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3ECON's Sustainability Thesaurus: From TCFD to IFRS to ESRS

An Evolution of Standards and Frameworks within Sustainability

By Helen Lu, Analyst, Third Economy, September 2023

As more and more acronyms come into the vernacular around sustainability and ESG, it can feel hard to keep up with what reporting principles are most relevant to each unique business situation. For organizations of all sizes, the challenge can be to truly understand how these sustainability reporting standards and frameworks work and which ones might be best suited for your company.

Particularly for cross-border businesses and those who may fall into distinct sectors like real estate or investment management.

In an effort to make many of these jargon-heavy, legal documents more accessible, we've pulled together a primer of our most referenced standards and frameworks, to help create a user-friendly guide on where to start when considering voluntary and mandatory reporting.

KEY REGULATIONS

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Regulation Name	Mandatory?	Region	Who Does It Impact?	Key Regulatory Components/ Requirements	Date of Implementation	Sectors
Sustainable Finance Disclosure Regulation (SFDR)	✓	EU	– All financial market participants and financial advisers based in the EU over 500 employees – All investment managers or advisers who market to EU clients (outside of EU)	Under the SFDR, applicable market participants must report upon: – Their sustainability practices (firm-level) – Their financial products (product-level) – A Principle Adverse Impacts (PAI) statement covering both the firm and product levels	2022 SFDR Came into effect on March 10, 2021, with further regulations effective from January 2022.	– Banks – Asset Managers – Insurance Companies – Pension Funds – Institutional Investors
European Sustainability Reporting Standards (ESRS)	✓	EU	– All large companies – Most listed EU companies – Large subsidiaries of non-EU parents – Non-EU companies with more than EUR 150 million turnover in the EU	ESRS is organized by twelve principles that require: – Double Materiality Principles – Reporting across broad range of environmental, social and governance topics – Governance of sustainability-related topics – Sustainability reporting aligned with financial reporting – Reporting on impacts, risks and opportunities across value chain – Reporting on policies, plans and targets – Assurance/clear audit trail	2024 Final text on first set of ESRSs was published in July 2023 by the European Commission (EC) and disclosure will be required in 2024 for the first wave of companies.	– Corporations
Corporate Sustainability Reporting Directive (CSRD)	✓	EU	– All large companies – Most listed EU companies – Large subsidiaries of non-EU parents – Non-EU companies with more than EUR 150 million turnover in the EU	CSRD's reporting requirements include: – Concept of double materiality – Detailed list of disclosure requirements per topic – Reporting of Scope 3 GHG emissions – Digitalized and integrated annual report – Limited third-party assurance	2024 Adopted on July 31st, 2023, CSRD amends the 2014 Non-Financial Reporting Directive (NFRD) and provides a larger coverage of companies that will be phased in in Q1 2024.	– Corporations
U.S. Securities and Exchange Commission S-K - Subpart 1500 (SEC S-K)		US	– All U.S. publicly traded companies, including - Large Accelerated Filer (Companies with a public float of $700 million or more) - Accelerated Filers and Non-Accelerated Filers (Companies with a public float $75 million to $700 million) – Small Reporting Company (Companies with a public float less than $75 million)	The SEC's 2022 proposal would amend the SEC's Regulation S-K, requiring: – Disclosure of climate-related risks in financial disclosures and periodic reports – Information about governance; material impacts; risk identification and management systems; transition planning, scenario analysis and carbon pricing; climate-related events; and scopes 1-3 according to the TCFD and GHG protocol standards – Assurance for large and large accelerated filers for any Scope 1 and Scope 2 emissions	TBD The SEC has proposed a "phase-in" period for all companies (rolling starting from 2024-2026 data), depending upon the filer status requirements.	– Corporations
Climate Corporate Data Accountability Act and Climate-Related Financial Risk Act (CA SB-253 and SB-261)	✓	US	SB-253: Any US company (public or private) that does business in California and has total annual revenues greater than one billion dollars SB 261: Any US company (public or private) that does business in California and has total annual revenues greater than $500 million dollars	Under CA SB-253, companies would be required to: – Report all Scope 1, Scope 2 and Scope 3 emissions, in accordance with the Greenhouse Gas Protocol – Assure GHG inventory through a third-party – Aggregate data on a public digital registry (in addition to company-level disclosures) Under CA SB-261, companies would be required to: – Publish a "climate-related financial risk report" at least every two years – The report shall disclose 1) climate-related financial risk in accordance with the TCFD framework and 2) The companies measures to reduce and adapt to these climate risks – Climate financial risk is defined as a "material risk of harm to immediate and long-term financial outcomes due to physical and transition risks, including, but not limited to, risks to corporate operations, provision of goods and services, supply chains, employee health and safety, capital and financial investments, institutional investments, financial standing of loan recipients and borrowers, shareholder value, consumer demand, and financial markets and economic health."	2025 and 2026 SB-253: Annual reporting (and limited assurance) for Scope 1 and 2 emissions would begin in 2026, based upon the company's prior fiscal-year data (2026). In 2027 and annually thereafter, Scope 3 emissions must also be reported (and assured) no later than 180 days after a company files its Scope 1 and Scope 2 emissions disclosures. Reasonable assurance requirements for Scope 1/2 emissions would kick in in 2030. SB-261: Publish a report every two years on "climate-related financial risk", starting in 2026.	– Corporations
Canadian Securities Administrators Disclosure of Climate-related Matters (CSA (NI 51-107))		Canada	Canadian securities falling under the CSA.	The CSA's NI 51 would set new reporting requirements, including: – All Canadian listed securities must report upon climate-related risk using the TCFD and IFRS SI and S2 frameworks, which would include reporting on Governance, Strategy, Risk Management, and Metrics and Targets – Complying with newly operational Canadian Sustainability Standards Board	TBD The initial proposal for additional disclosure requirement was published in October 2021 with comment period ending February 2022. Timeline for integration and date of implementation TB.	– Corporations

FRAMEWORKS AND STANDARDS

Standard/ Organization	Standard or Framework	Intended Audience	Date Started	Who Does it Impact/ Benefit?	Summary	Purpose / Focus	Why this Framework or Standard?
SASB STANDARDS	Standard	Global Investors; Other Stakeholders	2011	Corporations; Other Organizations	A non-profit organization that develops sustainability accounting standards.	To develop standards for a global baseline of sustainability disclosures and meet the information needs of investors, by enabling companies to provide comprehensive sustainability information to global capital markets, and disclosures that are jurisdiction-specific and/or aimed at broader stakeholder groups.	SASB covers five crucial areas of sustainability with industry-specific standards on material topics. It is widely used and can be combined with other frameworks and standards. It is now managed by IFRS and set to be integrated into S1 and S2.
ISSB	Standard	Global Investors; Other Stakeholders	2021	Corporations; Other Organizations	An independent organization that produces and approves sustainability disclosure standards.	To help businesses and investors develop a common language about the financial impacts of sustainability.	ISSB was formed through the merging of VRF and SASB, and was then acquired by IFRS. ISSB recently issued IFRS S1 and IFRS S2, which are new comprehensive global baselines of disclosure standards on sustainability and climate risks and opportunities that build on existing standards. IFRS standards are expected to simplify the disclosure process, allow for better benchmarking and peer comparison, and reduce costs and save time.
IFRS	Standard	Global Investors; Other Stakeholders	2001	Corporations; Other Organizations	A non-profit organization whose goal to bring transparency and accountability to financial reporting, creating more efficient and resilient capital markets .	To create standards that will result in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets.	
EFRAG	Standard	European Commission; EU public	2001	Corporations	A private association whose mission is to serve the European public interest by promoting and developing European views in financial and sustainability reporting.	To influence the development of IFRS Standards with a European view and develop raft EU Sustainability Reporting Standards for the European Commission.	EFRAG developed the European Sustainability Reporting Standards (ESRS), which is a key part of the new Corporate Sustainability Reporting Directive (CSRD) in the EU.
GRI	Standard	Broad Set of Stakeholders (Global)	1997	Corporations; Other Organizations	An independent, international organization that provides businesses and other organizations with a common way to communicate their impacts.	To maintain a comprehensive sustainability reporting standard that allows organizations to be transparent and take responsibility for their impacts.	GRI is a leading global standard for sustainability disclosure, with universal and sector- and topic-specific standards.
TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES	Framework	Global Investors	2015	Corporations; Investment Managers; Other Organizations	A task force established by the Financial Stability Board (FSB) that is committed to market transparency.	To develop recommendations on corporate disclosure topics for their investors, lenders, and insurance underwriters, to help assess and price risks related to climate change.	TCFD helps public companies be transparent on the disclosure of climate-related risks and opportunities with a set of consistent disclosure recommendations.
CDP DRIVING SUSTAINABLE ECONOMIES	Framework	Global Investors; Customers	2000	Corporations; Municipalities; Governments; Other Organizations	A non-for-profit charity that manages a global disclosure system for various entities' environmental impacts.	To help investors, companies, cities, and governments measure and act on their environmental impacts.	Helps companies, cities, and governments provide transparency on topics that are covered: climate change, deforestation, and water usage. The sustainability score can be used to benchmark against peers.
PRI Principles for Responsible Investment	Framework	Global Investors	2005	Investment Managers	An international, United Nations-supported network of financial institutions that collaborate to implement "the Principles."	To achieve a sustainable global financial system by understanding the investment implications of ESG factors and support its investor signatories in incorporating ESG factors into its investment decision-making and ownership practices.	As the world's leading proponent of responsible investment, PRI which allows companies to use responsible investment to improve risk management, enhance returns, and join an international network of investor signatories.
GRESB	Framework	Global Investors	2009	Investment Managers	A benchmark that assesses the ESG performance of property.	To evaluate and improve the sustainability performance of real assets, and therefore protect shareholder value.	GRESB is a globally recognized ESG framework for the real estate industry, which allows companies in the industry to disclose ESG performance and benchmark performance against peers across a range of applicable topics.
SUSTAINABLE DEVELOPMENT GOALS	Framework	Broad Set of Stakeholders (Global)	2016	Any Organization or Company	A set of 17 objectives adopted by the United Nations as a universal call to action to ensure all people enjoy peace and prosperity by 2030.	To provide a blueprint for peace and prosperity for all people and the planet, which is supported by the Division for Sustainable Development Goals (DSDG).	The SDGs are widely known internationally and provide a common and inclusive approach to addressing some of the most pressing global issues.

While this list is meant to be an informative tool, our team is best at making focused, thoughtful recommendations for businesses of all sizes and strategies.

Want to chat about your business' unique needs? Get in touch with our team today.

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