efficient path toward reporting readiness.
6. **Developing your disclosures** – Information is most effective when it is presented in a way that supports meaningful analysis and decision making. Organizations should consider how the SASB Standards can help them disclose quantitative and qualitative information in a way that best communicates the company’s long-term value creation story.
7. **Enabling continuous improvement** – As an emerging practice, effective sustainability disclosure is likely to be the product of an ongoing, iterative process. Companies can establish formal feedback loops that inform their efforts to continuously improve investor-focused sustainability disclosure and ensure that they provide decision-useful information to providers of capital.

International Integrated Reporting Council Framework

In the IR Framework, the capitals include the following:

1. **Financial Capital** – The pool of funds that is available to an organization obtained through financing, such as debt, equity, or grants, or generated through operations or investments.
2. **Manufactured Capital** – Manufactured physical objects that are available to an organization for use in the production of goods or the provision of services (e.g., buildings, equipment, infrastructure).
3. **Intellectual Capital** – Organizational, knowledge-based intangibles, including intellectual property (e.g., patents, copyrights, software, rights, licenses) and “organizational capital” such as tacit knowledge, systems, procedures, and protocols.
4. **Human Capital** – People’s competencies, capabilities, and experience, and their motivations to innovate.
5. **Social and Relationship Capital** – The institutions and the relationships within and between communities, groups of stakeholders, and other networks, and the ability to share information to enhance individual and collective well-being.
6. **Natural Capital** – All renewable and nonrenewable environmental resources and processes that provide goods or services that support the past, current, or future prosperity of an organization (e.g., air, water, land, minerals, biodiversity).

The IR Framework includes seven guiding principles that underpin the preparation and presentation of an integrated report, informing the content of the report and how the information is presented. The following is a more detailed list of the seven guiding principles:

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1. **Strategic Focus and Future Orientation** – An integrated report should provide insight into the organization’s strategy; how it relates to the organization’s ability to create value in the short, medium, and long term; and its use of and effects on the capitals.
2. **Connectivity of Information** – An integrated report should show a holistic picture of the combination, interrelatedness, and dependencies between the factors that affect the organization’s ability to create value over time.
3. **Stakeholder Relationships** – An integrated report should provide insight into the nature and quality of the organization’s relationships with its key stakeholders, including how and to what extent the organization understands, takes into account, and responds to the key stakeholders’ legitimate needs and interests.
4. **Materiality** – An integrated report should disclose information about matters that substantively affect the organization’s ability to create value over the short, medium, and long term.
5. **Conciseness** – An integrated report should be concise.
6. **Reliability and Completeness** – An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.
7. **Consistency and Comparability** – The information in an integrated report should be presented (a) on a basis that is consistent over time, and (b) in a way that enables comparison with other organizations to the extent it is material to the organization’s own ability to create value over time.

The IR Framework requires an integrated report to include eight content elements, which include:

1. **Organizational Overview and External Environment** – What does the organization do and what are the circumstances under which it operates?
2. **Governance** – How does the organization’s governance structure support its ability to create value in the short, medium, and long term?
3. **Business Model** – What is the organization’s business model?
4. **Risks and Opportunities** – What are the specific risks and opportunities that affect the organization’s ability to create value over the short, medium, and long term, and how is the organization dealing with them?
5. **Strategy and Resource Allocation** – Where does the organization want to go and how does it intend to get there?
6. **Performance** – To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?
7. **Outlook** – What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?
8. **Basis of Presentation** – How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?

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Global Reporting Initiative Sustainability Reporting Standards

The GRI Standards are divided into four series, which include:

1. **100 Series (Universal Standards)** – The 100 series includes three universal standards, including (i) GRI 101: Foundation, which sets out the Reporting Principles (discussed below) for defining report content and quality; (ii) GRI 102: General Disclosures, which is used to report contextual information about an organization and its sustainability practices; and (iii) GRI 103: Management Approach, which is used to report information about how an organization manages a material topic.
2. **200 Series (Economic Topics)** – The 200 series includes economic topics such as economic performance, market presence, indirect economic impacts, procurement practices, anti-corruption, anti-competitive behavior, and tax.
3. **300 Series (Environmental Topics)** – The 300 series includes environmental topics such as materials, energy, water and effluents, biodiversity, emissions, waste, environmental compliance, and supplier environmental assessment.
4. **400 Series (Social Topics)** – The 400 series includes social topics such as employment, labor/management relations, occupational health and safety, training and education, diversity and equal opportunity, nondiscrimination, freedom of association and collective bargaining, child labor, forced or compulsory labor, security practices, rights of indigenous peoples, human rights assessment, local communities, supplier social assessment, public policy, customer health and safety, marketing and labeling, customer privacy, and socioeconomic compliance.

If an organization wants to claim that its sustainability report has been prepared in accordance with the GRI Standards, it is required to comply with the Reporting Principles, which include the (i) Reporting Principles for Defining Report Content and (ii) Reporting Principles for Defining Report Quality. The Reporting Principles for Defining Report Content include:

1. **Stakeholder Inclusiveness** – The reporting organization shall identify its stakeholders and explain how it has responded to their reasonable expectations and interests.
2. **Sustainability Context** – The report shall present the reporting organization's performance in the wider context of sustainability.
3. **Materiality** – The report shall cover topics that (i) reflect the reporting organization's significant economic, environmental, and social impacts; or (ii) substantively influence the assessments and decisions of stakeholders.
4. **Completeness** – The report shall include coverage of material topics and their boundaries, sufficient to reflect significant economic, environmental, and social impacts, and to enable stakeholders to assess the reporting organization's performance in the reporting period.

The Reporting Principles for Defining Report Quality include:

1. **Accuracy** – The reported information shall be sufficiently accurate and detailed for stakeholders to assess the reporting organization's performance.

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2. **Balance** – The reported information shall reflect positive and negative aspects of the reporting organization’s performance to enable a reasoned assessment of overall performance.
3. **Clarity** – The reporting organization shall make information available in a manner that is understandable and accessible to stakeholders using that information.
4. **Comparability** – The reporting organization shall select, compile, and report information consistently. The reported information shall be presented in a manner that enables stakeholders to analyze changes in the organization’s performance over time, and that could support analysis relative to other organizations.
5. **Reliability** – The reporting organization shall gather, record, compile, analyze, and report information and processes used in the preparation of the report in a way that they can be subject to examination, and that establishes the quality and materiality of the information.
6. **Timeliness** – The reporting organization shall report on a regular schedule so that information is available in time for stakeholders to make informed decisions.

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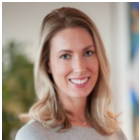
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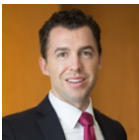
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