

An aerial photograph of a lush green rooftop garden. The garden features a large wooden deck area with a white umbrella and several modern, grey concrete planters. The surrounding area is filled with various green plants, trees, and manicured bushes. In the background, a dense urban skyline with tall glass and concrete buildings is visible under a clear sky.

# The ABCs of ESG: Initiatives and Organizations Issuers Should Understand

## Introduction

The strategic importance of addressing environmental, social and governance (ESG) challenges continues to increase as ESG-related investor interest grows. Companies recognize that ESG issues factor into long-term performance strategy, but determining what to disclose and how to do so can be challenging given the veritable alphabet soup of ESG frameworks, ratings agencies, organizations and other initiatives. To help you keep track of it all, we put together a list of some of the most prominent frameworks, raters and rankers, organizations and initiatives.

*Note: this list is expanding and will be updated as appropriate. Last update: April 2021.*

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## Arabesque

- › ESG data provider, providing daily scoring on companies through “S-RAY” product.
- › Largely used by investment community for portfolio construction and forward-looking performance expectations (vs. stewardship activities) Large investment by Accenture.
- › S-RAY

## Bloomberg

- › ESG data and analytics are distributed through the Bloomberg terminal alongside fundamental financial data; widely used by over 18,000 Bloomberg terminal customers (as of 2018 also available outside the terminal as a licensed product).

## Business Roundtable

- › In existence since 1978, but received new focus in 2019 with release of new “Statement of Purpose of a Corporation”.
- › Statement is signed by 181 CEOs “who commit to lead their companies for the benefit of all stakeholders - customers, employees, suppliers, communities and shareholders.”

## CDP

- › CDP, formerly the Carbon Disclosure Project, runs a global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts, specifically climate change, deforestation and water security. CDP aims to motivate investors, companies and cities to work towards a sustainable economy using its database of self-reported environmental data.
- › Companies can make their CDP reporting private or public. While private reporting provides issuers the ability to test the waters, investors ultimately seek public reporting.
- › CDP’s network of investors and purchasers represent over \$110 trillion, and it has offices and partners in 50 countries.
- › In 2019, CDP launched an initiative targeting over 700 companies for not reporting their climate change, water security and deforestation data.

## CDSB - Climate Disclosure Standards Board

- › CDSB is a framework for integrating the reporting of environmental information, natural capital and associated business impacts into company disclosure to allow investors to assess the relationship between specific environmental matters and the organization’s strategy, performance and prospects.
- › Developed in alignment with the recommendations of the TCFD.
- › Intended to be responsive to regulatory reporting requirements for environmental reporting, namely the EU Non-Financial Reporting Directive.

## CERES

- › Ceres is a sustainability non-profit organization comprised of investors, public interest groups and companies that advocates to build sustainability leadership and take on challenges like climate change, deforestation, water scarcity and human rights abuses.

## Climate Action 100+

- › Climate Action 100+ was formed in the wake of the 2015 Paris Agreement, a global accord signed by nearly 200 countries (and ratified by 170), aiming to keep the increase in global average temperatures to well below two degrees Celsius above pre-industrial levels, and pursuing efforts to limit warming further to 1.5 degrees Celsius.
- › Designed by investors for investors, the initiative aims to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.
- › Investor signatories engage with the companies in which they invest, to secure greater disclosure of climate change risks and robust company emissions reduction strategies.

## CRD - Corporate Reporting Dialogue

- › The Corporate Reporting Dialogue (CRD) is an initiative that supports greater coherence, consistency and comparability between corporate reporting frameworks, standards and related requirements.
- › Specifically, its 'Better Alignment Project' is focused on driving better alignment in the corporate reporting landscape mapping the SASB, GRI, CDP and CDSB frameworks against the TCFD recommendations to align metrics where possible to support further integration of financial and extra-financial reporting.

## CSA

- › The SAM CSA has been rebranded the S&P Global CSA following RobecoSAM's acquisition by S&P Global. The CSA is an annual evaluation of company sustainability practices, covering over 7,300 companies.
- › 5,000 companies (those included within any Dow Jones Sustainability Index or any S&P Dow Jones indices) are invited to participate in the CSA, meaning they can complete the CSA questionnaire.
- › Covered companies that do not complete the questionnaire are assessed based on publicly available information.

## CSR - Corporate Social Responsibility

- › Typically corporate vernacular used to describe the company's philanthropic, volunteer and community-focused efforts. While this information is important to some stakeholders, particularly employees, investors generally are not focused on this information unless is closely and clearly tied to the company's strategy.

## CSR Hub

- › Provide consistent ratings of Corporate Social Responsibility (CSR) performance for a broad range of companies.

## DE&I – Diversity, Equity, and Inclusion

- › Term that broadly outlines the efforts a company takes to create a more welcoming environment for its employees.
- › Historically, companies have focused on diversity and inclusion, which relate to the actions of company to create a more diverse workforce; equity is focused on outcomes and overall impact the actions are actually having at the company.

## EEO-1

- › The U.S. Equal Employment Opportunity Commission (The EEOC) collects workforce data from employers with more than 100 employees.
- › EEO-1 data annual report provides a demographic breakdown of the employer's work force by race and gender, required filing on an annual basis for companies with more than 100 employees.
- › Investors are increasingly calling for companies to publicly disclose this information to investors.

## ERM – Enterprise Risk Management

- › Enterprise Risk Management (ERM) is a process to strategically identify, assess and manage for potential uncertainties and events that may affect a company's operations in order to provide reasonable assurance that the company will be able to achieve its objectives notwithstanding the occurrence of such uncertainties and events. The Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Enterprise Risk Management - Integrated Framework provides that ERM encompasses: aligning risk appetite and strategy; enhancing risk response decisions; reducing operational surprises and losses; identifying and managing multiple and cross-enterprise risks; seizing opportunities; and improving deployment of capital.

## ESG – Environmental, Social and Governance

- › Investors of all stripes are increasingly considering environmental, social and corporate governance criteria alongside financial, industry-related and other indicators to make investment decisions aimed at generating long-term competitive financial returns and sometimes positive societal impact.
- › ESG incorporation or integration in considering capital allocation is considering ESG criteria as part of investment analysis or portfolio construction.
- › ESG investor engagement (or investment stewardship) is communication between shareholders and issuers regarding ESG policies and practices, seeking enhanced ESG disclosure or improved practices to enhance long-term asset value.

## FASB - Financial Accounting Standards Board

- › The Financial Accounting Standards Board (FASB) is an independent, private-sector, not-for-profit organization that establishes financial accounting and reporting standards for public and private companies and not-for-profit organizations under Generally Accepted Accounting Principles (GAAP). It was established in 1973.
- › In March 2021 FASB staff published a white paper discussing the intersection of ESG matters with financial accounting standards.

## FTSE Russell ESG Ratings

- › FTSE Russell ESG Ratings and data model provide ESG ratings on constituents of the FTSE AllWorld Index, FTSE AllShare Index and Russell 1000 Index (approx. 4,100 public companies).
- › [FTSE4Good Index Series](#) is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. Can be used in four main ways: financial products, research, reference, benchmarking.

## GRI - Global Reporting Initiative

- › GRI provides disclosure standards for companies to communicate their impact on key sustainability issues such as climate change, human rights, governance and social well-being using a modular approach of three universal standards applicable to all companies and three topic-specific standards - economic, environmental and social - that companies can choose from to report on. The GRI Sustainability Reporting Standards were developed with multi-stakeholder contributions.
- › The GRI helps businesses and governments worldwide understand and communicate their impact on sustainability issues with the goal of creating social, environmental and economic benefits for everyone.

## HCM - Human Capital Management

- › Set of practices related to the management of employees.
- › Focused on workforce acquisition, management and optimization.

## HCMC - Human Capital Management Coalition

- › Diverse group of 32 institutional investors, representing \$6T in assets, to elevate HCM as a critical component of company performance.
- › Coalition engages with companies to understand and improve how HCM contributes to long-term shareholder value.
- › HCMC is co-chaired by UAW Retiree Medical Benefits Trust and the California State Teachers' Retirement System.

## IASB - International Accounting Standards Board

- › The International Accounting Standards Board (IASB) is an independent, private-sector organization that develops and approves International Financial Reporting Standards (IFRSs). The IASB operates under the oversight of the IFRS Foundation. The IASB was formed in 2001 to replace the International Accounting Standards Committee (IASC), which was formed in 1973 by accounting bodies in Australia, Canada, France, Germany, Japan, Mexico, Netherlands, United Kingdom/Ireland and the United States.

## ICCR – Interfaith Center on Corporate Responsibility

- › The Interfaith Center on Corporate Responsibility (ICCR) uses shareholder advocacy to press companies on environmental, social, and governance issues. It has a coalition of 300 global institutional investors, representing over \$400 billion in managed assets. Leveraging their equity ownership in some of the world's largest and most powerful companies, ICCR members engage management to identify and mitigate social and environmental risks resulting from corporate operations and policies. The ICCR is in its 47th year.

## ICGN – International Corporate Governance Network

- › International Corporate Governance Network's mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide. Our policy positions are guided by the ICGN Global Governance Principles and Global Stewardship Principles, which are implemented by:
  - › Influencing policy by providing a reliable source of investor opinion on governance and stewardship;
  - › Connecting peers at global events to enhance dialogue between companies and investors around long-term value creation; and
  - › Informing dialogue through education to enhance the professionalism of governance and stewardship practices.

## IFRS – International Financial Reporting Standards

- › The IFRS Foundation is a not-for-profit international organization that develops a set of global accounting standards, known as IFRS Standards.
- › IFRS works to promote transparency, accountability and efficiency in financial markets by fostering trust, growth and long-term stability in the global economy.
- › In December 2020 published Consultation Paper which sets out possible ways the IFRS Foundation might contribute to the development of global sustainability standards by broadening beyond the development of financial reporting standards and using experience in international standard-setting.

## IIGCC – Institutional Investors Group on Climate Change

- › The Institutional Investors Group on Climate Change (IIGCC) is a forum that enables investors to collaborate on climate change, with a focus on public policies, investment practices and corporate behavior.
- › IIGCC's mission is to mobilize capital for a low carbon future using investors' voices and collaboration with businesses, policymakers and investors.
- › Members consider it a fiduciary duty to minimize long-term risks and losses and present and consider opportunities associated with climate change.

## IIRC - International Integrated Reporting Council

- › See “Value Reporting Foundation” (merger of SASB and IIRC).
- › IIRC will merge with SASB in mid-2021.
- › The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. It promotes value creation as the next step in the evolution of corporate reporting, with a goal of establishing reporting and mainstream thinking and business practices in both the public and private sectors.

## IOPA - Investors for Opioid and Pharmaceutical Accountability)

- › The IOPA consists of 54 investors with over \$3.5 trillion in assets under management and is co-led by Mercy Investment Services, Inc. and the UAW Retiree Medical Benefits Trust.
- › IOPA's corporate focus is on adopting or strengthening corporate governance practices that improve board independence, accountability and oversight related to opioid risks, use shareholder resolutions.

## IPCC - The Intergovernmental Panel on Climate Change

- › The IPCC is the United Nations' body for assessing the science related to climate change.

## ISG - The Investor Stewardship Group

- › The ISG is an investor-led group with more than 60 institutional investor members, including BlackRock, State Street and Vanguard, that articulates a framework of six stewardship principles intended to establish investor expectations around corporate governance practices of U.S. publicly listed companies.

## ISO - International Organization for Standardization

- › ISO is an independent, non-governmental international organization with a membership of 164 national standards bodies.
- › Through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market relevant International Standards that support innovation and provide solutions to global challenges.

## ISS ESG

- › ISS ESG is part of the ISS family, offering various ESG products including ESG ratings based on sector-specific ESG criteria.
- › ISS ESG ratings are separate from the rankings provided through the QualityScore platform (ISS sells its E&S QualityScore product separate from its Governance product; company rankings for both appear in ISS's proxy voting recommendations).

## MSCI

- › MSCI is a global provider of equity, fixed income, hedge fund stock market indexes and multi-asset portfolio analysis tools. It publishes the MSCI BRIC, MSCI World and MSCI EAFE Indexes. Formerly Morgan Stanley Capital International and MSCI Barra.

## PRI – Principles for Responsible Investing (sometimes UN PRII)

- › The UN PRI supports responsible investment worldwide, encouraging investors to use responsible investing to enhance returns and manage risks. This investor-sponsored initiative has over 3,800 signatories, including all major institutional investors, and it was created in partnership with the UNEP Finance Initiative and the UN Global Compact.
- › PRI articulates six investment principles related to the incorporation of ESG issues into investment practice, and examines the investment implications of ESG factors. It supports its signatories by helping investors incorporate these considerations into investment and ownership decisions.
- › While the PRI engages with global policymakers, it is not associated with any government. It is supported by, but not part of, the United Nations.

## R-Factor from State Street Global Advisors

- › State Street Global Advisors' (SSGA) R-Factor is a scoring methodology that leverages commonly accepted frameworks like the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes and inputs from four data providers to produce ratings that focus on financial materiality. As of June 2019, over 5,000 companies have been scored.

## Refinitiv

- › Refinitiv is an ESG data and analytics provider, including scorecard reporting on ESG performance, covering 7,000 public companies across more than 400 metrics.

## SASB – Sustainability Accounting Standards Board

- › See “Value Reporting Foundation” (merger of SASB and IIRC).
- › IIRC will merge with SASB in mid-2021.
- › The Sustainability Accounting Standards Board (SASB) has developed a set of 77 industry standards, which are explained graphically through its Materiality Map. They are available for individual sector download and may be viewed through its Standards Navigator database. SASB staff and Standards Board followed a Conceptual Framework and Rules of Procedure to develop the standards, which are designed to be cost-effective for companies to implement and useful for company and investor decision making.
- › In November 2018, SASB published these standards, providing a complete set of globally applicable industry-specific standards, which identify the minimal set of financially material sustainability topics and associated metrics for the typical company in an industry.
- › SASB's Engagement Guide provides investors questions to consider asking companies regarding financially material issues. Its Implementation Guide, which was updated in early 2019, provides companies explanations of issues and approaches to consider when implementing SASB standards.

## SBTi – Science Based Targets initiative

- › SBTi “mobilizes the private sector to take the lead on urgent climate action.”
- › The Science Based Targets initiative (SBTi):
  - › Defines and promotes best practice in emissions reductions and net-zero targets in line with climate science.
  - › Provides technical assistance and expert resources to companies who set science-based targets in line with the latest climate science.
  - › Brings together a team of experts to provide companies with independent assessment and validation of targets.
  - › The SBTi is the lead partner of the [Business Ambition for 1.5°C campaign](#) – an urgent call to action from a [global coalition](#) of UN agencies, business and industry leaders, mobilizing companies to set net-zero science-based targets in line with a 1.5°C future.

## SDGs – Sustainable Development Goals

- › The Sustainable Development Goals (SDGs), sometimes referred to as Global Goals, are a call to end poverty, protect the planet and ensure all people enjoy peace and prosperity.
- › Seventeen Goals were established by the UN, building on the Millennium Development Goals while expanding to include climate change, economic inequality, innovation, sustainable consumption, peace and justice and other priorities. The goals are seen as interconnected, and are intended to inform investors' engagement with companies on ESG matters and to focus ESG research firms on certain areas.
- › Some companies use the SDGs as a framework to guide ESG disclosures.
- › The PRI has committed to aligning its investment principles with the SDGs.

## SRI – Socially Responsible Investing

- › SRI generally refers to values-based investing focused on specific social issues.

## Sustainalytics

- › Acquired by Morningstar, will maintain their brand name.
- › Sustainalytics is a global provider of ESG and corporate governance research and ratings. Founded 25 years ago, it provides ESG research and client services to support hundreds of investors worldwide who incorporate ESG and corporate governance into their investment processes.

## TCFD - Task Force on Climate-related Financial Disclosures

- > The FSB (Financial Stability Board) Task Force on Climate-related Financial Disclosures (TCFD) will develop voluntary, consistent climate-related financial risk disclosures that companies can use to provide information to investors, lenders, insurers and other stakeholders.
- > The Task Force will consider the physical, liability and transition risks associated with climate change and what constitutes effective financial disclosures across industries.
- > The Task Force will help companies understand what disclosure financial markets seek in order to measure and respond to climate change risks, and encourage firms to align their disclosures with investors' needs.

## Truvalue Labs

- > ESG research provider owned by Fact Set, provides ESG analysis to investment community; often used for portfolio review.
- > Research focused on "creating signals around a company's ESG actions" taking into account disclosure and other sources of unstructured data.
- > Data is aligned with SDGs.

## Trucost ESG Analysis

- > Trucost's climate analytics have been specifically expanded to help financial institutions align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
- > Owned by S&P Global.

## UNEP FI - United Nations Environment Programme Finance Initiative

- > The United Nations Environment Programme Finance Initiative (UNEP FI) is global partnership established between the United Nations Environment Program and the financial sector.
- > The organization promotes sustainable finance with a special focus on climate change. Its motto is "Changing finance, financing change."
- > As of June 2019, over 200 institutions have signed the UNEP FI Statement and committed to working towards the organization's goals.

## UN Global Compact - United Nations Global Compact

- > The UN Global Compact launched in 2000, the United Nations Global Compact as a policy platform and a practical framework for companies committed to sustainability and responsible business practices.
- > It has 7,000 corporate signatories in 135 countries, make it the largest voluntary corporate sustainability initiative in the world.

## US SIF (U.S. Sustainable Investment Forum)

- > The US SIF Foundation is a "Forum for Sustainable and Responsible Investment." It is a 501(C)(3) organization that advances its mission with education, research and programs, including training for advisors and other financial professionals on the Fundamentals of Sustainable and Impact Investment.

## Value Reporting Foundation

- › Merger of International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB), announced November 2020.
- › Expected to launch in mid-2021.
- › Will create a credible, international organization that maintains the Integrated Reporting Framework, advocates integrated thinking, and sets sustainability disclosure standards for enterprise value creation.
- › The merger directly responds to calls from global investors and corporates to simplify the corporate reporting landscape, providing the market with a clear solution for communicating about the drivers of enterprise value.

## **V.E. - Vigeo-Eiris**

- › V.E. manages ESG indices published on the Bloomberg and Datastream platforms. It performs ESG research on 4,500 public companies and thematic research on up to 10,000 issuers to build its indices.

## World Economic Forum

- › Founded in 1971, The World Economic Forum is the International Organization for Public-Private Cooperation.
- › At the 2020 Annual Meeting in Davos, 120 of the world's largest companies supported efforts to develop a core set of common metrics and disclosures on non-financial factors for their investors and other stakeholders.
- › This project, developed within the International Business Council, a community of over 120 global CEOs, seeks to improve the ways that companies measure and demonstrate their contributions towards creating more prosperous, fulfilled societies and a more sustainable relationship with our planet.



If you have ESG concerns, learn how to conquer your ESG challenges  
or contact us today at [info@georgeson.com](mailto:info@georgeson.com) or 212 440 9800.