

Why the answer to practicing good ESG does not lie in yet another standard

ESG standard setting and reporting are integral to the corporate world's transition toward net zero: whether they encourage businesses to reflect and improve on their ESG practices, or sanction industry laggards.

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In November 2021, the International Sustainability Standards Board (ISSB) was introduced with the purpose of streamlining ESG disclosures on a global scale. The intention is for the ISSB to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants, as well as corporates with information about companies' sustainability-related risks and opportunities to help them make informed decisions.

Not only was it hoped that this new board would enable investors to start addressing key areas within their own business models, but it would allow for direct comparison between different organisations, ensuring a certain level of alignment.

The ISSB was met with approval from the industry, and as of March 2022, *nine in ten* companies across the UK, US and Canada have implemented ESG considerations into their corporate strategy which demonstrates successful appetite and adoption of genuine ESG practices.

Despite this, in July 2022 an EU watchdog *called for a new global standard*

setter for company sustainability reporting, stating ISSB proposals 'do not clearly define what sustainability-related matters need to be addressed'. It is great that so many in the Finance world are keen to adopt ESG however it is often interpreted merely as a dataset. Sustainability reporting should reflect and report against a clear ESG management framework.

The real question I pose to the industry is, do we *really* need another standard? The proposition that conversations about ESG are unnecessarily complicated certainly rings true and more needs to be done to simplify the way E, S, and G are approached and reported on by businesses of all sizes (especially global corporates). However, the answer is not to create yet another lens through which we can assess the issues – we can see that a significant portion of global corporates are doing this just fine as it is. The addition of another standard will only risk creating further confusion and act as an additional barrier to complete, corporate adoption of solid ESG practices.

The fundamental pitfall with ESG is that it can be considered too complex and time consuming. This issue is what catalysed the founding of Simply Sustainable back in 2010, as we stand by the fact that sustainability should be considered 'business as usual' and made accessible for all – simplifying and creating easy to follow pathways to a sustainable business.

We want to create an environment where everyone feels like they can fully engage with ESG, ask questions on the subject, and instil a genuine desire to drive commitments forward.

We are big advocates of GRI and it was positive to see them announce a collaboration with the ISSB earlier in March 2022, as they set out to create a more effective approach towards harmonising ESG reporting on a global scale. Having one comprehensive data set feels like the most

sensical next step and partnering with data led bodies like GRI is certainly a leap in the right direction if we are to make reporting more rigorous and streamlined. At the very least, this demonstrates industry awareness of why a more effective approach towards harmonising ESG reporting is required.

There is a wealth of information available, and while it may initially feel like a lot to absorb, this gives no business a reason to dance around the subject. Now, the onus is ultimately on investors, capital markets participants, corporates, and individuals to utilise the tools available and take control - another standard isn't going to bring laggards up to speed.

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