BOSTON COLLEGE
CENTER FOR CORPORATE CITIZENSHIP
CARROLL SCHOOL OF MANAGEMENT

Professional Services Sustainability Advisory Board

2023 Bulletin

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Letter From the Chairs

The professional services and non-manufacturing sectors have a long history of addressing sustainability concerns. For the past 10 years, a group of professional services organizations have come together to help identify best practices, share common challenges, and push the field to better address its sustainability impacts.

KATHRYN ALSEGAF
Global Chief
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Throughout our work together, the Boston College Center for Corporate Citizenship's (BCCCC) Advisory Board on Professional Services Sustainability has been able to catalyze responses to increasing stakeholder pressures and help explore how to better support our organizations' and clients' commitments to sustainability.

We recognize our shared opportunity and responsibility to understand where we can achieve more collectively than we might on our own. This group reminds us that while we may differ in some attributes, we connect through our shared values, especially the commitment to positively impact society.

As the regulatory landscape around sustainability disclosure continues to evolve, there is increasing momentum to consider how we can lead our organizations toward more sustainable, equitable, and inclusive business practices. Professional services organizations are a key part of many corporate value chains. As such, understanding the sustainability impacts of professional services organizations can be an important element of understanding your own organization's value chain impacts. We recognize the opportunity professional services companies create for clients in better managing our own impacts and we are delighted to have the Professional Services Sustainability Advisory Board as a long-standing community to help support this work.

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Global Chief Sustainability Officer
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Introduction

Boston College Center for Corporate Citizenship formed its Professional Services Sustainability Advisory Board to identify opportunities for supporting sustainability practices within the industry.

While many may overlook the role that the professional services sector plays in regard to sustainability, the prevalence of professional services firms in corporate value chains requires that companies consider their professional services partners' sustainability practices in order to manage their own environmental and social impacts. With an increasing regulatory focus on assessing environmental impacts across a company's complete value chain, the sustainability impacts of professional services companies will only grow in importance. For the purposes of this discussion, professional services refer to nonmanufacturing firms, such as accounting and law firms, as well as financial services companies.

In this report, we share lessons from the Professional Services Sustainability Advisory Board, co-chaired by representatives from Deloitte and Edelman. This group convenes six times per year to share knowledge and develop insights about effective and innovative practices, explore potential cross-sector collaboration, and accelerate and share learning about how they can most effectively support environmental sustainability initiatives. The purpose of this report is to serve as a resource for other professional services companies and their customers to understand where impacts can be reduced and opportunities maximized. It shares key takeaways, lessons learned, and case studies from Advisory Board conversations over the course of their academic year meetings (Fall 2022 through Summer 2023). Unless otherwise noted, all the information in this report was inspired by Advisory Board discussions run under the Chatham House Rule.

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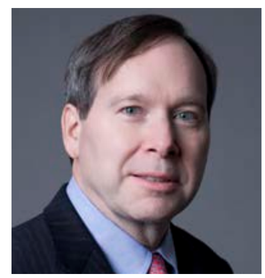

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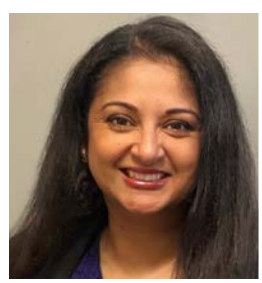

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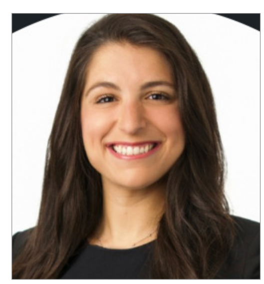

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TOPIC 1

The Challenge of Scope 3

What's the deal?

One critical area of concern for reporting emissions is Scope 3 emissions, which refer to emissions that occur in a company's value chain outside of the company's direct control. This includes emissions from transportation services used by employees for business travel, suppliers of other goods and services to the firm, and customers whose activities emit greenhouse gases (GHG) and other types of emissions.

For professional services firms, concerns around Scope 3 can be acute. Nonmanufacturing companies often have limited Scope 1 impacts—the direct emissions of company facilities and vehicles—and Scope 2 impacts—the emissions from own-use, purchased electricity, heat, and cooling. But they may generate high levels of upstream Scope 3 impacts, (e.g., GHG emissions due to travel) and downstream Scope 3 impacts related to the actions of their customers whose activities result in considerable emissions.

SCOPE 3 ACTIVITIES

The Greenhouse Gas Protocol identifies a number of categories of Scope 3 activities, both upstream and downstream of the target reporting company.[1]

Upstream activities (e.g., suppliers)	Downstream activities (e.g., customers)
Purchased goods and services	Transportation and distribution
Capital goods	Processing of sold products*
Fuel- and energy-related activities	Use of sold products*
Waste generated in operations	End-of-life treatment of sold products*
Business travel	Investments
Employee commuting	Franchises
Leased assets	Leased assets

**Although professional services companies do not produce products, their services may contribute to the design, packaging, materials content, and other facets of a product sold by a company.*

Whether you are concerned with increasing participation in volunteer programs, reporting, or improving environmental impacts, this course can help you connect with essential partners—inside the company and beyond.

Take the Course:
[Integrating Corporate Citizenship Through Your Supply Chain]

This raises important boundary questions: How far down its value chain should a professional services firm go when accounting for and reporting its Scope 3 emissions? For example, to what extent is an insurer responsible for the GHG emissions of the factory it is insuring or the downstream impacts of the products that factory produces? To what extent might the insurer be responsible for the impacts of the coal-fired energy plants in which it has investment?

This is further complicated by the fact that Scope 3 GHG reporting continues to be hotly contested but is also now required in the European Union's response to the Corporate Responsibility Reporting Directive (CSRD) regulation—the European Sustainability Reporting Standard (ESRS)—that has been developed by the European Financial Reporting Advisory Group (EFRAG). Scopes 1 and 2 are harder to debate. While Scope 3 is very important to provide a complete picture of certain industries, it is an evolving space that many find challenging.

There is also an impact on assurance—making sure that the data collected are reliable and accurate and have been verified by an independent auditor. When it comes to GHG, who is the right service provider? How do you balance audit and assurance expertise with GHG specialist expertise? The topic of boundaries is also important to GHG accounting: Who is responsible for what and over what time horizon (e.g., the relationship and calculation of share of equity vs. share of emissions)?[1] Because of the very real challenge of double counting Scope 3 emissions and the increasing scrutiny on the quality and ability to assure GHG data, professional services firms need further clarity on these and other related issues.

ADVICE FOR THE FIELD

As difficult as it may be to accumulate good data for Scope 3 reporting, it is important that companies begin the process of learning where to get the data and institutionalizing practices for data collection on at least an annual basis. For publicly traded companies, Scope 1 and Scope 2 data have become table stakes, and certain Scope 3 data is moving in that direction as well. The investment community has made great strides in integrating environmental factors into its portfolio analyses and is demanding better and more accurate data from companies. For those companies that are multinationals, there are also regulatory factors to take into consideration. In Europe, for example, the new CSRD regulations require companies of a certain size to report on ESG issues in general, with an emphasis on environmental or climate-related risks and opportunities.

For those organizations that are not publicly traded nor multinational, there is still a strong case for beginning the process of developing a practice to collect Scope 3 data. Since much of Scope 3 data is recorded from a company's supply chains, larger companies that are expected to report on these factors will be demanding the information from suppliers—whether large or small, publicly traded or privately held, a goods manufacturer or a service firm. And the quality of the data will come under more scrutiny and so become even more important as regulatory bodies continue to expand reporting requirements globally.

This is all well and good, but where to begin, given the boundary issues raised earlier? As the GHG Protocol advises, companies should focus their attention on collecting data on Scope 3 issues where they expect to have the most significant GHG emissions or may have the greatest opportunity to reduce emissions. They also may prioritize Scope 3 issues based on financial significance. For example, if a client is interested in the reduction of emissions from business travel, it would be of material importance to the company to track those data in order to attract or retain that client.

In addition to the GHG Protocol—which offers extensive guidance on Scope 3 issues and how to go about collecting data—the emergence of the Task Force on Climate-related Financial Disclosures (TCFD) has also had a big influence on Scope 3 reporting. In particular, its requirement to analyze risks has led to increased oversight from publicly traded companies' risk management teams, as well as the public reporting teams.[1]

Our advice is to stay ahead of these trends and, even when there is no immediate pressure to disclose publicly, learn what Scope 3 issues are most important to your key stakeholders or where your company may have the biggest impact, risk, or opportunity. Then begin the process of identifying areas within the company where that Scope 3 data may be collected, and work with others to establish systems or tools to collect data external to the company (supply chains, etc.).

AN OPPORTUNITY FOR PROFESSIONAL SERVICES TO LEAD CLIENTS TO SCOPE 3 THINKING

GHG Scope 3 reporting continues to be one of the most hotly contested disclosure items and is required in the EU's response to the CSRD for many companies, regulation and proposed in pending SEC regulation.

By definition, Scope 3 emissions occur in the value chain of a reporting company (e.g., suppliers, logistics providers, travel, employees, and customers). Scope 3 emissions for the reporting company are by definition the direct emissions of another entity. In certain cases, two or more companies may account for the same emission within Scope 3. For example, the Scope 1 emissions of a power generator are the Scope 2 emissions of an electrical appliance user, which are in turn the Scope 3 emissions of both the appliance manufacturer and the appliance retailer.

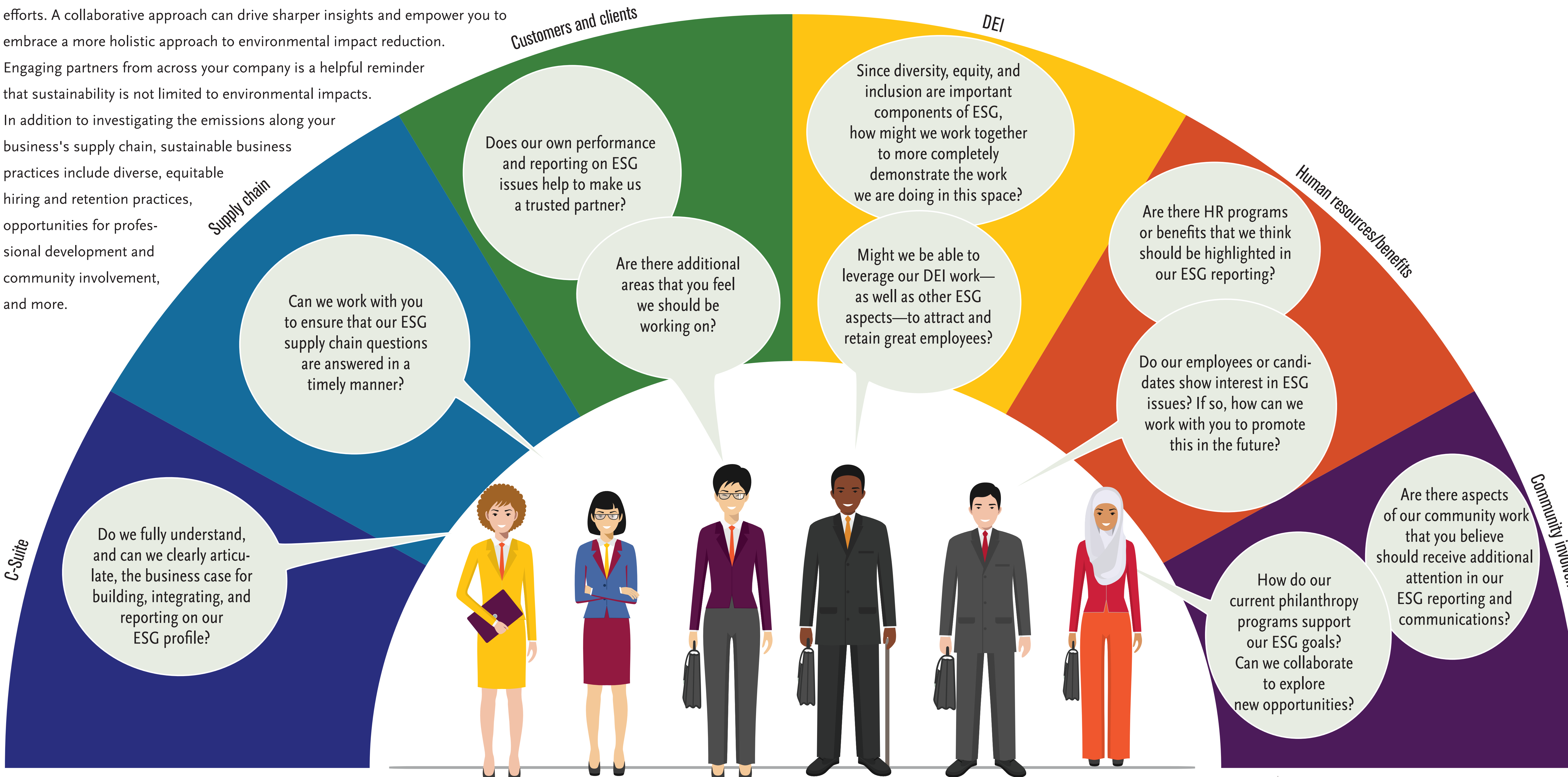
So, what's the point of reporting Scope 3?

Scopes 1 and 2 are widely viewed to be the responsibility of the company. Our opportunity is to shift thinking from this orientation. The purpose of Scope 3 is not to inventory GHGs to the company as much as it is to keep attention on ALL of the opportunities EACH of us has to reduce emissions. In the example above, each of the four companies has different and often mutually exclusive opportunities to reduce emissions. The power generator can generate power using lower-carbon sources. The electrical appliance user can use the appliance more efficiently. The appliance manufacturer can increase the efficiency of the appliance it produces, and the product retailer can offer more energy-efficient product choices. By allowing for GHG accounting of direct and indirect emissions by multiple companies in a value chain, Scope 1, Scope 2, and Scope 3 accounting facilitates the simultaneous action of multiple entities to reduce emissions throughout society.

Adapted from: https://ghgprotocol.org/sites/default/files/standards_supporting/FAQ.pdf

Conversation starters focused on maximizing sustainable practices

As the number of regulatory guideposts regarding the sustainability of a company's value chain increases, it is important to broaden the conversation around your company's sustainability efforts. A collaborative approach can drive sharper insights and empower you to embrace a more holistic approach to environmental impact reduction. Engaging partners from across your company is a helpful reminder that sustainability is not limited to environmental impacts. In addition to investigating the emissions along your business's supply chain, sustainable business practices include diverse, equitable hiring and retention practices, opportunities for professional development and community involvement, and more.



IN THEIR OWN WORDS

How would you describe your company's approach to monitoring and reporting Scope 3 emissions?

A holistic approach toward environmental justice is core to what we seek to do, and end-to-end value chain assessments are fundamental to getting that complete and accurate understanding of our impacts on the environment and our communities. This is not just about our internal resource usage measurements, but also looking at the impacts of our stakeholder collaborations. This includes: What is the environmental footprint of our work with our vendors? Where are the risks and opportunities in our supply chain? How are we going to mitigate our negative impacts? When do we work on the different approaches and strategies? Our supply chain measurements are a part of our continued efforts towards driving advocacy and action for environmental justice."

YAMINI DIXIT

Senior Director, Corporate Citizenship
Nielsen

We've been capturing our carbon emissions since 2017 and continue to enhance our data capture. We don't currently report externally but are researching how this should be done."

JENNIFER SOMBAR

Senior Director, Facilities,
Real Estate, and Sustainability
CFA Institute

We currently report on a few Scope 3 metrics, but not all. We started with tracking and reporting those metrics that we could easily obtain like business travel, waste, etc. We are now starting in 2023 to expand obtaining other categories of Scope 3. For those other areas that we aren't able to obtain fully, we will build an estimate so that we can report on end-to-end Scope 3."

POOJA KNIGHT

AVP, Enterprise Risk Management
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Arthur J. Gallagher & Co.

Like many, we have been on a journey on our Scope 3 reporting. In our early years, we reported on Scopes 1, 2, and business travel. In the last couple of years, we have added in purchased goods and services. We are asking increasing numbers of suppliers to respond to the CDP supply questionnaire. We measure which of our suppliers have set science-based targets. We continue to work to improve data quality and to encourage our suppliers to work with us toward a net-zero world."

KATHRYN ALSEGAF
Global Chief Sustainability Officer
Deloitte

What are the key challenges and opportunities you face relative to requests for information from third-party assessments (e.g., EcoVadis, CDP, etc.)?

Our challenges have been more about getting credit for things that we do that aren't necessarily publicly reported. Our scores and our reports don't accurately report all of the good things our company is doing because the reports only give you credit for what is publicly reported."

POOJA KNIGHT
AVP, Enterprise Risk Management and Climate Change
Arthur J. Gallagher & Co.

We are currently developing a sustainability roadmap, and this will be addressed. We are still in an evaluation phase."

JENNIFER SOMBAR
Senior Director, Facilities, Real Estate, and Sustainability
CFA Institute

TOPIC 2

Responding to third-party assessor requests

What's the deal?

Third-party assessments of corporate ESG impacts, such as CDP and EcoVadis, are becoming increasingly common. Many companies report that an increasing number of customers and supply chain partners are requesting participation in third-party assessment processes. These assessments can provide external perspective on sustainability practices and help identify areas for improvement. Additionally, they can be used to demonstrate progress on ESG issues for interested stakeholders. However, there are also risks and data challenges associated with disclosure, requiring that companies engage cross-functional teams, customers, suppliers, and others in the reporting process.

Among the challenges companies face is devoting precious resources to responding to all of the various ESG surveys. Most corporate ESG reporters issue a sustainability report or include ESG information in other public documents, such as 10K disclosures. However, many surveys require the completion of a separate, online report that asks for information, much of which is information a company would issue in a sustainability report.

In addition, several of these surveys rank companies based on the ESG information provided. Lack of detail—even if it is information the company has determined should not be disclosed for competitive, legal, or other proprietary reasons—can negatively influence that rating. The surveys also (in most cases) require a public data trail, and lack thereof can also reduce the rating. These two issues also play into another key issue: auditability. If decision-makers need good ESG information to make an RFP selection or an investment decision, the quality and accessibility of the information needs to be verified by assurance providers in order to have a faithful representation of the company's ESG performance.

It is important, therefore, to have strong data management programs and policies in place, utilizing tools and/or consultants to build a consistently accurate and replicable process for collection of ESG information. This will address the need for the consistent reporting on ESG information across all surveys or reporting frameworks.

There are several opportunities that can be gleaned from enhancing the transparency of ESG data reporting. Many investors are integrating ESG data into their analyses of companies; consistent, verifiable data is of great importance to them. For some ESG-specific portfolios—such as the Dow Jones Sustainability Index—the quality and completeness of the information provided determines which companies are included in the listing. This can increase the profile of the company and the number of shareholders. Additionally, many clients are now requiring more ESG information from their vendors, and higher ESG ratings can factor into who wins contracts. Employees—particularly those who have recently entered the workforce—may be more aware of the importance of strong ESG profiles and make employment choices based on a company's reputation in this area.

As with any strategic decision, the plusses and minuses of responding to the various ESG surveys need to be weighed. As ESG reporting requirements and demands increase, companies owe it to themselves and their stakeholders to devote their resources to the most important—or material—areas, including responses to surveys.

KEY QUESTIONS TO CONSIDER WHEN RECEIVING A REQUEST:

1. Who is making the request? Is this a highly valued stakeholder? What will be the consequences of inaction on the request?
    a. Why is your stakeholder interested in this request? Are there any other ways to meet their needs outside of the survey response?

2. Which stakeholder groups will be influenced by a response to this request? Will omission from the resulting rating or ranking harm the company?

3. What information is being requested? Is this information that is already being reported publicly? Is it available in an existing report? Is existing publicly available information accurate and up to date?

4. How much time and capacity are available for responding to the request? Who needs to be involved in the process?

5. What is the survey response cadence? Does submission in one year require that the response be done annually?

6. What happens to the information that is submitted? Is it made publicly available? Are there data security or other considerations to be aware of?

ESG DATA MANAGEMENT

TOOLS FOR MANAGING REPORTING INFORMATION

- **ESG data providers**: These are specialized companies that collect, verify, and analyze ESG data from various sources, such as company reports, regulatory filings, news articles, and other public sources. Some of the popular ESG data providers include MSCI ESG Research, Sustainalytics, Bloomberg, and Refinitiv.
- **Sustainability management software**: These are software platforms that allow companies to manage and report on their ESG performance. These platforms typically integrate with various data sources—such as financial data, energy consumption data, and emissions data—to provide a comprehensive view of a company's sustainability performance. Some popular sustainability management software providers include Enablon, Sphera, OneTrust, One Report, and Nasdaq.
- **Carbon accounting software**: Carbon accounting software is a type of sustainability management software that specifically focuses on tracking and reporting GHG. These tools help companies calculate their carbon footprint, identify areas for improvement, and report on their progress toward emissions reduction goals. Some popular carbon accounting software providers include Carbon Footprint, Carbon Clear, and Carbon Trust.
- **ESG analytics platforms**: These are specialized data analytics platforms that help investors and other stakeholders analyze ESG data to make informed investment decisions. These platforms typically use machine learning and other advanced analytics techniques to identify patterns and trends in ESG data, as well as to generate predictive insights. Some popular ESG analytics platforms include TruValue Labs, Arabesque, and ISS ESG.
- **Excel spreadsheets**: While not a specialized tool for ESG reporting, Excel spreadsheets are still widely used by many companies for data management and reporting. Excel can be used to organize, analyze, and visualize data related to ESG factors, and can be a useful tool for smaller organizations or those just starting out with ESG reporting. However, it's important to note that Excel may not be scalable or efficient for larger organizations with more complex data management needs. It may also not satisfy more stringent reporting and accounting standards required by government regulators.

ESG DATA MANAGEMENT

SERVICE PROVIDERS

- **Bloomberg ESG Data**: Bloomberg is a leading provider of financial information, and its ESG Data service offers comprehensive ESG data on thousands of companies. Users can access ESG scores, historical performance, and detailed information about the ESG factors considered for each company.
- **MSCI ESG Research**: MSCI is a global provider of investment decision support tools, including ESG ratings and research. Its ESG Research platform provides in-depth ESG data, ratings, and analysis for thousands of companies, helping organizations assess their ESG performance and benchmark against industry peers.
- **Sustainalytics**: Sustainalytics is a global leader in ESG research and ratings, offering a platform that provides insights on companies' ESG performance. Its tools include ESG Risk Ratings, which assess a company's exposure to and management of material ESG risks, and ESG Impact Ratings, which evaluate the company's overall impact on people and the planet.
- **Refinitiv Eikon**: Refinitiv Eikon is a comprehensive financial analysis platform that includes extensive ESG data. Users can access ESG scores, detailed ESG metrics, news, and research, as well as tools for portfolio analysis and risk management.
- **CDP** (formerly Carbon Disclosure Project): CDP is a global environmental disclosure system that helps organizations measure, manage, and report their environmental impact. Companies can use CDP's platform to report on their GHG emissions, water usage, and deforestation risks, as well as gain insights on best practices and benchmark against their peers.
- **GRI** (Global Reporting Initiative): GRI is an international organization that develops sustainability reporting guidelines. The GRI Standards provide a common framework for organizations to report on their ESG performance, and many ESG data management tools incorporate these guidelines.
- **SASB** (Sustainability Accounting Standards Board): SASB develops industry-specific sustainability accounting standards that help companies disclose financially material ESG information to investors. Its standards can be integrated into various ESG data management tools to enhance reporting consistency and comparability.
- **Datamaran**: Datamaran is an AI-powered platform that automates identification and monitoring of ESG risks and opportunities. It provides real-time analytics on companies' ESG performance, peer benchmarking, and regulatory landscape analysis so organizations can make data-driven decisions.
- **StratAI**: StratAI is an AI-driven data and analysis company that builds custom ESG related data sets. Utilizing a wide array of public sources, from ESG and DEI/sustainability reports to financial statements and government databases, StratAI extracts and distills complex, unstructured data into actionable insights to help companies and investors set strategy, improve performance, and build innovative ESG-focused products and services.

ADVICE FOR THE FIELD

As with any strategic business decision, the demand for ESG information from a growing number of requestors is one that needs to be assessed by balancing risks with opportunities. In some instances, there is complete strategic alignment between a survey and a business need, such as when the survey is for a client to help assist them in their vendor selection process. For publicly traded companies, surveys that can lead to inclusion on stock indices such as DJSI or FTSE4Good are a way to potentially increase stock ownership or share price. Others, however, are more limited in scope and less beneficial to a reporting company.

In all instances, organizations should start from a position of strength which could be defined, in this case, as having all of the necessary information available to complete an ESG survey. In most cases, information gathered for one questionnaire can be utilized in multiple surveys. There are tools and services that can assist reporters in collecting data and populating various surveys with appropriate responses. However, there are still valuable resources that can be preserved by not responding to all requests.

Where the demand for information exceeds a company's capacity to collect or willingness to divulge, companies need to clearly define the parameters of their reporting, including reasons and rationale for not disclosing requested data. This, in itself, is part of the movement toward full transparency, and reporters should realize that often it takes several years to pull together all of the information necessary to respond completely to a survey.

Some questions to ask:

- Does the survey address the issues most important to our company and stakeholders?
- Is it from a client or prospective client (or issued on their behalf)?
- Could this possibly help attract new investors and/or increase our share price?
- Is this issued from a jurisdiction where we have a significant business presence? Several regional surveys impact only their local market.
- Will it help new employee recruitment?
- Are peers in the industry participating and would we disadvantage ourselves by not doing so?

TOPIC 3

Navigating ESG and Anti-ESG Factions

What's the deal?

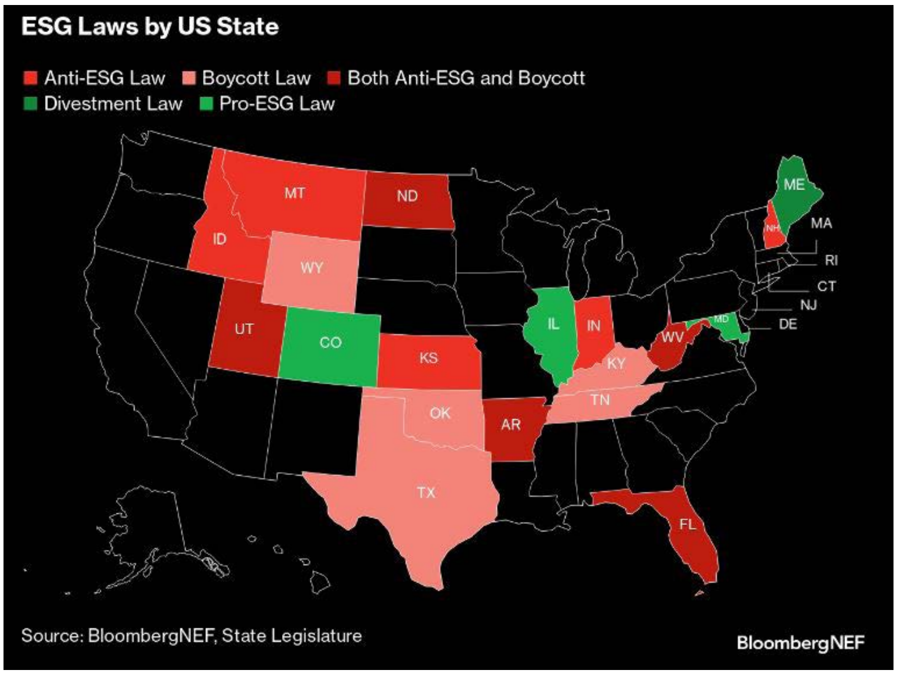
There is increasing recognition by regulators, investors, and community stakeholders of the risks posed by the mismanagement of ESG issues. Governments around the world are implementing regulations related to ESG disclosure and performance. Companies that fail to comply with these regulations risk legal and reputational risks. Investors are increasingly demanding ESG information from companies. Institutional investors, in particular, are integrating ESG factors into their investment decision-making processes. Companies that fail to disclose ESG information risk losing investor confidence and potentially losing investment. In the United States, the Securities and Exchange Commission (SEC) has proposed three rules related to enhanced transparency and guide rails for climate-related disclosures, investment strategies, and marketing/advertising of ESG funds (to address "greenwashing" concerns). In Europe, the CSRD has already launched and increased the number of organizations and industries required to report on ESG issues. In addition, new pressures are emerging from partners along the corporate value chain, including changing sustainability concerns in corporate and governmental requests for proposal.

Simultaneously, there is a growing politicization of ESG issues, particularly in the U.S. Several state legislatures have passed new legislation restricting ESG practices in an effort to protect particular industries or ideologies. At least 15 U.S. states have enacted anti-ESG (or anti-woke) legislation.[1] This falls into five main categories:

- Anti-boycott (firearms)
- Anti-boycott (energy)
- ESG investing
- Prohibition of ESG and social credit scores
- Education content

At the federal level, multiple bills have been proposed, including:

- Reaffirming the definition of materiality
- Regulating proxy advisers
- Preventing the Department of Labor from encouraging fiduciaries to prioritize ESG
- Narrowing the focus of the fiduciary duty of investors



At the state level, the legislation shows a clear divide along political lines, with conservative states coalescing around anti-ESG or anti-woke regulations. However, many of those bills have clear ambiguities, which could lead to litigation. There is also a question as to whether several of them are in conflict with federal law, leading to still more challenges.

At the federal level, the current political divide in Washington would indicate that the anti-ESG legislation is unlikely to be passed. But proposed SEC regulations have also been impacted by delays and challenges, and the merging of ESG and woke issues would indicate that this will be an issue at least through the 2024 presidential election cycle.

These concurrent and opposing trends have the effect of increasing scrutiny on corporate ESG practices. Companies developing and implementing ESG programming should be attentive to these contemporaneous trends and how they may influence corporate practice:

- Regulatory pressures, especially at the federal level and internationally
- Pressures from value chain—RFPs and use of sold products concerns, with the latter being especially relevant to insurers and financial services providers
- Anti-ESG laws and regulations, most likely at the state level

ADVICE FOR THE FIELD

Although anti-ESG sentiment appears to be heating up, it is primarily a domestic U.S. movement, and much of it may be a backlash to the further integration of ESG principles into mainstream business and investment decisions. There are also clear political overtones, as ESG and "woke" causes are often intertwined to make for a larger, more inclusive target. In spite of this "anti" noise, however, the countervailing domestic (proposed) and international (codified) regulations around ESG reporting, along with the mainstreaming of investor ESG analysis, will make it hard for any company to totally ignore ESG factors—even if it may be more convenient or politically expedient to do so in the near term.

The fact that the U.S. government is requiring its vendors to respond to ESG questions in its RFPs and disclose their GHG emissions may, in fact, put companies in those states who have issued anti-ESG legislation at a distinct disadvantage when bidding for government contracts.[1] Multinational companies may also have similar competitive challenges when bidding for business in areas of the world where ESG programming and reporting are basic table stakes.

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As a result, our advice is for companies to continue to develop their ESG programs, policies, and reporting capabilities, and to accentuate the fact that the greater the transparency around these issues, the better for business in the long run. In most, if not all, cases, these issues have become mainstream because of the overarching business case.

How do they compare? Emerging regulations and consolidating standards

	EFRAG (ESRS) CSRD [EU Law]	SEC Proposed Climate Reporting Rule	GRI [Standard]	TCFD [Framework]	IFRS/(ISSB) [Standard]
Overview	European Financial Reporting Advisory Group developing the European Sustainability Reporting Standards (ESRS) in response to the EU Corporate Sustainability Reporting directive (CSRD). Includes disclosures of ESG matters. Member state level regs to be developed by 6/2024. • Industry-specific standards in development.	US Securities & Exchange Commission. Includes disclosure only for climate-related matters. • Not industry-specific.	Since 1997, GRI has developed standards on ESG matters that need to be tracked to achieve a sustainable economy through a global multi-stake-holder consultative process. ESRS standards are built leveraging the GRI Standards and are almost fully aligned with GRI.	Recommendations about climate-focused disclosure information for investors.	Investor-focused baseline sustainability data. Doesn't include sector- and industry-specific requirements, but does include sector- and industry-specific guidance based on previous work of SASB.
Materiality boundary	Uses the concept of "double materiality," meaning the company should consider how it is impacted AND how it impacts stakeholders in addition to investors/creditors.	Materiality definition focused on financial materiality (e.g., investors, creditors).	GRI Standards use double materiality. • "A matter is material if it could influence the decision-making of stakeholders regarding the reporting company." • This perspective includes, and goes beyond, investors and financial decision-makers as stakeholders.	Materiality definition focused on financial materiality (e.g., investors, creditors).	Materiality definition focused on financial materiality (e.g., investors, creditors).
Overlap across jurisdictions and standards	**Disclosure requirements include**: • **(ESRS 1) General principles; (ESRS 2), strategy, governance, and materiality assessment** • **ESRS E1 Climate Change (Scopes 1- 3)** • **ESRS S1 1-4 (stakeholders) for companies with more than 250 employees** • **Value chain risk and opportunity** Materiality is the threshold for all other disclosures. Structure of standard: • ESRS 1 • ESRS 2 • Environment: (ESRS E1-5) Climate change; (ESRS E2) Pollution; (ESRS E3) Water and marine resources; (ESRS E4) Biodiversity; (ESRS E5) Resource use and circular economy • ESRS S1-4 Social:(ESRS S1) Own workforce; (ESRS S2) Workers in the value chain; (ESRS S3) Affected communities; (ESRS S4) Consumers and end-users • ESRS G1 (governance) business conduct	Certain **disclosures would be required, including**: • **Climate-related governance and risk management** • **Climate-related targets and goals** • **Scenario analysis (or other analytical tools)** • **Governance processes and qualifications of individuals to manage climate-related issues** • **Reporting boundaries must align with financial statements** **Scope 1 and Scope 2 GHG emissions** (Scope 3 being considered for companies where material.) Financial impacts of ESG matters: • Would require disclosure by line item in the notes to the audited financial statements if the value of the impacts exceeds 1% of each financial statement line item.	GRI has both required and recommended dis-closures. GRI allows omission of information on recommended disclosures when the information is unavailable or incomplete. • GRI and ESRS require value chain information. • ESRS language on sustainability due diligence and **SEC process documentation and oversight requirements align to GRI Standards.** • GRI 2 General Disclosures, draft **ESRS 2 is designed to align with the GRI Universal Standard and covers the five chapters of GRI 2 General Disclosures**. • GRI reporting will satisfy ESRS S1-S4 as a manda-tory disclosure requirement for those undertaking with 250 or more employees. **GRI 300 series reporting partially aligns with ESRS E1.**	TCFD is not a standard, but rather a framework. It recommends a set of disclosures. • The architecture of ESRS mirrors the IFRS (and TCFD) core areas rubric: Governance; Strategy; Impact/risk/opportunity management; Metrics and Targets. • **Companies that comply with ESRS E1 are expected also to be able to claim compliance with the TCFD**. Reporting framework presents recommendations for disclosures rather than requirements.	The architecture of ESRS mirrors the IFRS (and TCFD) core areas rubric: Governance; Strategy; Impact/risk/opportunity management; Metrics and Targets. • **Disclosures prepared under ESRS 1 and 2 and E1 are expected to satisfy disclosures required by IFRS S1 and S2 (ESRS requirements are more extensive)**. • IFRS defers to jurisdictional authorities as to whether to mandate use of IFRS S1 and S2. • IFRS supports voluntary adoption of Sustainability Disclosure Standards issued by the ISSB.
Assurance	**Requires limited assurance (with a planned transition to reasonable assurance) over all disclosures included in management's report**. • Assurance providers need to be the financial statement auditor, or • If an EU Member State chooses when incorporating the CSRD into its local law, another independent assurance provider accredited by an EU Member State	Would initially require limited assurance and later reasonable assurance for Scope 1 and 2 emissions for both accelerated and large accelerated filers—phased-in effective dates for others. • Processes/controls related to disclosures in scope for audit. • Assurance providers would need to be indepen-dent and would need to have experience and expertise measuring, analyzing, or attesting to GHG emissions.	While the use of external assurance for sustainability reporting is recommended by GRI, it is not required in order to make a claim that a report has been prepared in accordance with the GRI Standards.	Assurance not required.	Does not address assurance.

Below offers additional highlights on alignment between other common frameworks and ESRS.

UN SDGs	UNPRI	TNFD	GHG Protocol	OECD Guidelines for Multinational Enterprises
Objectives of the Sustainable Development Goals are reflected throughout ESRS and are aligned well with GRI and TCFD and partially aligned with ISSB standards.	U.N. Principles for Responsible Investment (PRI) is an international organization promoting the incorporation of ESG into investment deci-sion-making. There are six principles.	The Taskforce on Nature-related Financial Disclosures (TFND) ESRS E4 Biodiversity and ecosystems is structurally compliant with TNFD. **ESRS references TNFD extensively. The material-ity assessment has been restructured to follow the sequence of the Locate, Evaluate, Assess, and Prepare (LEAP) framework.**	Draft ESRS E1 has based calculation guidance of GHG emissions on the GHG Protocol principles, requirements, and guidance provided by the GHG Protocol Corporate Standard (version 2004). • Definitions of Scope 1, 2 and 3 are adapted from the GHG Protocol. • While the GHG Protocol proposes three options for defining the boundaries outside the financially controlled perimeter (equity share, financial control, and operational control), **ESRS E1 requires the operational control option in all cases.**	ESRS 1 and ESRS 2 are aligned to the greatest extent with the OECD Guidelines for Multinational Enterprises, which incorporates the content of the U.N. Guiding Principles on Business and Human Rights (UNGPs). The concept of due diligence outlined in the OECD Guidelines is reflected in ESRS 1, Section 4, Sustainability Due Diligence as well.

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Resources

- **Boston College Center for Corporate Citizenship**
  Make a Corporate Citizenship Knowledge Request
  https://ccc.bc.edu/content/ccc/membership/knowledge-request-form.html

- **EFRAG**
  Sustainability Reporting Standards Interim Draft
  https://www.efrag.org/Activities/2105191406363055/Sustainability-reporting-standards-interim-draft

- **Greenhouse Gas Protocol**
  Corporate Value Chain (Scope 3) Accounting and Reporting Standard
  https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporing-Standard_041613_2.pdf

- **Office of the Federal Chief Sustainability Officer**
  Federal Supplier Climate Risks and Resilience Proposed Rule
  https://www.sustainability.gov/federalsustainabilityplan/fed-supplier-rule.html

- **U.S. Securities and Exchange Commission**
  Climate and ESG Risks and Opportunities
  https://www.sec.gov/sec-response-climate-and-esg-risks-and-opportunities

- **Task Force on Climate-related Financial Disclosure**
  Implementing the Recommendations of the Task Force on Climate-related Disclosures
  https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

Sources

Topic 1: The Challenge of Scope 3

Scope 3 activities

1 Greenhouse Gas Protocol. (2013). *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*. https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporing-Standard_041613_2.pdf

Whats the deal?

1 Greenhouse Gas Protocol. (2013). *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*. https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporing-Standard_041613_2.pdf

Advice for the field

1 Task Force on Climate-related Financial Disclosures. (2021). *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*. https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf

Topic 3: Navigating ESG & Anti-ESG Factions

Whats the deal?

1 Gombar, V. (2023, June 9). *Anti-ESG Crusade in US Sweeps 15 States With More Laws in Works*. BloombergNEF. https://about.bnef.com/blog/anti-esg-crusade-in-us-sweeps-15-states-with-more-laws-in-works/

Advice for the field

1 Office of the Federal Chief Sustainability Officer. (2022). *Federal Supplier Climate Risks and Resilience Proposed Rule*. https://www.sustainability.gov/federalsustainabilityplan/fed-supplier-rule.html

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