report :

THE ESG REPORTING LANDSCAPE

An overview of the most widely used reporting frameworks and standards

Institutional Support

ABERJE

Pacto Global
Rede Brasil

GRI

INTEGRATED THINKING PRINCIPLES

INTEGRATED REPORTING FRAMEWORK

SASB STANDARDS

VALUE REPORTING FOUNDATION

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Foreword

A world of possibilities

With several different reporting standards, guidelines, frameworks and disclosures lists to choose from, many companies are at a loss on which to adopt.

Whereas two decades ago only financial performance and disclosures mattered to the market and investors, in the years since sustainability has firmly placed itself on the agenda. From a single report containing financial information, companies initially moved to publishing two separate reports, including a sustainability report.

In what appears to be a global trend—driven in part by investors' growing attention to climate change and the risks it poses to diverse industries—organizations, companies and governments are increasingly shifting to reporting that genuinely integrates ESG (environmental, social and governance) aspects with financial information.

The pandemic has accelerated this trend. In Brazil, 2020 saw many companies realizing an urgent need to develop, implement or better communicate their ESG strategy.

Enhancing transparency around ESG-related risks, impacts and financial results has become a hot topic in the business world. This has led standard-setting organizations to perfect and enhance their protocols and metrics, with some deciding to merge or collaborate together.

Amid these developments, companies have become bewildered by the many emerging possibilities and are unsure of which frameworks or standards are best suited to their needs.

What are the current trends in corporate reporting? What frameworks and standards are essential for my reporting needs? What frameworks and standards are most commonly being integrated together?

It is important that organizations understand the differences, the role and the strengths of each framework. After all, each organization has different goals, purposes and strategies in managing sustainability. How well an organization can knowledgeably distinguish among the different frameworks reflects its maturity not only in sustainability but also in overall governance and organizational management.

Tracking performance against different indicators and evolving an organization's reporting practices within more than one framework requires an integrated and robust approach to collecting and managing information and data. It is equally important that reporting standards and frameworks are coherently connected together, creating new possibilities and opportunities.

The aim of this report is to provide structured information on current reporting frameworks and standards, explore emerging trends, and offer insight to inform organizations' reporting decisions. The report also benchmarks the reporting practices of Brazilian corporations named to the Brazilian stock exchange's Sustainability Index (ISE B3) in 2021.

We hope you find this report helpful and informative.

What are the current trends in corporate reporting? Answering this question is the primary aim of this report

About grupo report

We are a firm whose business model revolves around embedding sustainability into the corporate world

We contribute added value to this agenda through the engagements we deliver, the knowledge we build and share with organizations, and the thought leadership we provide on organizational strategies and practices.

Our group comprises four different business units providing consulting (rpt.sustentabilidade), communications (rpt.com), corporate education (rpt.edu) and strategy (rpt.estratégia) services. We serve approximately 100 clients every year, and have worked with more than 250 of Brazil's leading corporations in the nearly two decades since our founding, across more than 1,000 engagements.

Our mission as a firm includes disseminating the Global Reporting Initiative (GRI) and Integrated Reporting frameworks, the 2030 Agenda and its Sustainable Development Goals (SDGs), and assisting organizations in ESG reporting.

grupo report annually publishes research reports either independently or in collaboration with other organizations. We began this tradition in 2013 with two publications: "Integrated Reporting – a Brazilian perspective" and "Materiality Assessments in Brazil – how corporations identify their material topics". Last year we released a survey report titled, "Sustainability amid the pandemic – how COVID-19 has affected corporate reporting".

This report builds on this tradition and aims to inform organizations' decisions on which frameworks and standards to adopt in their ESG (environmental, social and governance) reporting.

Supporting Organizations

Global Compact Network Brazil

The United Nations Global Compact is the world's largest voluntary corporate sustainability initiative. With head offices in New York, the initiative was launched in 2000 by former UN Secretary-General Kofi Annan as a call to companies to align their strategies and operations with ten universal principles related to human rights, labor, environment and anti-corruption. With its adoption of the Sustainable Development Goals (SDGs) in line with the Ten Principles, the UN Global Compact aims to engage the private sector around this new agenda.

www.pactoglobal.org

Value Reporting Foundation

The Value Reporting Foundation (VRF) helps companies and investors develop a shared understanding of how enterprise value is generated, preserved, and eroded over time through three main resources: Integrated Thinking Principles, the Integrated Reporting Framework and SASB Standards. Together, these resources make it easier for companies to communicate their value creation strategy and provide investors with a comprehensive view of corporate performance. The IFRS Foundations' International Sustainability Standards Board (ISSB) will use the resources of the VRF to develop standards that provide a comprehensive global baseline of sustainability disclosures.

https://www.valuereportingfoundation.org/

GRI

The Global Reporting Initiative (GRI) is an independent, international organization founded in 1997 as the pioneer of sustainability reporting. GRI helps businesses, governments and other organizations understand and communicate the impact of their business on critical sustainability issues such as climate change, human rights, governance, and social welfare. The GRI Standards on sustainability reporting are developed with multi-stakeholder inputs and rooted in the public interest.

https://www.globalreporting.org

ABERJE

The Brazilian Association for Business Communications (ABERJE) believes that, more than just talking about sustainability, organizations need to provide evidence based on measurable data that they are operating sustainably. They also need to provide stakeholder-friendly sustainability communications, i.e. a single approach to communicating sustainability or ESG may not be appropriate for an organization's different stakeholders. This is the golden rule of communication: ensuring the message being conveyed is understood in different audience settings so all are included.

Paulo Nassar
Chairman, ABERJE and professor at the School of Arts and Communications of the University of São Paulo (ECA-USP)

Hamilton dos Santos
Managing Director, ABERJE

www.aberje.com.br

Background

The dilemma of choice

The world of corporate reporting frameworks and standards is fast evolving. Here's what your organization needs to know to make the right decision on which to adopt

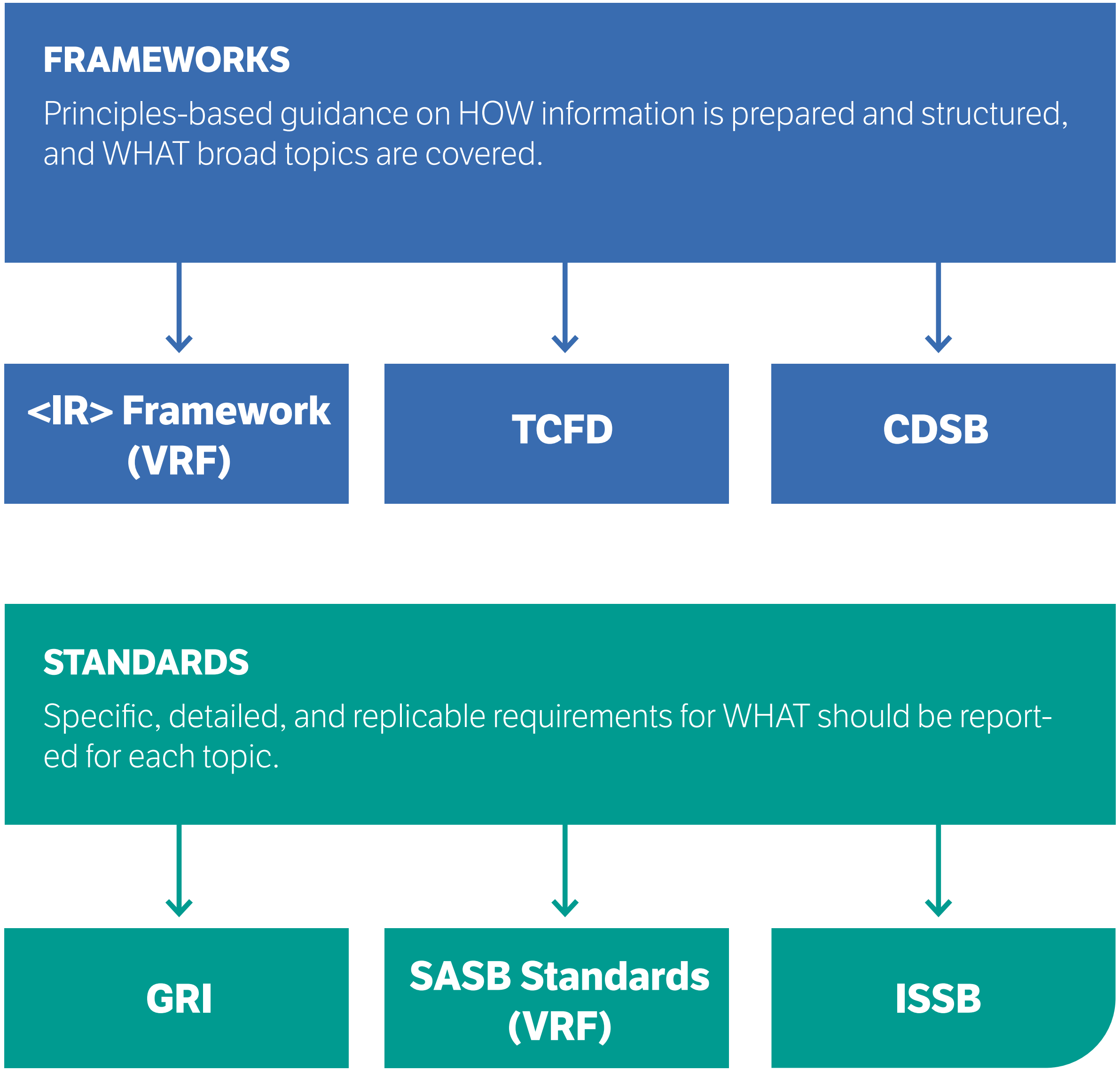
- **Is GRI the global gold standard?**
- **Are investors only interested in the SASB Standards (from VRF) and the <IR> Framework (from VRF)?**
- **What does the World Economic Forum recommend?**
- **Is it true that the IFRS (International Financial Reporting Standards) will morph into ISRS (International Sustainability Reporting Standards)?**
- **What is being proposed and required in other markets that could affect my reporting practices?**

Answering these questions requires an understanding of the organization, the industry and the available pathways for corporate reporting.

Growing investor and shareholder interest in environmental, social and governance (ESG) aspects has strengthened and raised the profile of standard-setting organizations. Whereas past reports covered a single aspect of an organization, there is now a drive to publish combined, complementary metrics that can make reported information more transparent, comparable and tangible.

These reporting developments should benefit reporting organizations, shareholders, investors and society alike. Increasingly, the E and S are rising to the status of the G in ESG, and being embedded into corporate strategies.

The diagram opposite explains the difference between reporting frameworks and standards, and in the following pages we describe key developments in each category



Understanding the ecosystem

What are the differences between ratings, indexes, standards and frameworks?

RATINGS – assessments of creditworthiness made by an international risk rating agency for a debtor, whether a country or a corporation. A rating assesses a debtor's ability to timely pay back debt. Although each rating agency has a different convention, ratings are typically assigned on a scale of D to A, and may have modifiers such as plus or minus signs (e.g. AA-) or numbers (e.g. Baa1) to further fine-tune the rating. On a rating scale, AAA denotes the lowest risk, or the highest capacity to repay debt. The top four risk rating agencies are Fitch, Moody's, Standards & Poor's and MSCI.

- **CSRHub**
- **ISS**
- **Sustainalytics**
- **VigeoEiris**

INDEX – A set of indicators used to rank corporations on how well they meet specific criteria. The goal is to spotlight and recognize the best-ranked companies in each index. Two of the best-known indexes are the Dow Jones Sustainability Index (DJSI) and ISE B3 (Corporate Sustainability Index).

- **Bloomberg Barclays MSCI Emerging Markets ESG Index Suite**
- **S&P/B3 Brazil ESG**
- **ICO2 B3**
- **FTSE4Good**

STANDARD – a set of rules, standards and procedures on how data and information is collected, measured, monitored and disclosed in a way that is comparable. For example, the Global Reporting Initiative (GRI) Standards provide a unified set of disclosures that help companies and organizations analyze and transparently report critical sustainability information, such as economic, environmental and social impacts. The SASB Standards (from VRF) are another example.

- **GRI**
- **SASB Standards (VRF)**
- **IFRS**

FRAMEWORK – a set of guidelines on how to report data and information. Examples of reporting frameworks include the <IR> Framework and the Task Force on Climate-Related Financial Disclosures (TCFD) Framework.

- **TCFD**
- **<IR> Framework (VRF)**
- **CDSB**

Why are ratings so discrepant?

Do you wonder why corporations can excel on one rating but fail on another? The reason is that each index has its own methodology. And even when agencies use internationally recognized protocols or standards (e.g. GRI, SASB Standards (VRF)), the weights they assign to different topics or their assessment of responses to a given disclosure can vary widely.

A study by researchers at the Massachusetts Institute of Technology (MIT) and the University of Zurich shows that the predominant sources of ESG rating divergence across the six leading agencies—KLD (MSCI Stats), Sustainalytics, Vigeo Eiris (Moody's), RobecoSAM (SP Global), Asset4 (Refinitiv) and MSCI IVA—were scope and measurement.

Materiality: double and dynamic

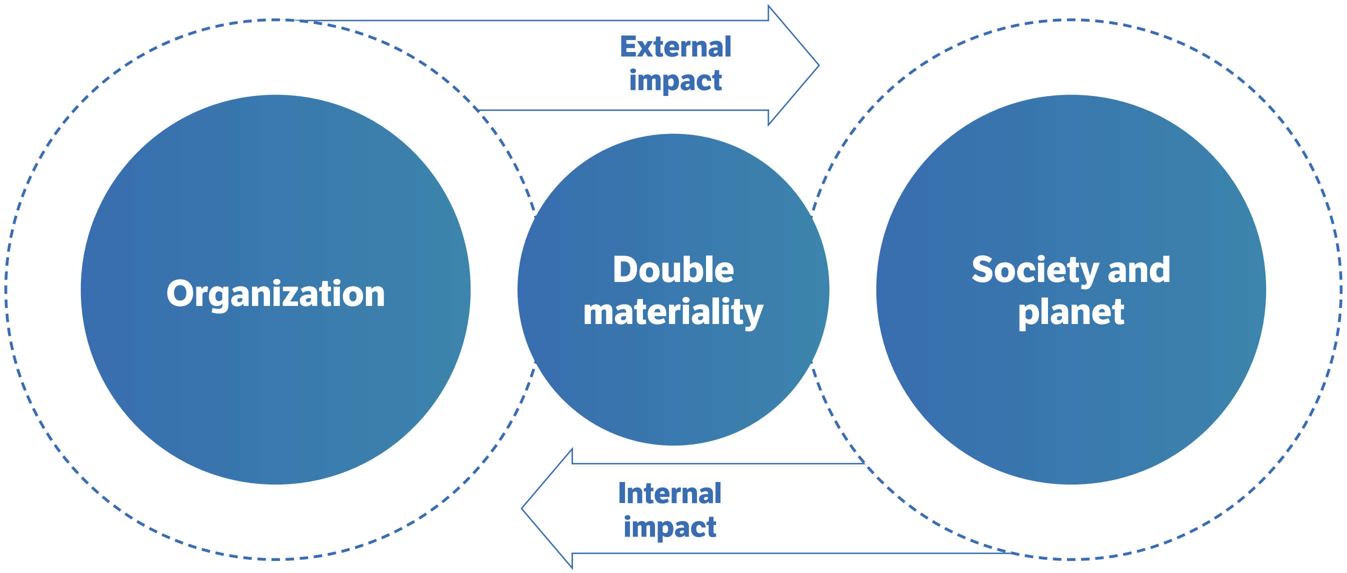
The concept has evolved to further highlight what matters to investors

Everyone is (or should be) familiar with the concept of materiality: the need for an organization to identify those matters that are material and thus warrant inclusion in its reports—both financial and non-financial—through stakeholder engagement, analyses and validations.

But not everyone will be familiar with how the concept has evolved into double materiality and dynamic materiality.

Double materiality combines two perspectives: financial / ESG materiality (identifying the social, environmental and governance matters that materially impact, whether positively or negatively, an organization's financial results and the creation or destruction of value); and impact materiality (identifying the social and environmental topics that are materially impacted, whether positively or negatively, by an organization's strategies and operations).

Dynamic materiality means organizations are constantly monitoring the situation and adjusting their material topics accordingly.



All for one

Organizations are uniting toward a global reporting system

In September 2020, the Global Reporting Initiative (GRI), CDP, the Climate Disclosure Standards Board (CDSB), the Sustainability Accounting Standards Board (SASB Standards, from VRF) and the International Integrated Reporting Council (<IR> Framework, from VRF) issued a joint statement of intent to work together to form a unified global system for reporting ESG information, encompassing the TCFD (Task Force on Climate-Related Financial Disclosures) recommendations and IFRS (International Financial Reporting Standards).

In December 2020, they launched a prototype climate-related financial disclosure standard as an input for adoption by the IFRS Foundation, an organization responsible for developing globally recognized financial reporting standards.

They envisage an approach that provides information about climate-related risks and opportunities and their impact on a reporting organization's financial position, financial performance and ability to create enterprise value. Such climate-related financial information would also include narrative disclosures regarding governance, strategy, risk management processes, and quantitative targets and metrics.

To learn more, read the prototype standard, titled Reporting on enterprise value.

SASB (VRF) OR GRI STANDARDS?

This is a false dilemma, as the two are mutually complementary. In fact, SASB and GRI have promised to publish in December 2021 a practical guide to sustainability reporting using both standards.

SASB Standards (VRF) – industry-specific standards that help to identify the sustainability-related risks and opportunities most likely to affect a company's financial condition, operating performance or market valuation.

GRI Standards – a set of global standards that focus on the economic, environmental and social impacts of the activities of a company, and hence its contributions—positive or negative—towards sustainable development. Those impacts are determined by identifying key issues (material topics) from the perspective of stakeholders.

The merger of IIRC and SASB to form the Value Reporting Foundation (VRF)

VRF combines a framework and standards to demonstrate to investors how an organization creates value over time

In response to growing demand from companies and investors for greater clarity and objectivity in corporate reporting, the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) merged in June 2021 to form the Value Reporting Foundation (VRF).

With the merger, the VRF will broaden the scope of reporting on long-term value creation, and will facilitate comparability across reporting frameworks, a key demand from the investor community.

The overarching goal is to align the principles of integrated thinking, the integrated reporting framework and the SASB standards:

- **Integrated Thinking Principles** drive an improved understanding of how value is created, and guide board and management planning and decision making.

- **The Integrated Reporting Framework** provides principles-based, multi-capital guidance for comprehensive corporate reporting, in order to demonstrate the robust integrated thinking of the organization.

- **The SASB Standards** provide detailed industry-specific disclosure topics across 77 industry standards, and metrics to inform what is included in an integrated report, providing the comparable and reliable data sought by investors.

The <IR> Framework (VRF) and the SASB Standards (VRF) may continue to be used as independent tools or integrated with other frameworks and standards. However, although organizations are not required to use both together, this can drive value creation by providing an understanding of how enterprise value is created, communicated and measured, informing investor decisions.

To learn more, visit the Value Reporting Foundation website

Climate reporting

Understanding what the different standard-setting organizations have in common and how they differ

Given the relevance and urgency of the climate crisis, organizations are being called on to provide measurable and comparable disclosures and to set and measure their performance against climate-related targets. In response, reporting standards and frameworks are increasingly encouraging organizations to integrate climate-related risks and opportunities into their strategies

CDP, CDSB, SBTi and TCFD have all issued frameworks for climate-related reporting. Each of these frameworks has its distinctive features. Read on to learn more about each of them:

CDP

The CDP climate disclosure platform features climate change, forests, and water security questionnaires that help cities and companies to comprehensively assess climate-related risks, opportunities and financial impacts. Among the CDP's unique features is its Supply Chain Program, which encourages private-sector organizations to collaborate with their supply chains and invite suppliers to respond to the CDP questionnaire. Click here to learn more. CDP questionnaires align with the TCFD recommendations, introduce a sectoral industry focus and use a forward-looking approach to climate-risk disclosure. This is helping to drive the adoption of TCFD recommendations by reporting companies. To learn more, read the Technical Note.

TCFD

The TCFD framework helps organizations to disclose information about financial impacts from climate change-related risks and opportunities, with a focus on transitioning to a low-carbon economy. The TCFD recommendations underline the importance of organizations setting climate targets that are integrated with their governance structures, risk management and strategy. The recommendations are structured around four thematic areas on which organizations are required to report:

1. **Governance:** the role of Governance in the board's oversight of climate-related risks and opportunities.

2. **Strategy:** the climate-related risks and opportunities the organization has identified over the short, medium, and long term, and their impact on the organization's businesses, strategy, and financial planning. Organizations should also describe the resilience of their strategy to different climate-related scenarios.

3. **Risk Management:** the organization's processes for identifying, assessing and managing climate-related risks, and how they are integrated into the organization's overall risk management.

4. **Metrics and Targets:** the metrics and performance indicators used by the organization to assess climate-related risks and opportunities. This pillar includes providing historical data on greenhouse gas (GHG) emissions.

CDSB

The CDSB framework sets out an approach for reporting environmental and climate change information in annual reports, SEC (US Securities and Exchange Commission) 20-F filings or integrated reports. Designed primarily for the benefit of investors, the CDSB framework standardizes environmental reporting in a way that is consistent with financial reporting. CDSB is aligned with the European Non-Financial Reporting Directive *(NFRD) and* Corporate Sustainability Reporting Directive *(CSRD)*. It sets out general requirements based primarily on the TCFD framework, but also other standards, such as the GRI standards.

SBTi

The SBTi initiative provides a clearly defined pathway that shows companies how much and how quickly businesses need to reduce their greenhouse gas (GHG) emissions. Companies are called on to establish Science Based Targets to limit global warming to well below 2 °C above pre-industrial temperatures, and to make every possible effort to limit warming to 1.5 °C. Targets are considered science-based if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement. From June 2022, the SBTi will only accept 1.5 °C-aligned targets.

IFRS joins the game in earnest

International Financial Reporting Standards will now include climate and sustainability disclosures

The IFRS Foundation is a not-for-profit organization established to develop a single set of globally accepted accounting standards—the International Financial Reporting Standards (IFRS). In Brazil, IFRS have been enacted by Law no. 11 638/2007.

During COP26, the IFRS Foundation announced the formation of a new International Sustainability Standards Board (ISSB) to develop a comprehensive global baseline of sustainability disclosure standards that meet investors' information needs.

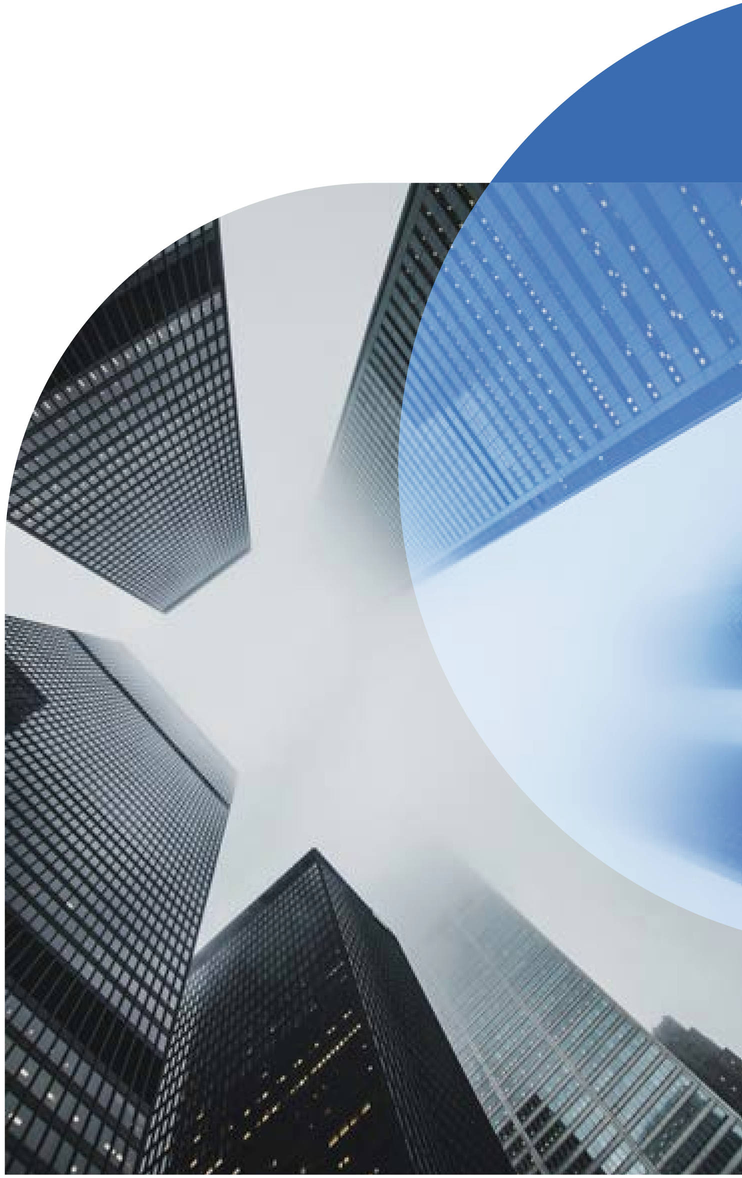
The ISSB issued two prototype climate and sustainability disclosure standards for consultation, but recommended that reporting organizations continue to use existing standards and frameworks, particularly those used as a technical basis for the ISSB initiative: VRF, TCFD, CDSB and WEF.

For more about the initiative, visit the ISSB webpage.

Click here to view the **climate disclosures prototype**.

Click here to view the **sustainability disclosures prototype**.

Click here **to learn more** about IFRS.



A standard for the European Green Deal

A new EU directive will reconcile societal demands with investors' information needs

In 2022 the European Commission will launch ESG disclosure regulationsfor companies headquartered within the European Union. The regulations, known as the Corporate Sustainability Reporting Directive (CSRD), will be mandatory from 2024 for financial year 2023 reports published by large or medium-sized companies.

The new directive will be tailored to EU policies, including the new European Green Deal, with its goal of transitioning the bloc to a low-carbon economy.

The directive has introduced the double (financial and impact) materiality concept, three layers of reporting (sector-agnostic, sector-specific and entity-specific disclosures) in three reporting areas of strategy, implementation and performance measurement for each of the three topics of environmental, social and governance.

Although the new directive has yet to be finalized, previous announcements indicate it will adopt the TCFD recommendations for climate-related content and the new IFRS standard for sustainability reporting, as well as other existing standards and frameworks, such as GRI.

To learn more, visit the CSRD website.

WEF adds E for Economy to ESG

The WEF framework is based on the Sustainable Development Goals and existing frameworks

In 2017 the World Economic Forum and its International Business Council (IBC) formalized a commitment by more than 140 CEOs of member organizations to align their corporate strategies with the United Nations (UN) Sustainable Development Goals (SDGs). Two years later, ESG was already high on the WEF's agenda in 2019, with companies recognizing the significance of the environmental, social and governance (ESG) aspects of business performance and risk in creating long-term value. The IBC flagged the existence of multiple ESG reporting frameworks and the lack of consistency and comparability of metrics as important pain points.

In a collaboration with the Big Four accounting firms—Deloitte, EY, KPMG and PwC—the WEF conducted a survey of more than 200 companies, with the vast majority of respondents agreeing that an ESG reporting standard is needed that supports comparability.

The IBC and the Big Four accounting firms then developed a framework for reporting information and metrics, organized under four interdependent pillars that align with the SDGs and global ESG concepts: Governance Principles, Planet, People and Prosperity. The latter pillar encompasses economic performance, financial investment and job creation.

According to the IBC, the reporting metrics were compiled from existing frameworks and standards—such as GRI, TCFD and SASB—and were selected for their universality across industries and business models.

Disclosures are not required to be confined to those in the framework. Rather, companies are encouraged to report against as many additional metrics as they find material and appropriate.

To learn more, read the white paper: Measuring Stakeholder Capitalism – Towards Common Metrics and Consistent Reporting of Sustainable Value Creation.

GRI amends its standards

The Global Reporting Initiative turns its focus on human rights and begins launching sector standards

In 2021 the GRI announced the launch of its revised Universal Standards. GRI Standards 101, 102 and 103 have been renamed to 1, 2 and 3, but the changes extend beyond the naming convention. For example, human rights disclosures have been incorporated into the standards, and a due diligence concept has been introduced in the management approach.

The revised Universal Standards are in effect for reporting from January 1, 2023, with early adoption encouraged. The amended standards make independent assurance mandatory, elevating sustainability reporting to the same level of accuracy as financial reporting.

Click here to learn more about the revised standards.

The first GRI Sector Standard to be developed under the GRI Sector Program was launched in October 2021, for the Oil and Gas sector. The Program will develop Sector Standards for another 40 industries, beginning with agriculture, fishing and coal.

The GRI's efforts to customize disclosures to the needs of each sector began in 2014, with the G4 version of the GRI guidelines, covering the following sectors: Airport Operations, Construction and Real Estate, Electric Utilities, Event Organization, Financial Services, Food Processing, Media, Mining and Metals, Oil and Gas and NGOs.

These sector standards are still used today, but are slated to be fully discontinued after migrating to the new GRI Sector Program, which has been under development since 2020. However, a calendar of new launches has yet to be announced.

Soon to be mandatory

Companies need to prepare for the shift from voluntary to mandatory ESG disclosure

In 2020 of the Brazilian Securities Commission (CVM) launched a public consultation (SDM n. 09/20) to discuss the inclusion of ESG information and disclosures in reference form filings. The goal is to provide investors and shareholders with the inputs they need for more consistent and transparent decision-making on ESG matters.

The CVM will not be developing its own reporting standards or frameworks, but companies will be required to report related risk factors, their materiality matrix and key performance indicators. The CVM will also adopt a disclose-or-explain approach, i.e. where the required disclosures are not available or published in sustainability reports, the organization is required to explain the reason.

The consultation period ended in March 2021, and inputs were reviewed from then to November.

Under Resolution 14, the CVM has also made it mandatory for publicly traded corporations to obtain limited assurance by independent auditors of their integrated reports.

Another initiative has been organized by the Brazilian Central Bank, including two public consultations launched in the first half of the year, one to discuss the inclusion of social, environmental and climate risk management, as applicable to financial institutions, and the other to discuss how ESG information is presented by those institutions. The TCFD framework is likely to become mandatory for financial institutions. This is expected to be announced and become effective in 2022.

Frameworks, standards and initiatives

NAME	GLOBAL REPORTING INITIATIVE (GRI)
Headquarters	Amsterdam/Netherlands
Year founded	1977
Website	https://www.globalreporting.org/
Category	Standards | Initiative
Topic	General
Dimensions	Management; Economic, Environment & Social
Approach	Sector-Agnostic and Sector-Specific Amendments to the Sector Standards are currently in progress. The GRI Sector Program will cover 40 sectors across four groups: Basic Materials and Needs; Industrial; Transport, Infrastructure and Tourism; and Other Services and Light Manufacturing. To learn more about the different sectors, view the GRI Sector Program's revised list of prioritized sectors.
Linkage to financial results	Yes
Stakeholders	General (shareholders, investors, communities, media, civil society organizations, among others)

Why GRI?

Interview with Glaucia Terreo, head of GRI's regional hub in Brazil

- **Why should my company use the GRI Standards?**

  I, for one, see no reason to require any company to use a particular framework. What really matters is that organizations implement a genuine transformation in management, direction, business models and organizational culture. It's about being aware that a business can only be financially healthy in a healthy society.

  The GRI as an institution, and its role in the sustainability movement, carry tremendous value, including more than 25 years of experience through trial and error and multi-stakeholder development, all grounded in the GRI's long-standing purpose as an organization to build a fairer and more sustainable, transparent, regenerative and prosperous economy for all.

  We are currently faced with a great many challenges: from climate change to loss of biodiversity, growing social inequality, a humanitarian crisis, a global health crisis, resource depletion, etc. This complexity requires a new approach to doing business. To do their part to build a sustainable future, companies need to recognize and manage their impacts transparently, reliably and objectively. GRI helps companies to achieve this through standards that use a universal language and are freely accessible to all stakeholders.

  From an impact perspective, the GRI Standards are focused on investors and other stakeholders alike. Investors are vital to businesses, and a key factor that investors consider in allocating funding is credibility and reputation—which hinge on a business's ability to keep its promises. These attributes depend on other stakeholders, which means sustainability and value creation and protection are interdependent.

- **What does the future hold for the GRI Standards?**

  The GRI Standards will continue to focus on business impacts, management and transparency. The GRI will continue to use its multi-stakeholder approach to cover all of an organization's stakeholders, while also bringing other adjacent issues to the table, as it has done with taxes, for example. It is also the first and only standard to address governance and an organization's positioning on this sensitive issue.

- **What is the future of corporate reporting?**

  Corporate reports addressing ESG have already been regulated in more than 68 countries, and we're seeing a trend of increasing regulator involvement—there's the IFRS Foundation creating the ISSB, there's the European Union's Green Deal, and there's China requiring ESG disclosures for all listed companies.

  I hope this future sees growing awareness of the interdependence between society's health and prosperity, environmental preservation, and business success.

NAME	INTERNATIONAL INTEGRATED REPORTING COUNCIL (<IR> FRAMEWORK, FROM THE VRF)
Headquarters	London/UK
Year founded	2010
Website	https://integratedreporting.org/
Category	Framework Guiding principles that underpin the preparation and presentation of an integrated report: Strategic Focus and Future Orientation; Connectivity of Information; Stakeholder Relationships; Materiality; Conciseness; Reliability and Completeness; Consistency and Comparability.
Topic	General
Dimensions	An integrated report is not based on dimensions, but instead covers eight Content Elements: Organizational Overview and External Environment; Governance; Business Model; Risks and Opportunities; Strategy and Resource Allocation; Performance; Outlook; Basis of Preparation and Presentation.
Approach	Sector-agnostic
Linkage to financial results	Yes
Stakeholders	Investors

NAME	SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB STANDARDS, FROM THE VRF)
Headquarters	San Francisco/USA
Year founded	2011
Website	https://www.sasb.org/
Category	Standards
Topic	General
Dimensions	Environment; Social Capital; Human Capital; Business Model and Innovation; and Leadership and Governance.
Approach	Sector-specific SASB Standards are available for 77 industries across 11 sectors: Consumer Goods; Extractives & Mineral Processing; Financials; Food & Beverage; Health Care; Infrastructure; Renewable Resources & Alternative Energy; Resource Transformation; Services; Technology & Communications; and Transportation. To learn more about the industries within each sector, see the Sustainable Industry Classification System.
Linkage to financial results	Yes
Stakeholders	Investors

Why VRF?

Interview with Arturo Rodríguez, Ibero-America Outreach Leader, VRF

- **Why should companies use VRF (IIRC/SASB) standards?**

The IFRS Foundation has encouraged companies reporting or preparing to report sustainability information to use the resources of the VRF—including the Integrated Reporting Framework and SASB Standards. The Value Reporting Foundation (VRF) brought together the resources of the former International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) to create a suite of tools to help companies and investors develop a shared understanding of how enterprise value is generated, preserved, and eroded over time.

Integrated thinking is a management approach designed to enhance decision-making and actions by boards and leadership as they think holistically about the resources and relationships—or capitals—the organization uses or affects to create value, and the dependencies and trade-offs between them.

Integrated reporting provides a clear and concise representation of the organization's value creation process by bringing together material information about an organization's strategy, governance, performance, and prospects in a way that reflects the commercial, social, and environmental context within which it operates. The SASB Standards provide detailed metrics that can inform what to include in an integrated report, lending insight into the subset of sustainability issues that are most closely tied to an organization's value creating process, while providing the comparable and reliable data sought by investors. Together, VRF resources help users better understand (Integrated Thinking Principles), communicate (Integrated Reporting Framework) and measure (SASB Standards) their value creation process over time.

- **What does the future hold for the VRF, the SASB Standards (from VRF), the <IR> Framework (from VRF) and corporate sustainability reporting?**

As world leaders met in Glasgow for COP26, the IFRS Foundation announced two significant developments to provide the global financial markets with high-quality disclosures on climate and other sustainability issues.

First, came the announcement on the formation of a new International Sustainability Standards Board (ISSB) to develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs. The second, was the consolidation of the technical expertise, content, staff, and other resources of the VRF within the new ISSB.

Together, these developments create the necessary institutional arrangements, and lay the technical groundwork for a global sustainability disclosure standard-setter for the financial markets. They fulfill the growing and urgent demand for streamlining and formalizing corporate sustainability disclosures.

The ISSB and the International Accounting Standards Board (IASB)—the IFRS Foundation's financial standard-setting arm—will be independent, and their standards will complement each other to provide comprehensive information to investors and other providers of capital. The ISSB will sit alongside and work in close cooperation with the IASB, ensuring connectivity and compatibility between IFRS Accounting Standards and the ISSB's standards—which will be called the IFRS Sustainability Disclosure Standards. The ISSB will build on the work of existing investor-focused reporting initiatives to become the global standard setter for sustainability disclosures for the financial markets. It will rely on the resources of the VRF—including the Integrated Reporting Framework and the SASB Standards—along with those of the Task Force on Climate-related Financial Disclosures (TCFD), the Climate Disclosure Standards Board (CDSB) and the World Economic Forum's (WEF) Stakeholder Capitalism Metrics. The G20 and the Financial Stability Board have both welcomed the IFRS Foundation's work program.

Because the ISSB's standards will build on existing frameworks and guidance, the IFRS Foundation has encouraged companies reporting or preparing to report sustainability information to use the resources of the VRF, the TCFD, the CDSB and WEF. Efforts put into reporting on sustainability matters now are expected to help companies implement the ISSB's standards in the future.

NAME	TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)
Headquarters	Basel/Switzerland
Year founded	2015
Website	https://www.fsb-tcfd.org/
Category	Framework
Topic	Specific (Climate Change)
Dimensions	The four core TCFD recommendations are structured around the following thematic areas: Governance; Strategy; Risk Management; and Metrics & Targets. These recommendations are broken down into 11 disclosure categories. Each recommended disclosure is supported by guidance on reporting information.
Approach	Sector-Agnostic and Sector-Specific The TCFD recommendations provide both sector-agnostic guidance as well as supplemental guidance for financial-sector organizations (Banks; Insurance Companies; Asset Owners; and Asset Managers) and non-financial groups (Energy; Transportation; Materials & Buildings; and Agriculture, Food and Forest Products).
Linkage to financial results	Yes
Stakeholders	Investors

NAME	CDP
Headquarters	London/UK
Year founded	2008
Website	cdp.net
Category	Environmental disclosure platform (Questionnaires)
Topic	Specific (Environment)
Dimensions	The CDP questionnaires are not based on dimensions, but are instead organized into three topic modules: Climate Change; Forests and Water Security.
Approach	Sector-Agnostic and Sector-Specific Different economic activities are grouped into 13 sectors: Apparel; Biotech, Health Care & Pharma; Food, Beverage & Agriculture; Fossil Fuels; Hospitality; Infrastructure; International Bodies; Manufacturing; Materials; Power Generation; Retail; Services; and Transportation Services. To learn more about the different industries , see CDP's Activity Classification System (CDP-ACS).
Linkage to financial results	Yes
Stakeholders	Investors, companies and governments

Why CDP?

An interview with Rebeca Lima, Executive Director, CDP Latin America

- **Why should my company respond to CDP?**

  By responding to the CDP questionnaires, companies are tapping into the leading global standards and industry best practices. This enables them to identify strengths and gaps in managing environmental risks and opportunities, and to align themselves with internationally recognized sustainability standards and frameworks, such as GRI, TCFD, SDGs, the CEO Water Mandate and SBTi.

  Companies can respond voluntarily, but most of the time they are invited to do so on behalf of the CDP's more than 590 investor signatories—with over US$110 trillion in assets—and more than 200 Supply Chain Program members with over US$4 trillion in annual buying power. These members use the data reported to the CDP to inform their decision-making, driving action around sustainability.

  Responding to the CDP provides international visibility and access to an extensive pool of highly engaged investors. In addition, responding companies are assigned a score at the end of the cycle. This allows them to benchmark their performance against peers and spot areas for improvement in their own practices.

- **What does the future hold for the CDP?**

  CDP already holds the world's largest environmental database, but that's not enough: our goal is for a growing number of companies to report on and improve their management of environmental risks and opportunities, reaching 90% of the highest-impact firms by 2025. Our questionnaires have become increasingly comprehensive, incorporating additional environmental disclosures to help companies take urgent action in building a truly sustainable economy by measuring and acting on their environmental impact. The CDP operates as a point of convergence for different stakeholders—including companies, investors and governments—to build a thriving economy that works for people and planet in the long term.

  CDP's new 2021-25 strategy recognizes the urgent need to ensure companies, cities, states and regions have concrete plans to deliver on their stated commitments and provide evidence of progress against those goals. To this end, we will deepen our engagement, tracking and analysis across a multiplicity of stakeholders, covering more of the capital markets, widening our scope to cover more environmental issues (oceans, land use, biodiversity, food production and waste), and increasing our focus on tangible targets, transition plans and performance.

  Through this expansion of our proven disclosure system, CDP is set to be the definitive mechanism to track the nature, extent and speed of corporate, city, state and regional action against their commitments and their impact on the global environment.

- **What is the future of corporate reporting?**

  Corporate reporting should increasingly integrate additional social and environmental information, along with targets and metrics. A truly responsible company makes sure it translates its commitments into action by publishing comprehensive, data-driven reports and by setting targets that are measurable and cover the short, medium and long term. The need to integrate this information together should also drive consolidation between frameworks and standards, as recently announced during COP26.

NAME	SUSTAINABLE DEVELOPMENT GOALS (SDGs)
Headquarters	New York/USA
Year founded	2015
Website	https://sdgs.un.org/goals
Category	Principles & Guidelines | Goals & Targets
Topic	General
Dimensions	People, Planet, Prosperity, Peace and Partnerships
Approach	Sector-agnostic
Linkage to financial results	No
Stakeholders	General (shareholders, investors, communities, media, civil society organizations, among others)

Why the SDGs?

An interview with Carlo Linkevieius Pereira, Executive Director, Global Compact Network Brazil

- **Why should companies commit to the 2030 Agenda and communicate their SDG-related targets?**

The 2030 Agenda is the world's foremost sustainable development agenda, a call for governments, companies and civil society to work together in tackling the most pressing challenges for our societies and the planet. As UN Secretary-General António Guterres put it, it is our global declaration of interdependence. If we fail to move in this direction together, we will be unable to surmount the challenges of our times. Businesses cannot succeed in a failed society.

This argument should be compelling enough, but we could also argue that working toward the SDGs creates new growth opportunities and drives business longevity. Companies that fail to align with the global sustainability agenda will lose market share. A Europanel survey of more than 20,000 adults in Brazil, India, the UK, the US and Turkey found that 1/3 of consumers choose to buy from companies that have a positive impact, 21% said they actively choose brands they believe to be sustainable, and, in Brazil, 85% said they feel better when they buy products that are sustainably produced. On the investor side, there is a clear trend: over the last 5 years interest in ESG investment has grown fivefold worldwide, and by a factor of 14 in Brazil.

We must bear in mind, however, that genuine commitments need to be anchored in ambitious and science-based targets. One way to achieve this, working together, is by aligning our commitments with the goals of the 2030 Agenda, such as those within the SDG Ambition.

- **What is the outlook for the 2030 Agenda?**

We are not progressing at the needed scale and pace to achieve the SDGs. In recent years, we have lagged on several targets and we should see an even greater impact at the end of this year as a result of the lingering COVID-19 pandemic. The good news is that we have the levers in place for a more sustainable recovery—the SDGs—and are seeing increasing engagement from an important sector: business.

In this Decade of Action, which began last year and started the countdown to 2030, we have focused on one word: ambition. We are proposing business commitments linked to ambitious targets and leading initiatives toward a transformation of society and our planet. Only by working together and in collaboration will we be able to progress toward these goals.

NAME	GLOBAL COMPACT
Headquarters	New York/USA
Year founded	2000
Website	https://www.unglobalcompact.org/
Category	Principles and Guidelines
Topic	General
Dimensions	Human Rights; Work; Environment and Anti-corruption
Approach	Sector-agnostic
Linkage to financial results	No
Stakeholders	General (shareholders, investors, communities, media, civil society organizations, among others)

Why the Global Compact?

An interview with Carlo Linkevieius Pereira, Executive Director, Global Compact Network Brazil

- **Why should companies join and communicate their Progress on implementing the Global Compact?**

  The UN Global Compact is the world's largest voluntary corporate sustainability initiative, and the leading initiative in Brazil. It is a call to companies to align their strategies and operations with 10 universal principles on human rights, labor, environment and anti-corruption. It also supports companies in working toward the Sustainable Development Goals (SDGs), the world's foremost sustainable development agenda.

  Operating sustainably is no longer a choice, but a matter of business longevity and competitive advantage. It is a demand expressed by a wide range of stakeholders, including investors, as shown by the rise in ESG reporting in recent years. There is also a need to ensure a sustainable post-COVID-19 recovery. Working toward the Global Compact principles and the SDGs provides businesses with a sustainability compass, and joining the UN Global Compact signals a company's commitment to these agendas.

- **What does the future hold for the Global Compact?**

  Growing ESG awareness and calls for a more sustainable recovery led to increased business engagement around sustainability in the previous year. As a result, Global Compact membership has grown exponentially, with the Global Compact Network Brazil seeing the fastest growth globally last year. Since January 2020, we have onboarded nearly 600 new members. We expect to have a Network of 1,600 members next year (compared to 1,350 currently), reaching our target for 2025.

  We aspire to not only grow our membership, but also to increase engagement. We will increasingly pursue public commitments underpinned by ambitious targets, such as gender equity, climate, decent wages and organizational transparency. We will lead initiatives to enhance business impact in tackling the major challenges of the 2030 Agenda in Brazil.

- **What is the future of corporate reporting?**

  Corporate reporting should look to the future and not only the past. Building reports to address the SDGs already makes this possible by communicating an organization's commitments and how well it is progressing against each of them.

  It is also important that corporate reporting uses common disclosures so we can increasingly benchmark progress in a comprehensive and intelligent manner. For example, the benchmarks established in the SDG Ambition, an initiative of the UN Global Compact, challenge companies to set cross-cutting, ambitious goals grounded in science. These benchmarks will inform changes to the Communication on Progress (COP), a mandatory report for Global Compact members, and the initiative's 10 principles.

  Rather than confining their disclosures to answering basic questions, companies will be required to report progress against a larger set of disclosures in 2022. This is a way for us to assess each organization's individual progress as well as track how the corporate sector broadly is progressing on specific issues. With data, we can better inform our efforts.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

NAME	SCIENCE BASED TARGETS INITIATIVE (SBTi)
Headquarters	New York/USA
Year founded	2015
Website	https://sciencebasedtargets.org/
Category	Initiative
Topic	Specific (Climate Change)
Dimensions	(not applicable)
Approach	Sector-Agnostic and Sector-Specific In preparing science-based targets (SBT), companies use either the standard target validation route (large corporations) or the SME route (small and medium-sized enterprises). The Absolute Contraction Approach applies to all sectors other than power generation and oil and gas. The Sectoral Decarbonization Approach is available for energy-intensive industries: Iron & Steel; Cement; Aluminum; Pulp & Paper; Transportation; and Services – Construction.
Linkage to financial results	No
Stakeholders	General (shareholders, investors, communities, media, civil society organizations, among others)

Why SBTi?

An interview with Alberto Carrillo Pineda, Managing Director at SBTi

- **Why should my company establish an SBT?**

  Climate science is clear. We must halve global emissions before 2030 and achieve net-zero before 2050. Companies have an integral role to play in the transformation that is required. Companies with science-based targets are on track to halve emissions this decade—that's exactly the pace and scale required by climate science. There's no time to lose.

  *For further information regarding how companies with science-based targets are reducing their emissions, please see the SBTi Progress Report 2020.

- **What is the future of SBTi, considering the SBTi's Corporate Net-Zero Standard scenario?**

  The SBTi plans to accelerate exponential growth in the number of companies setting science-based near- and long-term net-zero emissions reductions targets focused on immediate, ambitious and robust action. All companies across geographies and sectors must urgently act.

- **What is the future of corporate reporting?**

  The accountability around corporate commitments is key to building trust and supporting the delivery of credible corporate targets. All companies committed to the SBTi must participate in a rigorous target-setting process within 24 months to receive validation. If this timeframe isn't met, the company's committed status is removed. Once a company's target is approved, it must report company-wide GHG emissions and progress against targets through annual reports, sustainability reports, the company's website, and/or disclosure through CDP's annual questionnaire.

  The SBTi is currently creating a measurement, reporting and verification (MRV) framework to ensure transparency and accountability around the progress and achievement of corporate near- and long-term science-based targets.

  The framework will set clear expectations and guidance for companies on how to report, assess and verify progress against targets and achievement claims. This will enhance the data quality and accountability of SBTi companies and thus build trust and confidence among stakeholders.

  The development of the framework will be backed with a multi-stakeholder process and will explore partnerships with key actors for setting up a robust MRV. This process will be launched alongside the publication of our 2021 Progress Report, in early 2022.

Other frameworks and standards

Measuring Stakeholder Capitalism – WEF IBC

A set of 21 metrics and 34 expanded metrics organized under four pillars— principles of governance, people (social), planet (environment) and prosperity (accelerating economic and technological progress for communities)—that are aligned with the SDGs.

Led by the World Economic Forum's International Business Council (WEF-IBC), this initiative has established a concise set of ESG metrics that support comparability across sectors and geographies. The goal in the initiative is to address investors' and stakeholders' expectations that companies report on non-financial issues, risks and opportunities with the same discipline and rigor as financial information.

The metrics draw on several established protocols, including the GRI Standards, the SASB Standards (from VRF), CDSB, TCFD, the <IR> Framework (from VRF), WBCSD (World Business Council for Sustainable Development), and EPIC (Embankment Project for Inclusive Capitalism).

For further information, click here.

Climate Disclosure Standards Board (CDSB)

This framework sets out an approach for reporting environmental and climate change information in annual reports, SEC (US Securities and Exchange Commission) 20-F filings or integrated reports.

Designed primarily for the benefit of investors, the CDSB framework standardizes environmental reporting in a way that is consistent with financial reporting.

The framework comprises a set of 12 reporting requirements: governance; management's environmental policies, strategy and targets; risks and opportunities; sources of environmental impacts; performance and comparative analysis; outlook (summary analysis and outlook covering the five previous reporting requirements above); organizational boundary; reporting policies; reporting period; restatements; conformance; assurance.

For further information, click here.

Corporate Sustainability Reporting Directive (CSRD) – European Commission

Currently under development and due to become effective in 2024 for large and medium-sized companies in the European Union and all companies listed on regulated markets. It is recommendable that Brazilian companies looking to do business with countries in the European Union also adopt the directive for the purpose of comparability and compliance.

Led by the European Commission, this initiative is developing a directive on ESG reporting that will be comparable to mandatory financial reporting. The directive has introduced the double (financial and impact) materiality concept, three layers of reporting (sector-agnostic, sector-specific and entity-specific disclosures) in three reporting areas of strategy, implementation and performance measurement for each of the three topics of environmental, social and governance.

Under the current schedule, the first draft set of sustainability reporting standards will be published in mid-2022, addressing core disclosures required for reports published in 2024 for fiscal year 2023. All reports published under the directive will require independent assurance.

For further information, click here.

**Medium and large companies are defined as companies meeting at least two of the following criteria: more than 250 employees, balance sheet assets greater than € 20 million; a net turnover of more than € 40 million.*

Reporting in Brazil

The new ISE B3

Our survey polled companies named to the Brazilian stock exchange's (B3) Corporate Sustainability Index (ISE B3). The index provides a tool for benchmarking the corporate sustainability performance of companies listed on B3.

Candidate constituents of the ISE B3 index first complete a questionnaire. The most recent questionnaire, launched in July 2021, contains more targeted, in-depth questions to ensure that candidate companies demonstrate their governance practices.

The new questionnaire comprises five dimensions: Human Capital; Corporate Governance & Senior Management; Business Model & Innovation; Social Capital; and Environment.

The Index has not neglected the sixth dimension, Climate Change, which is now assessed exclusively on the basis of the CDP Climate Change Questionnaire (a minimum rating of C is required to be a constituent of the B3 ISE index). With a significant weight placed on climate issues, a company seeking recognition for best sustainability practices is required to respond to the CDP Climate Change Questionnaire, which contains questions about the organization's approach to identifying and managing climate-related risks and opportunities, greenhouse gas emissions inventories, emissions reduction projects and their costs, and short-, medium-, and long-term targets.

The ISE B3 has also partnered with RepRisk, a pioneer in ESG data science, and now requires ISE constituents to have a reputational risk index score not higher than 50 points. RepRisk's flagship product, the RepRisk ESG Risk Platform, uses the world's largest due diligence database on ESG and business conduct risks. These data enable financial decision-makers to quickly react to material ESG risks that may translate into financial, reputational, or compliance risks. To learn more, visit the RepRisk website.

The questionnaire dimensions and topics are based on the SASB Standards (from VRF) and disclosures are drawn from standards published by the GRI and Brazil's "B System" (*Sistema B*). The question is whether listed companies are prepared to provide required disclosures.

Companies that already publish corporate reports prepared in accordance with the GRI and SASB Standards (from VRF) are clearly at an advantage when it comes to being included on the ISE B3 index. But are these the only standards suited for each company's business model?

On the following pages, we present the methodology and findings from a survey of the frameworks and standards used for non-financial reporting by companies named to the B3 Corporate Sustainability Index (ISE B3). This is the first edition of the index using the methodology as revised in 2021.

Survey methodology

We surveyed the **187** constituents of the ISE B3 index in 2021 on their non-financial annual reports

For a more rigorous analysis of the reports, the following criteria were established:

- Only reports for fiscal 2020 were included in our analysis;
- Only companies that had published their reports no later than September 2021 were included in the survey.

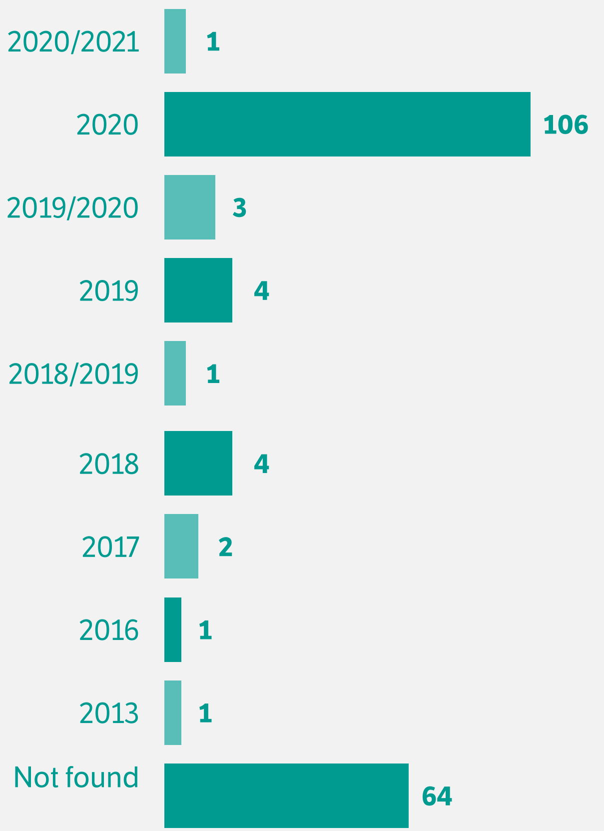
WHAT QUESTIONS DID WE ASK IN OUR SURVEY?

- What fiscal year did the organization's most recent report cover?
- What was the report title?
- What industry does the organization operate in?
- What frameworks and standards did the organization rely on most in preparing the report?
- What frameworks and standards are addressed throughout the report?
- What frameworks and standards have disclosures been mapped to in the content index?
- What option did the organization choose for GRI Reporting? Core or Comprehensive?
- Which SDGs were disclosures mapped to? Have they been mapped only to the goals or also to specified targets?
- Does the organization report on climate change-related risks and opportunities?

Key findings

Most are actively reporting, but some are lagging

Reports published



Good practice dictates that non-financial reports should be issued at a similar frequency to financial disclosures, based on the timeliness principle, i.e. information should be disclosed when and as often as required by users.

This means reports should be published annually, preferably during the first quarter or early second quarter of the following year.

We are also seeing the beginning of a trend toward issuing quarterly sustainability disclosures as is done for financial information.

With 110 (58.8%) of the 187 ISE B3 2021 constituents publishing reports for 2020, non-financial (or not strictly financial) reporting appears to have become an established practice. However, 13 (6.9%) companies had only published reports in previous years, and 64 (34.2%) had either never published non-financial reports or had not made them publicly available. This is a significant figure.

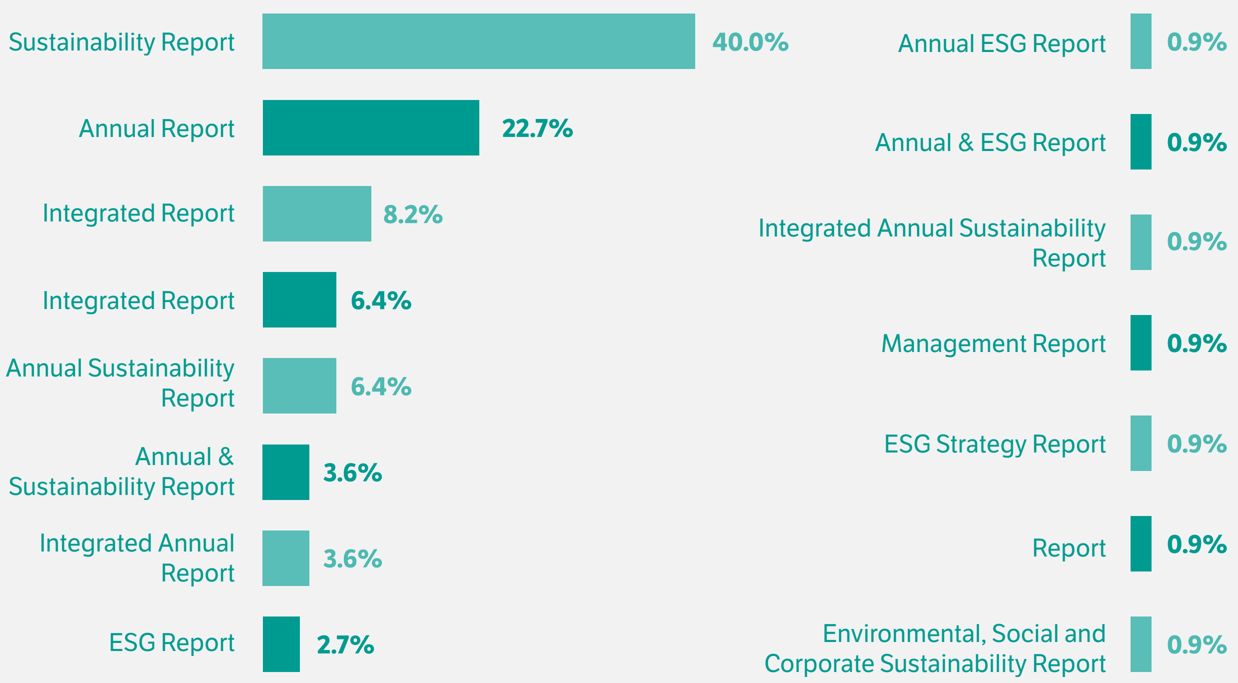
Remarks

Although the 77 non-reporting companies in 2020 did have strategies in place for managing sustainability, they failed in transparency by not publishing reports. They are behind the times and failing to meet the information needs of ESG investors and other stakeholders.

Most reports are titled as Sustainability Reports

Out of 110 reports for 2020, 40% (44) were titled as Sustainability Reports; 22.7% (25) as Annual Reports; and 14.6% (16) as Integrated Reports or equivalent terms. Only 5.5% (5) used ESG in their titles.

Report titles



Remarks

Sustainability should not be treated as a separate silo within an organization, but as a cross-cutting issue spanning the entire enterprise. The extensive use of the title “Sustainability Report” could suggest that companies have yet to integrate sustainability systemically.

Although the purpose of our survey was not to assess whether the use of other report titles could be appropriate, it is important to note that “ESG” and the word “sustainability” have increasingly been used synonymously. This means that reports with different titles may serve the same reporting purpose.

ESG is not the same as sustainability

ESG

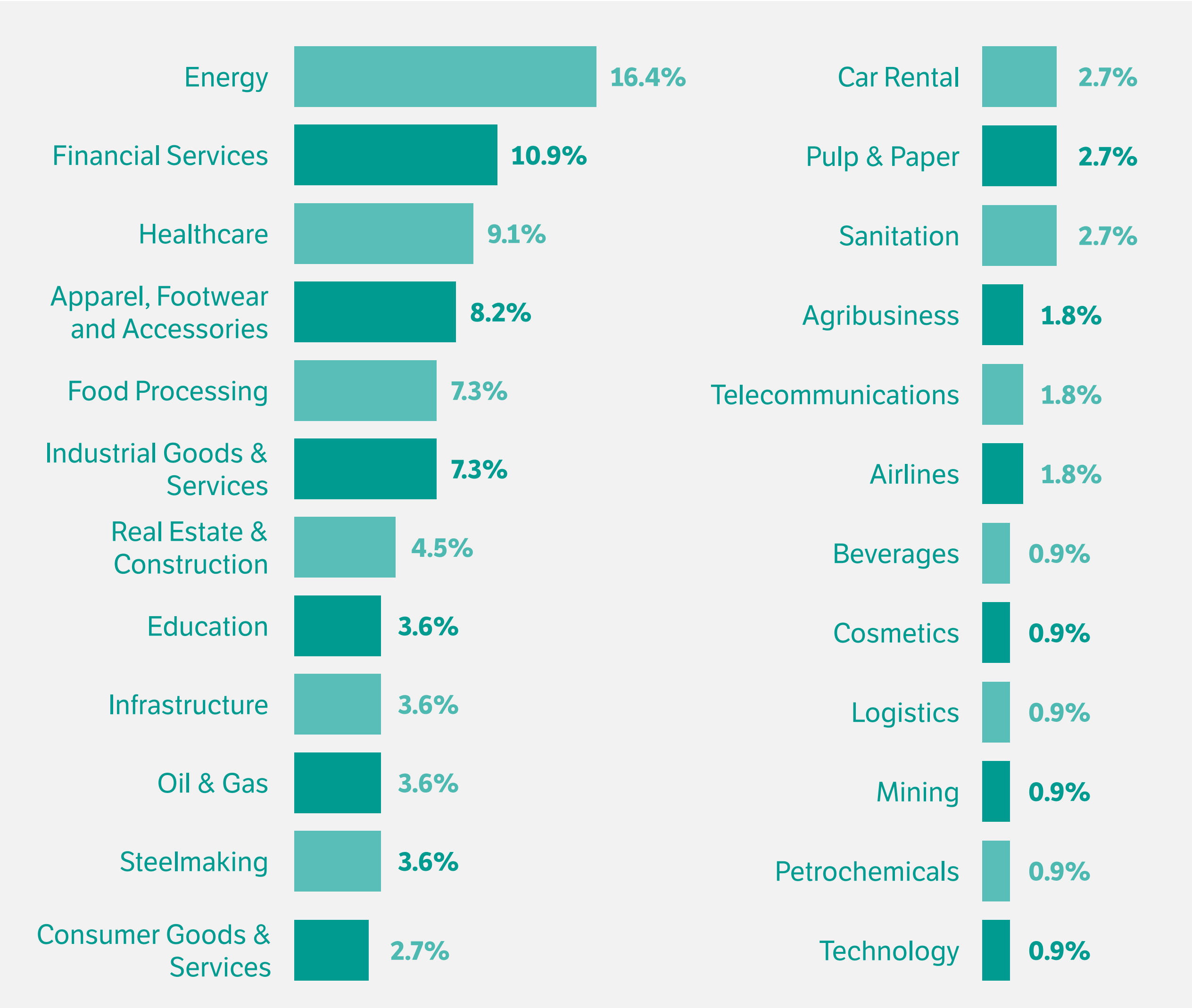
- **Stakeholders: investors**
- Focused on financial results and the creation or erosion of economic value
- Focused on transparency
- Assesses an organization's performance in environmental and social management and its governance practices
- Discloses impacts and risks inherent to the business
- Identifies opportunities only as they apply to mitigating risks
- Provides evidence of and generates credibility around an organization's commitments and the strategy it communicates to society
- Supports management of the social, environmental and governance issues affecting an organization's financial results and the creation or erosion of value

Sustainability

- **Stakeholders: multiple**
- Focuses on social and environmental impacts
- Looks to identify not only risks but also opportunities
- A broader agenda spanning society at large and its needs
- Supports strategic thinking, integrating non-financial ESG aspects into business models designed to create value for society

To learn more, read the white paper:
ESG is seemingly but not actually the same as sustainability.

Top reporting industries

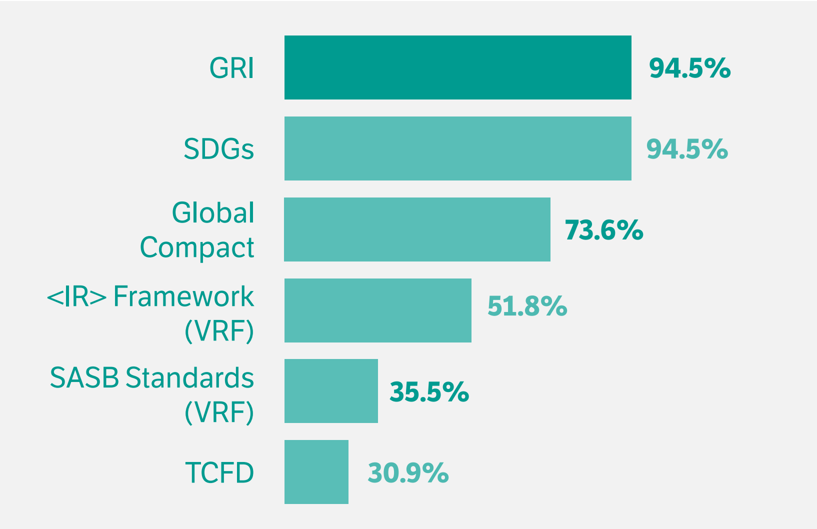


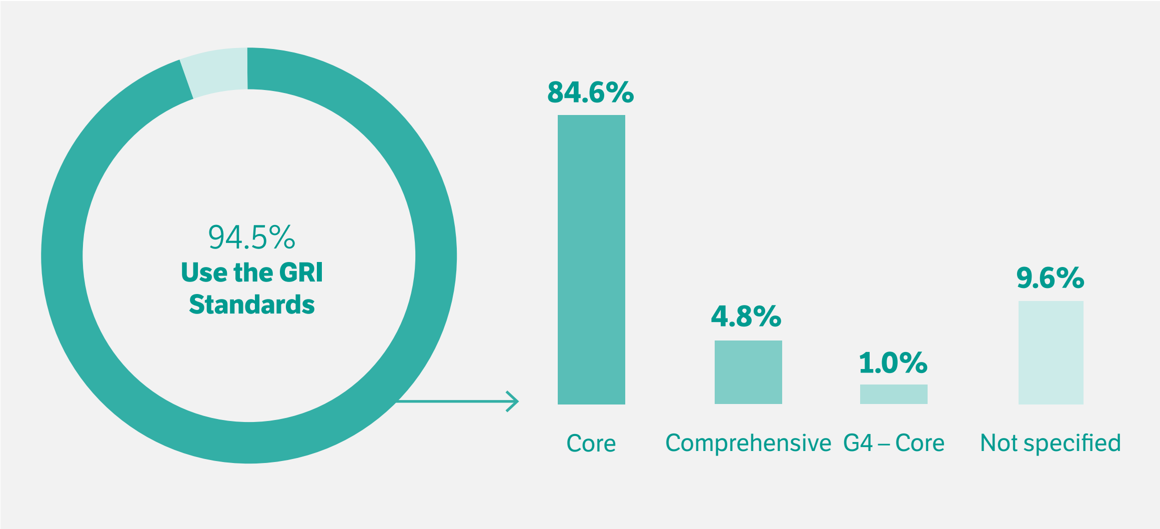
In our analysis of non-financial reporting by sector, 16.4% (18) of the 110 reporting companies in 2020 were in the Energy sector, 10.9% (12) were in the Financial Services sector, and 9.1% (10) were in the Healthcare sector.

Remarks

Brazil's Energy sector has a strong track record on accountability, driven by regulatory pressures due to its status as the second most emissions-intensive sector in the country, exceeded only by Agriculture, according to Climate Watch data (2018).

GRI is the foremost standard





The GRI Standards have been adopted by 94.5% (104) of reporting companies, with 84.6% (88) reporting under the Core option and 9.6% (10) not specifying their reporting option as required by the GRI Standards.

Remarks

The GRI Standards remain the foremost source of guidance in Brazil and globally, and provide a safe pathway for first-time reporters.

Source: GRI *Standards* 102: General Disclosures 2016

Core or Comprehensive

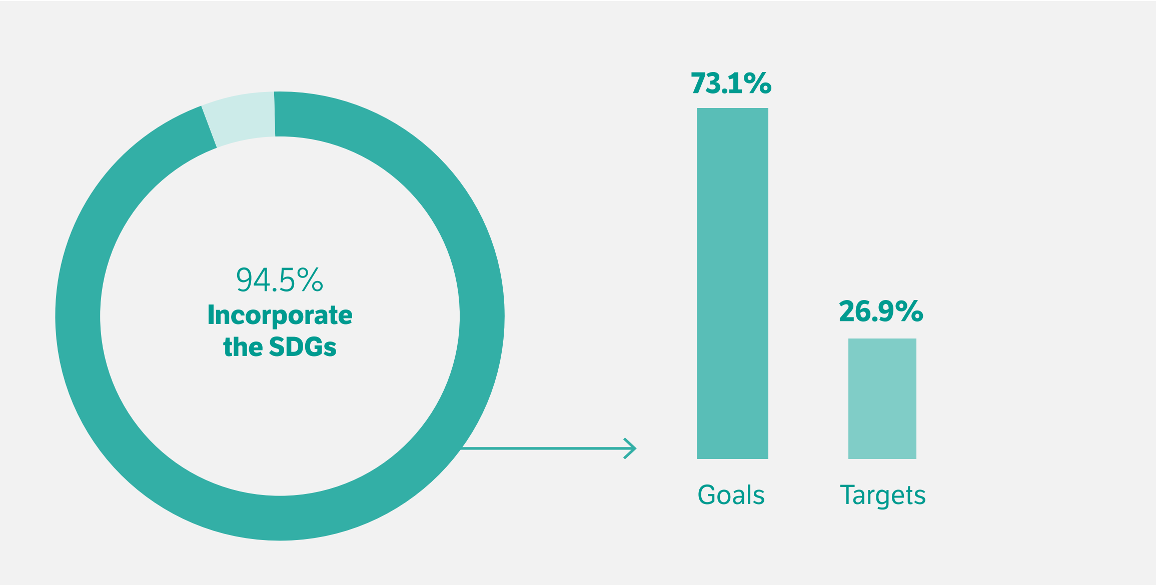
Core – This option indicates that a report contains the minimum information needed to understand the nature of the organization, its material topics and related impacts, and how these are managed.

Comprehensive - This builds on the Core option by requiring additional disclosures on the organization's strategy, ethics and integrity, and governance. In addition, the organization is required to report more extensively on its impacts by reporting all the topic-specific disclosures for each material topic covered by the GRI Standards.

Under the amended GRI Standards to be launched in 2023, there will now be a single reporting option.

The SDGs are often addressed, but not in depth by most organizations

The SDGs are reported as being incorporated in the organization's business strategy in 94.5% (104) of reports, but of these, 73.1% (76) only describe their support for the broader Goals, with only 26.9% (28) detailing their support of specific targets.

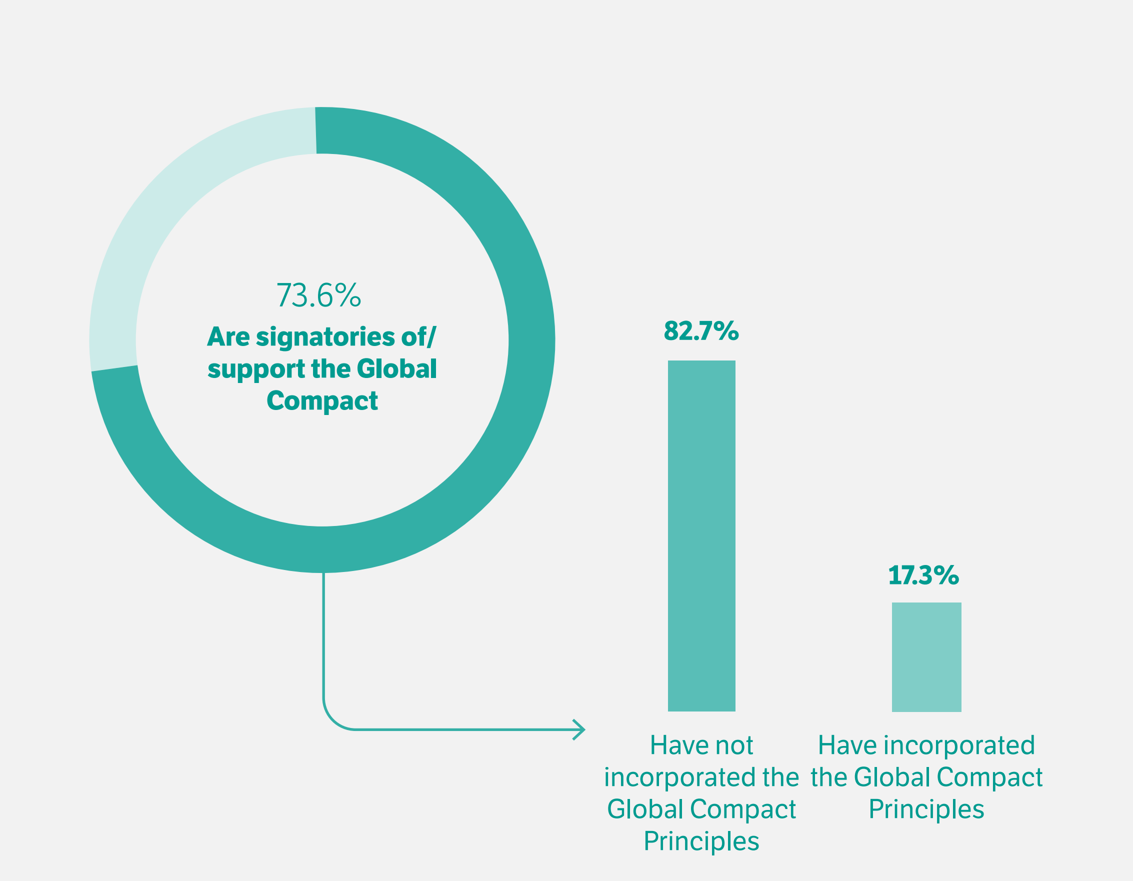


Remarks

Some organizations appear to use the SDGs much like a sports sticker album. They paste the SDG icons into the report, and correlate their activities with some of the goals under the 2030 Agenda. They report only on the 17 high-level Goals, without drilling them down to the target level.

The Global Compact recommends that organizations set ambitious targets and integrate the SDGs into their business strategies. This means choosing selected Goals (or even a single Goal) to which an organization can contribute most impactfully.

Addressing the Global Compact



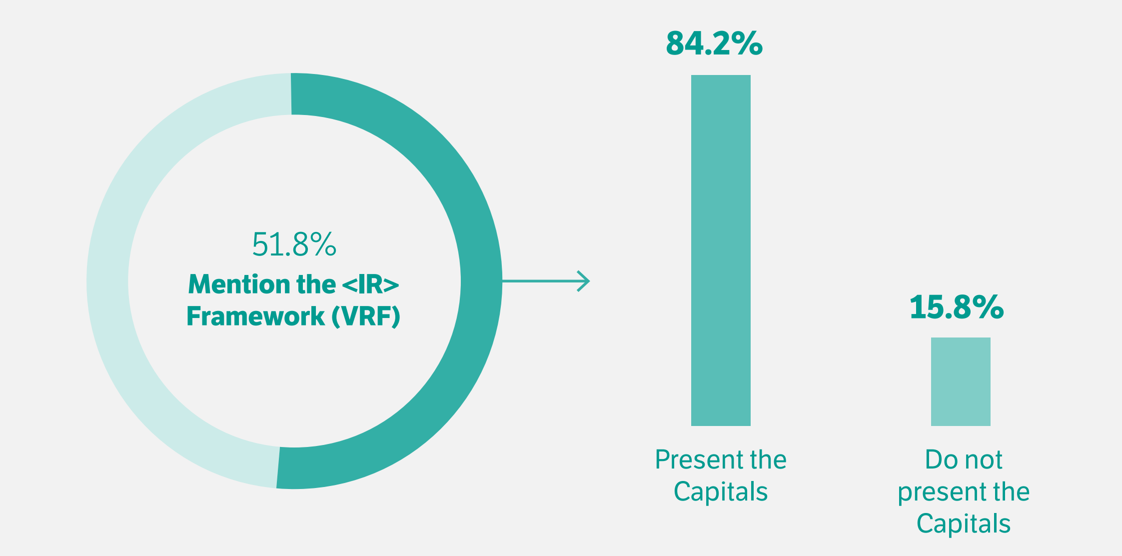
Next comes the Global Compact, with mentions in 73.6% (81) of reports. Of these, only 17.3% (14) state that the Global Compact Principles have been incorporated into business strategy.

Remarks

The Global Compact Network Brazil is one of the most active in the world. It has played a key role in bringing the 2030 Agenda into the Brazilian business world, and now has 800 signatories.

Integrated Reporting is used in half of reports

While only 14.6% (16) of reports use the word "Integrated" in their titles, 51.8% (57) of the non-financial reports for 2020 mention the <IR> Framework (VRF) at least once throughout the report. Of these, only 84.2% (48) address the integrated reporting capitals.



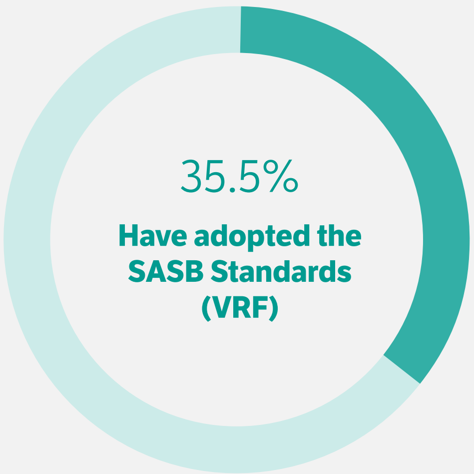
Remarks

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"—financial, manufactured, intellectual, human, social & relationship, and natural—in the <IR> Framework.

This framework seeks to explain how the organization interacts with the external environment and the capitals to create value over the short, medium and long term. One of the framework's eight content elements is Performance, which describes to what extent the organization has achieved its strategic objectives for the period and what its outcomes are in terms of effects on the capitals.

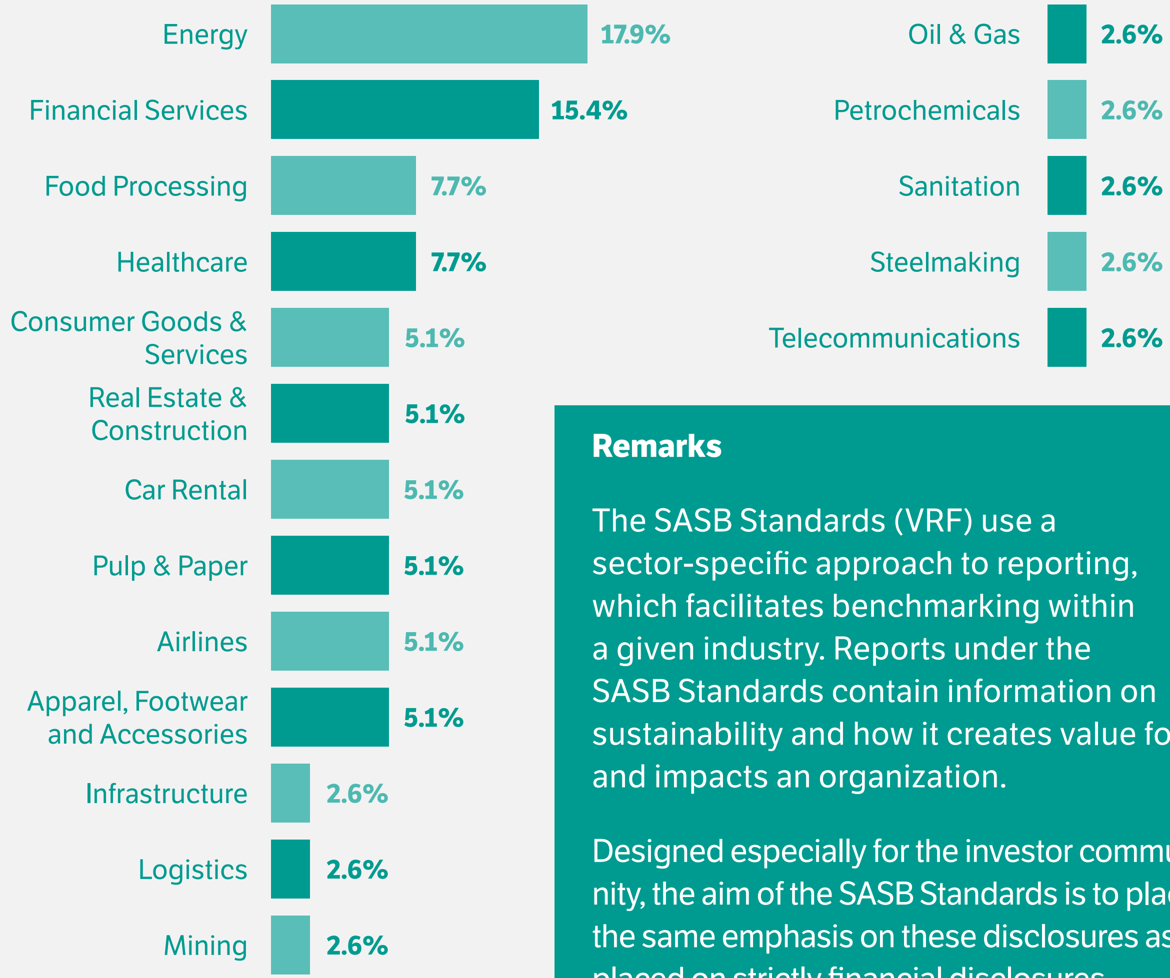
Although not mandatory, identifying the capitals in integrated reports is highly recommendable as a way to measure value creation through an organization's business model and impact on business strategy. With growing investor interest in ESG, the Integrated Reporting framework is likely to gain ground in the market, as it is specifically designed for these stakeholders.

The SASB Standards (VRF) are gaining traction



Although used in developing only half of the reports, the SASB Standards (VRF) are the second most widely adopted standards, having been referenced in 35.5% (39) of the reports.

The sectors most often adopting the SASB Standards (VRF) are Energy at 17.9% (7), Financial Services at 15.4% (6), Food Processing at 7.7% (3) and Healthcare at 7.7% (3) of reports.



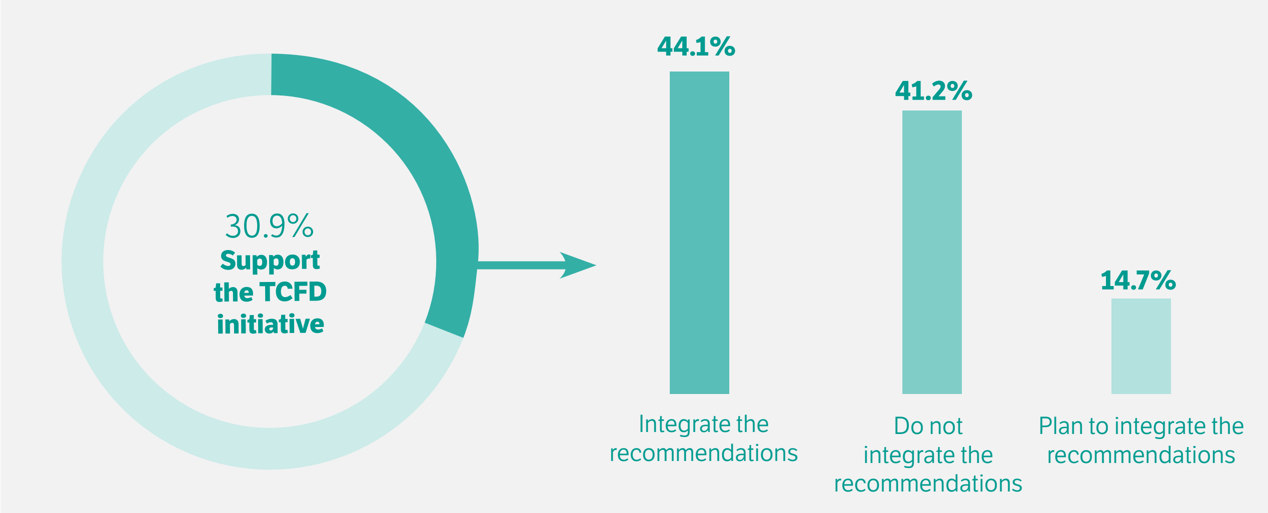
Remarks

The SASB Standards (VRF) use a sector-specific approach to reporting, which facilitates benchmarking within a given industry. Reports under the SASB Standards contain information on sustainability and how it creates value for and impacts an organization.

Designed especially for the investor community, the aim of the SASB Standards is to place the same emphasis on these disclosures as is placed on strictly financial disclosures.

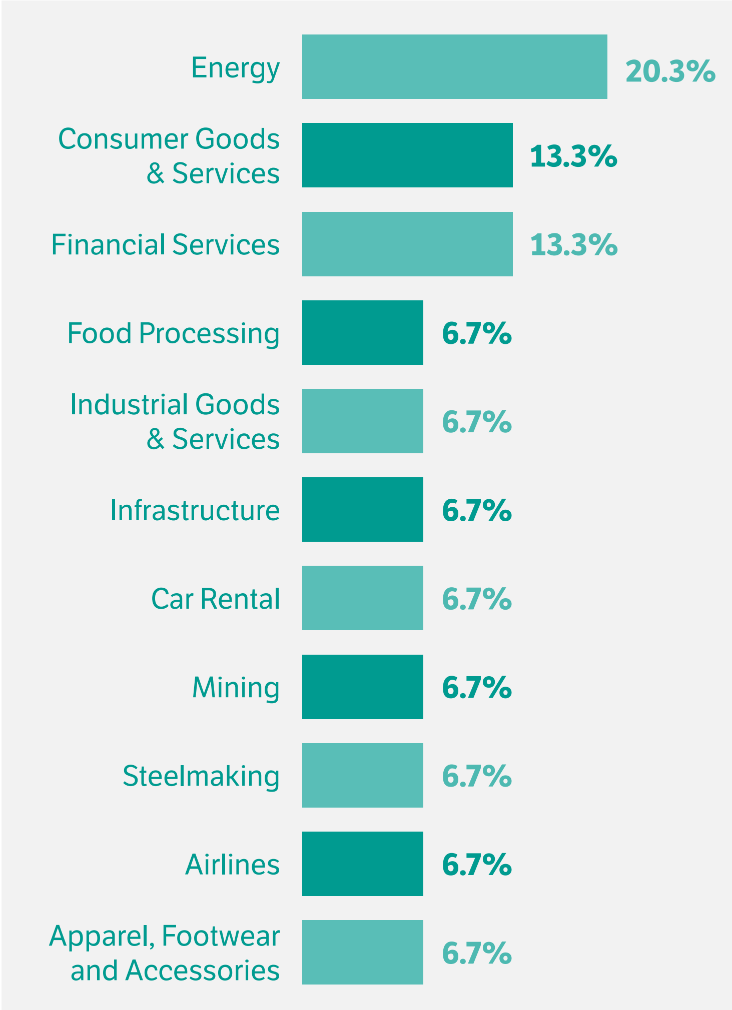
The Climate Crisis under the Spotlight

TCFD



Of the 110 reports in the survey, 30.9% (34) contain claims of support for the TCFD recommendations, but only 44.1% (15) had integrated the recommendations throughout the report. Only 14.7% (5) described plans to report on initiatives aligned with the recommendations in the future, and 69.1% (76) contained no mention of the TCFD recommendations.

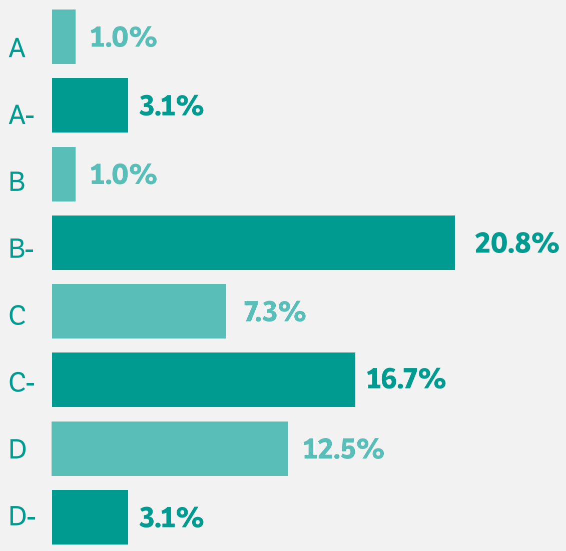
The sectors most frequently integrating the TCFD recommendations in reports are Energy at 20.0% (3), followed by Consumer Goods and Services at 13.3% (2), and Financial Services at 13.3% (2). Under new regulations due to come into force in Brazil in 2022, TCFD reporting will be mandatory for all financial institutions licensed to operate by the Central Bank (BC). Learn more here.

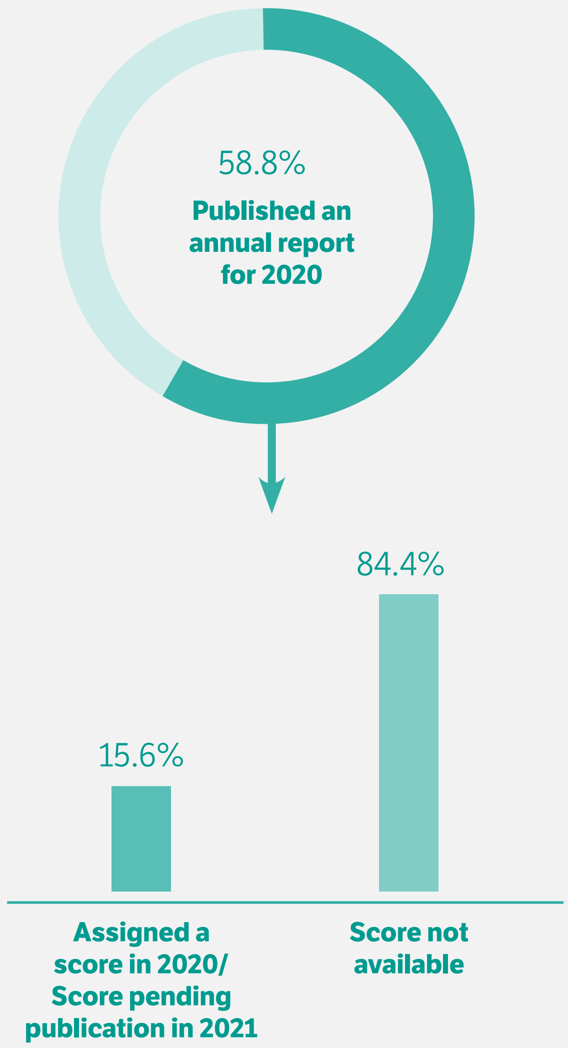


Remarks

The next few years are expected to see accelerated adoption of climate reporting, led primarily by the TCFD framework.

CDP





Responding to the CDP program is not a condition for publishing annual reports. For this reason, we assessed all 187 companies named to the ISE B3 index. In all, 51.3% (96) of organizations responded to the CDP Climate Change questionnaire in 2020 or are awaiting publication of their score in 2021. Significantly, nearly half, or 48.7% (91) of companies had no CDP score available.

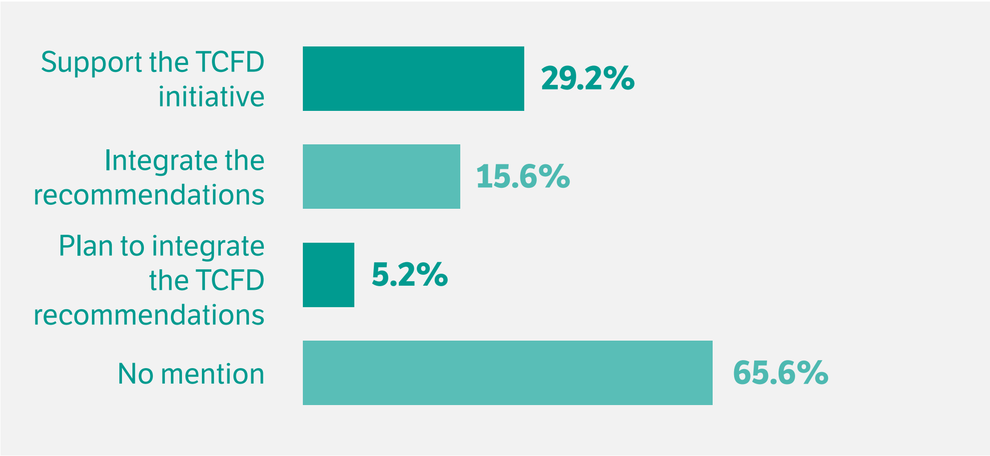
It is important to note that under the new ISE methodology, any company failing to respond to the CDP program during the relevant year, or that receives a score lower than "C", is disqualified. Based on the data for 2020, more than half (67.9%, or 127) of current constituents would be excluded from the index. However, considering that the CDP scores for 2021 are due to be published in December 2021, this can still change.

Of the 77 companies that did not publish an annual report for 2020, 15.6% (12) responded to the CDP Climate Change Questionnaire in 2020, or are awaiting publication of their score in 2021.

The CDP program provides a robust and consistent starting point for organizations looking to engage around the climate agenda, as it encompasses all the core aspects needed to build a corporate climate strategy. Companies can extend their influence across their value chain to include scope 3 emissions, an area that has gained increasing focus in managing GHG emissions.

Companies responding to the CDP will have already aligned themselves with some of the TCFD recommendations. However, our survey shows that many companies that have responded to the CDP Climate Change questionnaire have not seized the opportunity to integrate the TCFD recommendations into their processes and to better structure their climate reporting.

The numbers are clear: of the 96 companies that responded to the CDP program, 29.2% (28) support the TCFD recommendations, only 15.6% (15) incorporated the TCFD recommendations in their reports, and 5.2% (5) reported plans to integrate the TCFD recommendations. But 65.6% (63) of companies that responded to the CDP program did not state their position on aligning with the TCFD recommendations.



SBTi

The Science Based Targets initiative (SBTi) is the least cited climate initiative in the surveyed reports. Only 16.4% (18) of companies mention the initiative and state that they are in the process of securing approval of their targets, and no more than 10.0% (11) are listed on the SBTi website as having signed the initiative's Commitment Letter. Of the 110 companies, 4.5% (5) plan to subscribe to the initiative.

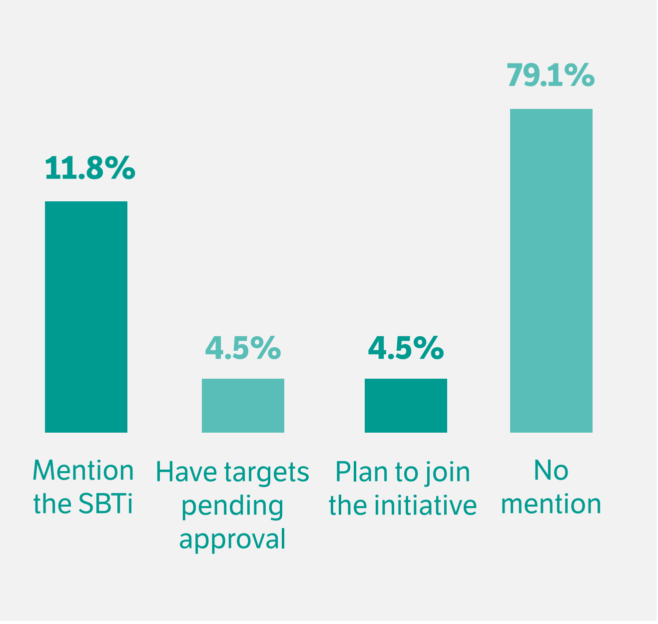
The Energy sector leads in alignment with the initiative at 27.8% (5) of companies, followed by the Food Processing, Car Rental and Airline sectors, each at 11.1% (2). Only 1.8% (2) of companies in the Energy and Pulp & Paper industries have targets approved by the SBTi.

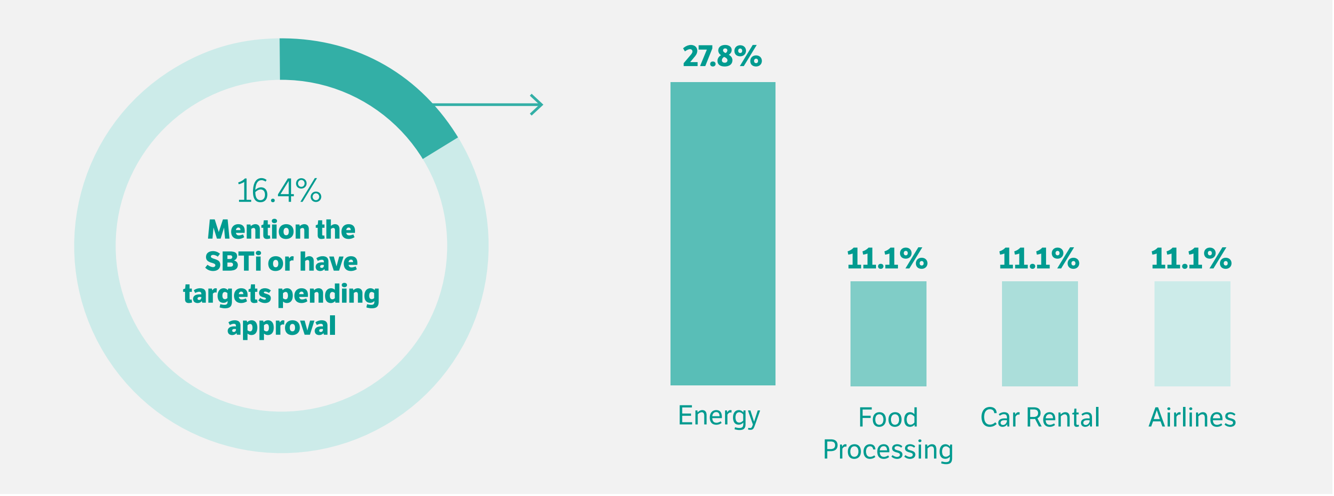
The absence of the Agribusiness industry is concerning. According to the Intergovernmental Panel on Climate Change's (IPCC) Sixth Assessment Report (AR6), launched in August 2021, carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O) have all increased to levels unprecedented in at least the last 800,000 years. CO_2 concentrations have risen by 40% since the pre-industrial period due to fossil-fuel burning and land-use change.

This underscores the urgent need for companies in this industry to undertake a commitment to set ambitious science-based emissions targets (SBTi), also covering CH_4 and N_2O, as well as CO_2. To learn more, click here.

On October 28, 2021 the Science Based Targets initiative (SBTi) launched the the world's first framework for corporate net-zero target setting in line with climate science: the Corporate Net-Zero Standard.

The Standard will clarify the key role of decarbonization in corporate net-zero strategies.





It also provides the guidance, criteria, and recommendations companies need to set science-based net-zero targets consistent with limiting global temperature rise to 1.5 °C.

The new framework provides an opportunity for companies to work on an emissions reduction target in line with the SBTi's net-zero criteria. Learn more here.

Remarks

As seen above, organizations have sought to integrate different frameworks and standards to meet global demand for climate-related reporting. However, our survey shows that many Brazilian companies have yet to take steps in this direction.

The rate of adoption of climate-related frameworks and standards was found to be low, even though the climate crisis is a significant factor across all sectors. Climate change is challenging companies to consider integrating climate risks into their organizational strategies.

A clear path forward can be found with support from the CDP program and the TCFD framework, which provide guidance on how to incorporate climate-related aspects into an organization's governance and how related initiatives need to be communicated.

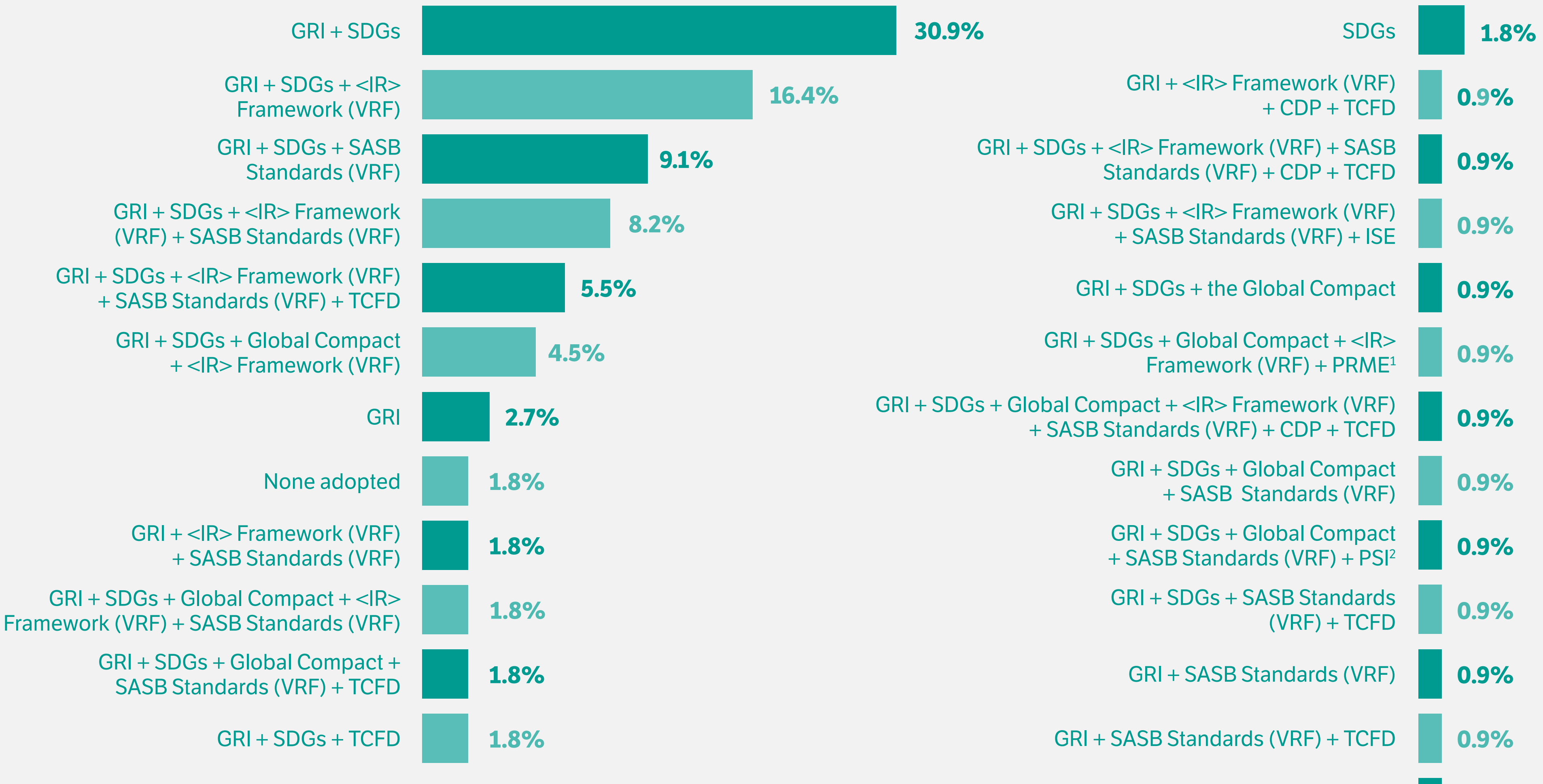
To achieve progress on this urgent issue, companies need to use a sound approach to quickly position themselves and prepare for the resulting business risks and vulnerabilities, and set ambitious science-based targets to reduce GHG emissions. This will allow them to measure and demonstrate the rate at which they will reduce their emissions.

The only way to contain global warming is by reducing GHG emissions to zero. There is no more time for business as usual, with its focus only on offsetting carbon emissions. Production and consumption models need to be completely overhauled.

The Race to Zero campaign, launched in 2020 by the United Nations Framework Convention on Climate Change (UNFCCC), is a call to businesses to commit to implementing net zero emission targets (including their value chains), and was at the center of discussions at COP26.

The GRI-SDGs duo continues to dominate

The most widely used frameworks and standards



1. Principles for Responsible Management Education (PRME)
2. Principles for Sustainable Insurance (PSI)

The charts show that most Brazilian companies have now adopted two or more reporting standards and frameworks concurrently. Only 4.5% (5) of companies have adopted a single source of guidance. In 2.7% (3) of reports, no standards or frameworks are specified.

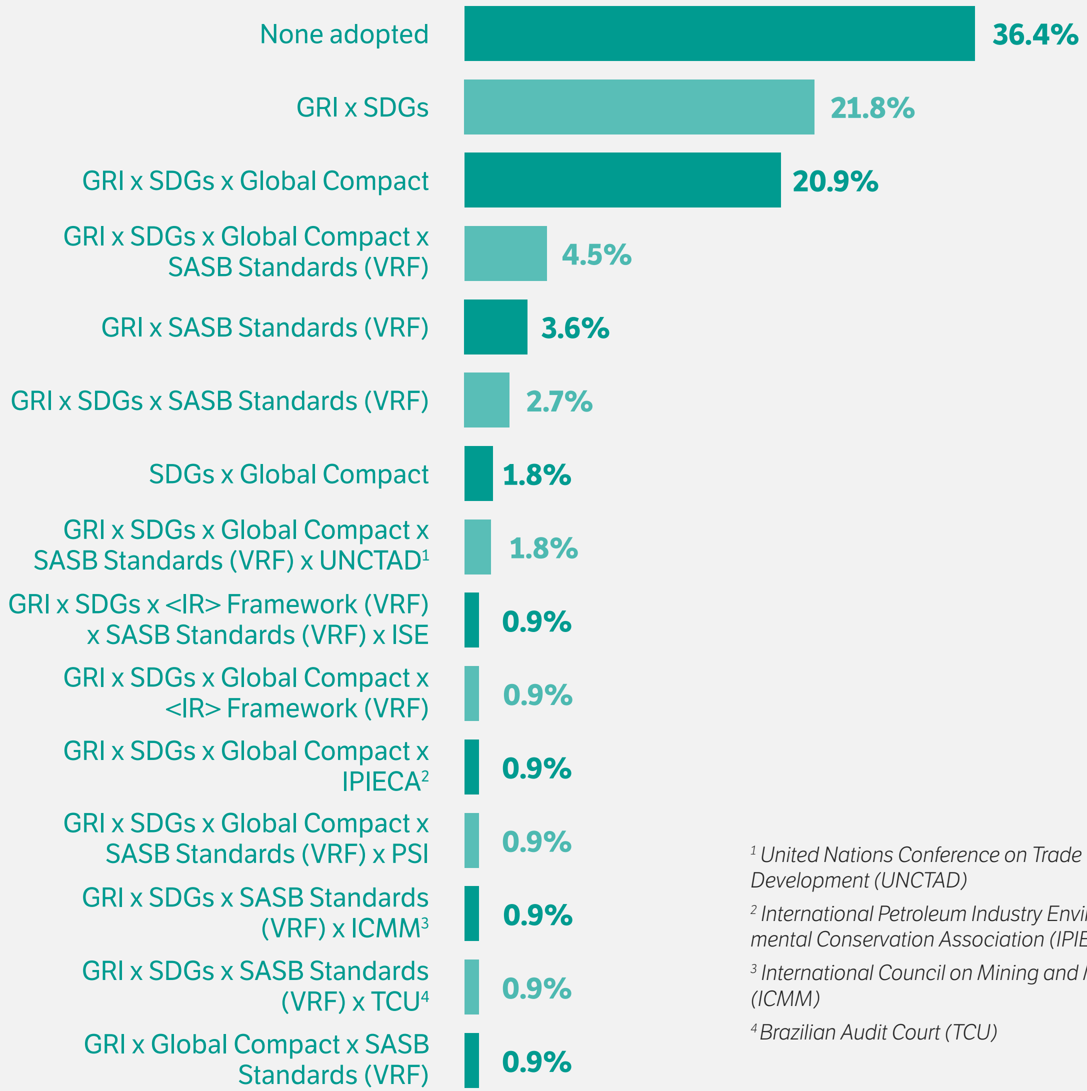
Remarks

The different available frameworks, standards and initiatives are mutually complementary and reinforcing, helping to address the market's and stakeholders' wide-ranging needs.

The optimal approach may not be to publish separate disclosures documents, but rather to integrate the different initiatives together. This requires organizations to develop a systemic, long-term approach and governance to manage disclosures.

Those organizations that succeed in connecting the different frameworks coherently are able to progress rapidly on the relevant agendas, while providing greater clarity and transparency around their disclosures to society at large and to investors in particular. However, this process requires time, support, dedication and a firm commitment.

Frameworks and standards most often correlated in content indexes



[1] United Nations Conference on Trade and Development (UNCTAD)

[2] International Petroleum Industry Environmental Conservation Association (IPIECA)

[3] International Council on Mining and Metals (ICMM)

[4] Brazilian Audit Court (TCU)

Our findings at a glance

- 110 companies (58.8%) published non-financial reports for year 2020, while 64 (32.4%) either had never prepared or had not yet published their annual report
- The most frequently used title (40%) was “Sustainability Report”
- The top reporting sector was Energy (16.4%)
- The most widely adopted standards and frameworks were the GRI Standards (94.5%), the <IR> Framework (VRF) (51.8%), the SASB Standards (VRF) (35.5%) and the TCFD Framework (30.9%)
- The most commonly selected GRI reporting option was the Core option (84.6%)
- The UN Sustainable Development Goals (SDGs) are mentioned in 94.5% of reports, and 73.6% of organizations say they are signatories or participants of the UN Global Compact
- Most companies (73.1%) do not specify the targets within each SDG which they prioritize in their strategy
- The frameworks and initiatives most commonly linked to each other throughout the reports were the GRI x SDGs (30.9%), and these are also most commonly mapped to each other in the content index, at 36.4%
- The climate agenda needs to be accelerated as an urgent matter, with only 51.3% of the 187 companies responding to the CDP program, only 44.1% incorporating the TCFD in their reports, and only 16.4% citing the SBTi initiative or targets undergoing approval

What do we recommend?

As readers have seen in our survey, the landscape of reporting standards and frameworks is buzzing with activity, with new guidelines on the horizon, partnerships, mergers, climate change, double materiality, among many other developments. But what is the best way forward amid these developments? Here are some recommendations:

- **Reporting is a must**
  Organizations not currently doing so should begin reporting on their sustainability strategy, management approach, performance and targets as soon as practicable, not least because non-financial reporting may soon become mandatory.

- **Double materiality**
  Organizations' materiality assessments should focus not only on the impact from sustainability issues on their financial results or value creation (from the perspective of ESG investors), but also the impacts from their operations on the planet and society.

- **GRI & VRF**
  It is essential that organizations adopt the GRI Standards, the SASB Standards (VRF) and the <IR> Framework (VRF).

- **Climate strategy**
  Organizations must design a business strategy to address climate change and publish related disclosures within the TCFD, CDP and CDSB frameworks.

- **SDG Ambition**
  Organizations should determine which SDGs within the 2030 Agenda they can contribute to most impactfully. Setting SDG ambitions helps to drive an organization's business strategy and value creation for society and the company itself.

- **Alignment with financial disclosures**
  Non-financial disclosures need to be as timely as financial disclosures, which means to say they should be published concurrently. This may not be immediately practicable, but should be a goal for organizations.

- **Complementarity**
  Sustainability is a multidisciplinary and complex topic that requires the different frameworks and standards to be integrated together. This ensures diverse sustainability agendas are interconnected in a systemic, seamless and meaningful way.

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