

ESG Standards

A Framework to
Navigate the
Alphabet Soup

in**Artis**

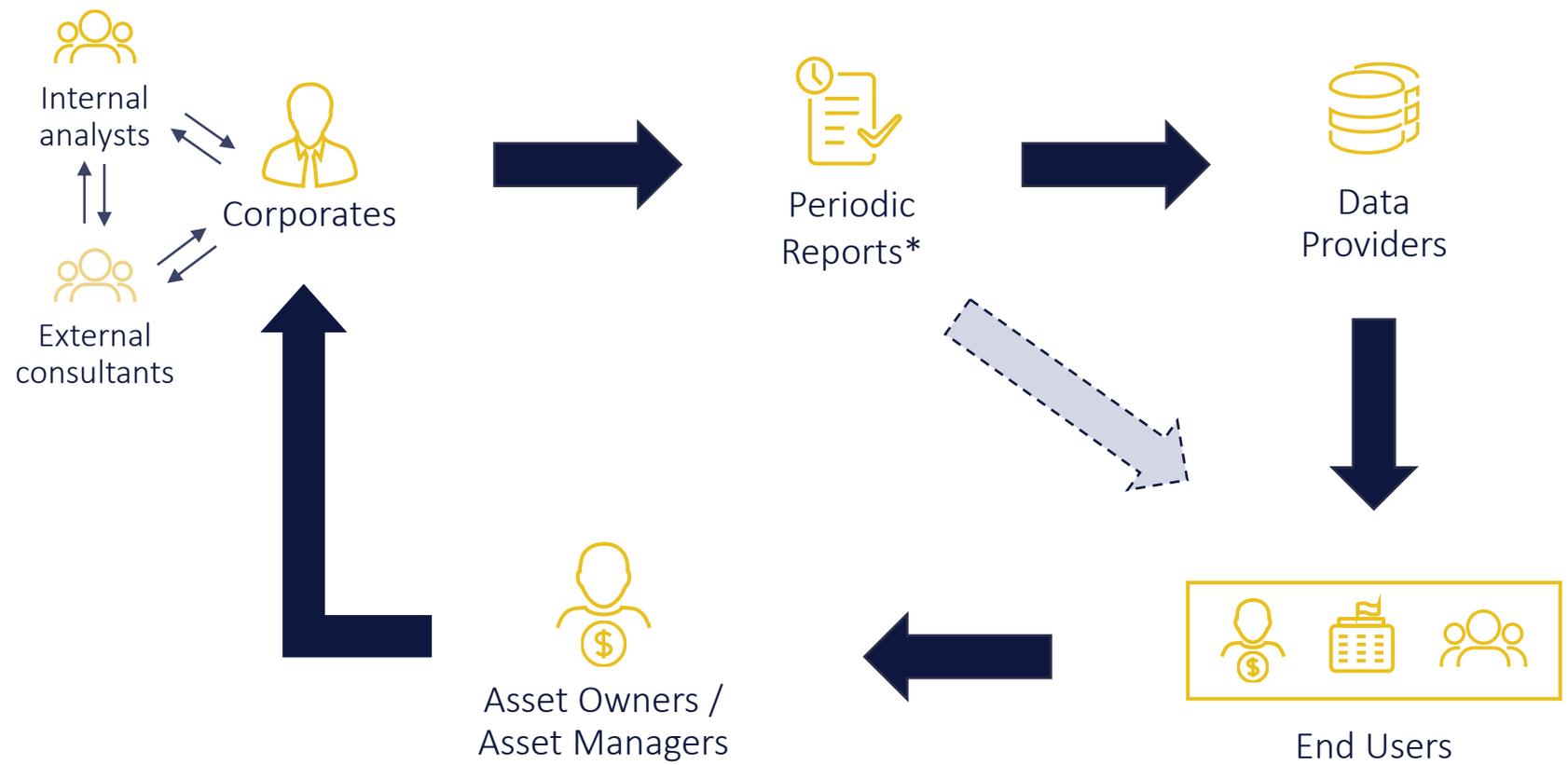


Agenda

1. ESG Metrics Lifecycle
2. Standards Ecosystem
3. ESG Standards Comparison Framework
4. Updates of Relevant Announcements
5. Timelines
6. Open Discussion

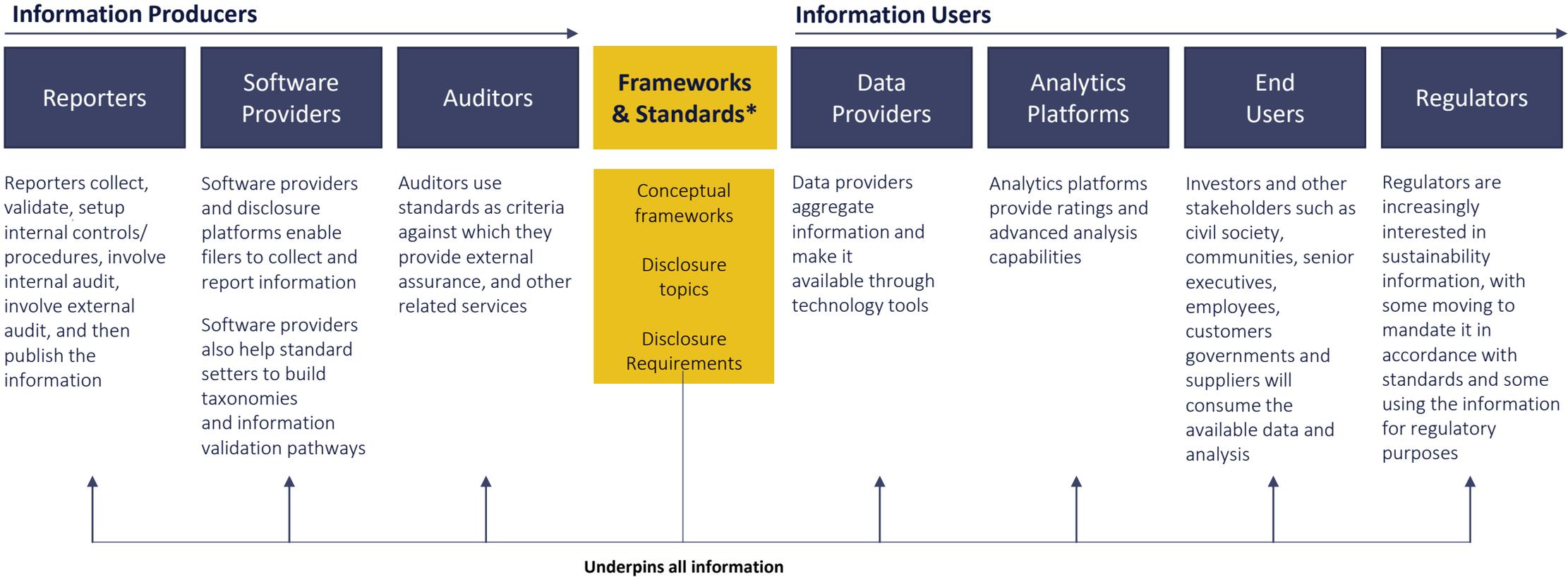


Understanding the lifecycle of ESG metrics



Investors need to know which companies are **most at risk** from climate change, which are **best prepared**, and which are **taking action**

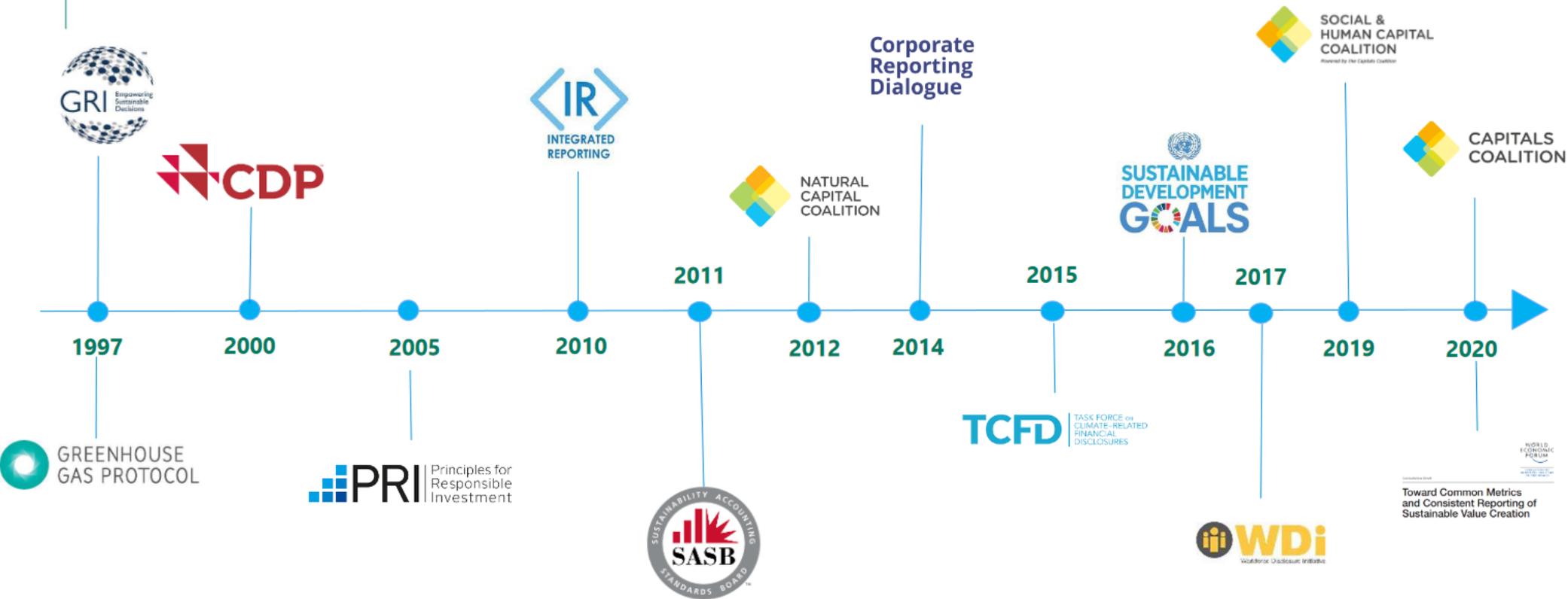
The Sustainability Reporting Ecosystem



* **Framework:** A set of principles and guidance for "how" a report is structured;
Standards : Specific, replicable and detailed requirements for "what" should be reported for each topic

Source: Value Reporting Foundation, SASB Standards & Other ESG Frameworks

The Sustainability Reporting Ecosystem



ESG Standards Comparison

Focus

Entity-level¹

Fund-level²

Security-level³

Adherence

Mandatory (Regulators)
vs.
Voluntary

Nature

Intergovernmental effort
vs.
Private (Associations)
vs.
Private (Independent)

¹ Asset manager/Asset owner

² Product

³ Investee specific, industry-specific, metrics

Main ESG Standards

Intergovernmental	Private (Associations)	Private (Independent)
    	     <div style="border: 2px dashed black; padding: 10px; margin: 10px 0;"> <p>Actively working towards integration</p>     <p>Recently merged</p>  <p>INTEGRATED REPORTING <IR></p> </div>   	  

Updates of Relevant ESG Standards

COMPARISON: KEY TRANSPARENCY STANDARDS, DATABASES, DDQs, AND REGULATIONS

Shading indicates strength / weakness as a global investment product disclosure standard

	PRI Reporting Framework	European SRI Transparency Code	 ESG Disclosure Standards for Investment Products	Responsible Investment DDQ For Hedge Funds	Operating Principles for Impact Management	INREV Sustainability Reporting Guidelines	SFDR
Purpose	Signatory reporting and benchmarking	Advance investment product transparency and comparability	Advance investment product transparency and comparability	Assist investors when assessing external hedge fund managers on their responsible investment policies and practice	Standard for impact investors on the design and implementation of their impact management systems	Advance investment product transparency and comparability	1) Implement EU policy / Sustainable Finance Action Plan, and 2) advance investment product transparency and comparability
Methodology	Database	Principles & DDQ template	Principles, disclosure specifications, examination procedures	DDQ template	Principles	Disclosure specifications	Principles, disclosure specifications
Information providers	Institutional investors, investment managers, and service providers	Retail investment managers (primarily pooled funds)	All investment managers	Hedge fund managers	Asset Owners, Asset Managers, Development Finance Institutions	Non-listed real estate investment managers	All investment managers
Information consumers	Institutional investors, investment managers, and service providers	Retail investors	All institutional, private wealth, and retail investors	Institutional investors	Primarily institutional investors	Primarily institutional investors	All institutional, private wealth, and retail investors
Market coverage	Global	Europe	Global	Global	Global	Europe / Global	EU
Organization level and product level coverage	Organization level only	Both	Product level only	Organization level only	Product level only	Both	Both
Asset class coverage	All	Assumes investments are primarily equities, debt, monetary assets, and structured funds	All	Hedge Funds	All	Non-listed real estate vehicles	All
ESG / SRI feature coverage	All	All	All	Unclear	Impact only	Unclear	All
Strategy and reporting coverage	Not Applicable	Strategy only	Strategy only (may expand to reporting)	Strategy only	Strategy only	Strategy and reporting	Strategy and reporting

Figure 4: Comparison of Well-Known Regulations and Voluntary Codes and Standards Relevant to Investment Product Disclosures

Purpose

When investment products' ESG approaches are fairly represented and fully disclosed, investors, consultants, advisors, and distributors can better **understand, evaluate, and compare** investment products, and the potential for greenwashing diminishes.

“Over time, **greenwashing** may lead to an erosion of trust in the investment management industry”

Scope

- **All types of investment vehicles**—including but not limited to pooled funds, exchange-traded funds (ETFs), strategies for separately managed accounts, limited partnerships, and insurance-based investment products;
- **All asset classes**—including but not limited to listed equities, fixed income, private equity, private debt, infrastructure, and real estate;
- **All ESG approaches**—including but not limited to ESG integration, exclusion, screening, best-in-class, thematic, sustainability themed investing, impact investing, and stewardship;
- **Active and passive strategies;** and
- **All markets.**



ESG Disclosure
Statement

1. General
2. Sources and Types of ESG Information
3. Consideration of Financially Material ESG Information
4. ESG Investment Universe
5. Screening
6. Portfolio-Level ESG Targets
7. Stewardship Activities
8. Environmental and Social Impact Objectives



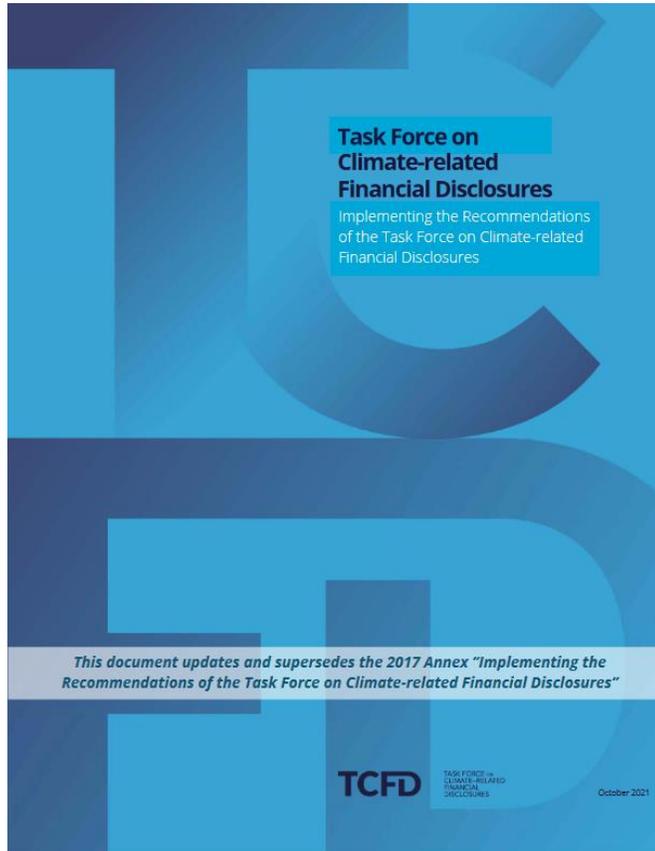
Handbook

Explanation of the provisions and interpretive guidance. To be issued on or before **1 May 2022**.



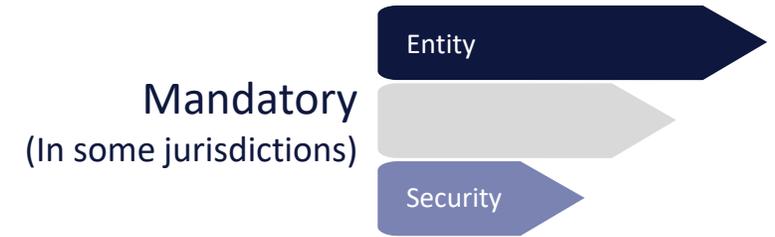
Assurance procedures

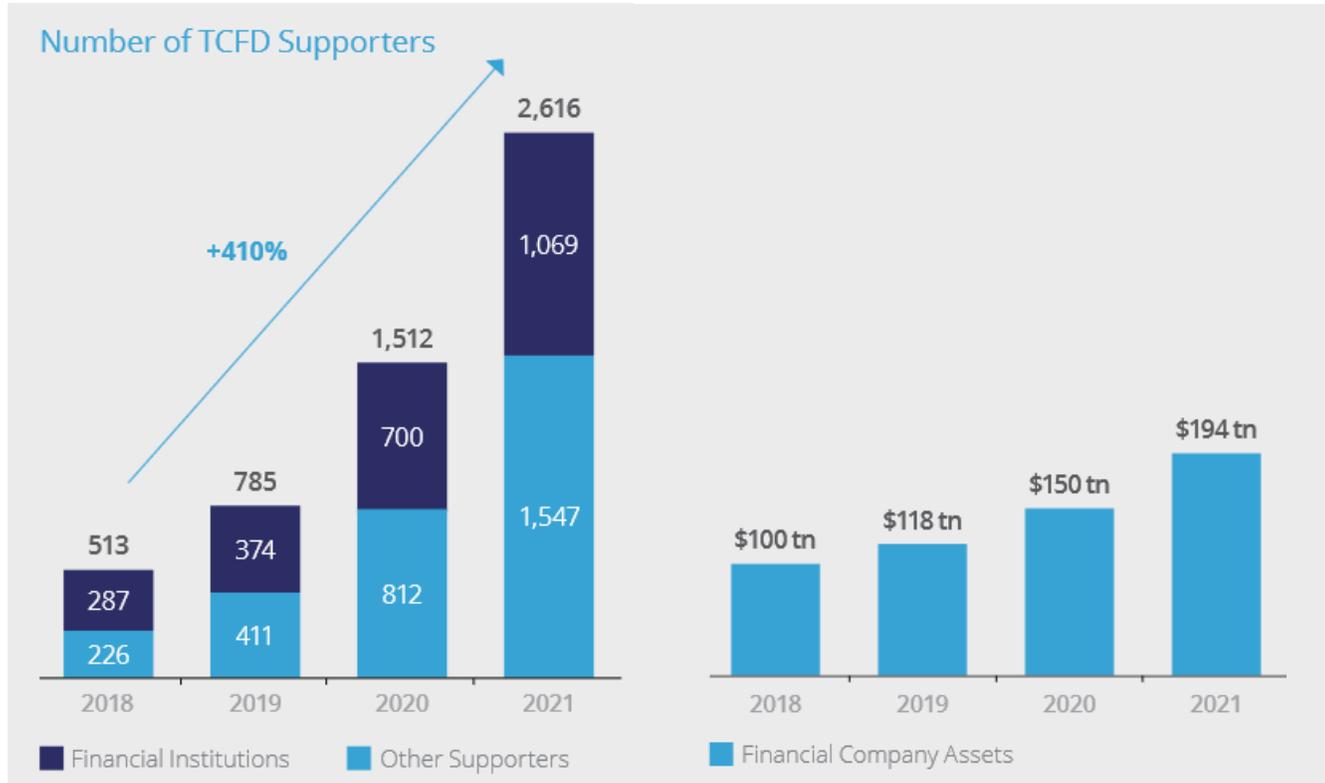
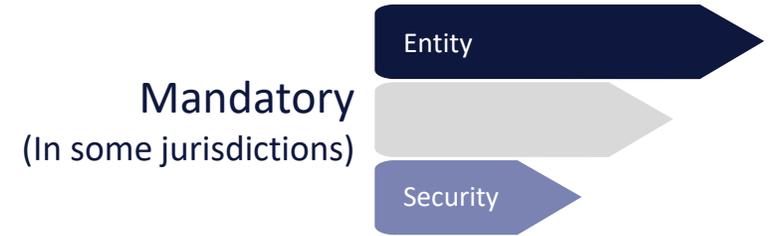
Provisions that will enable independent assurance of ESG disclosure statements. To be issued on or before **1 May 2022**.

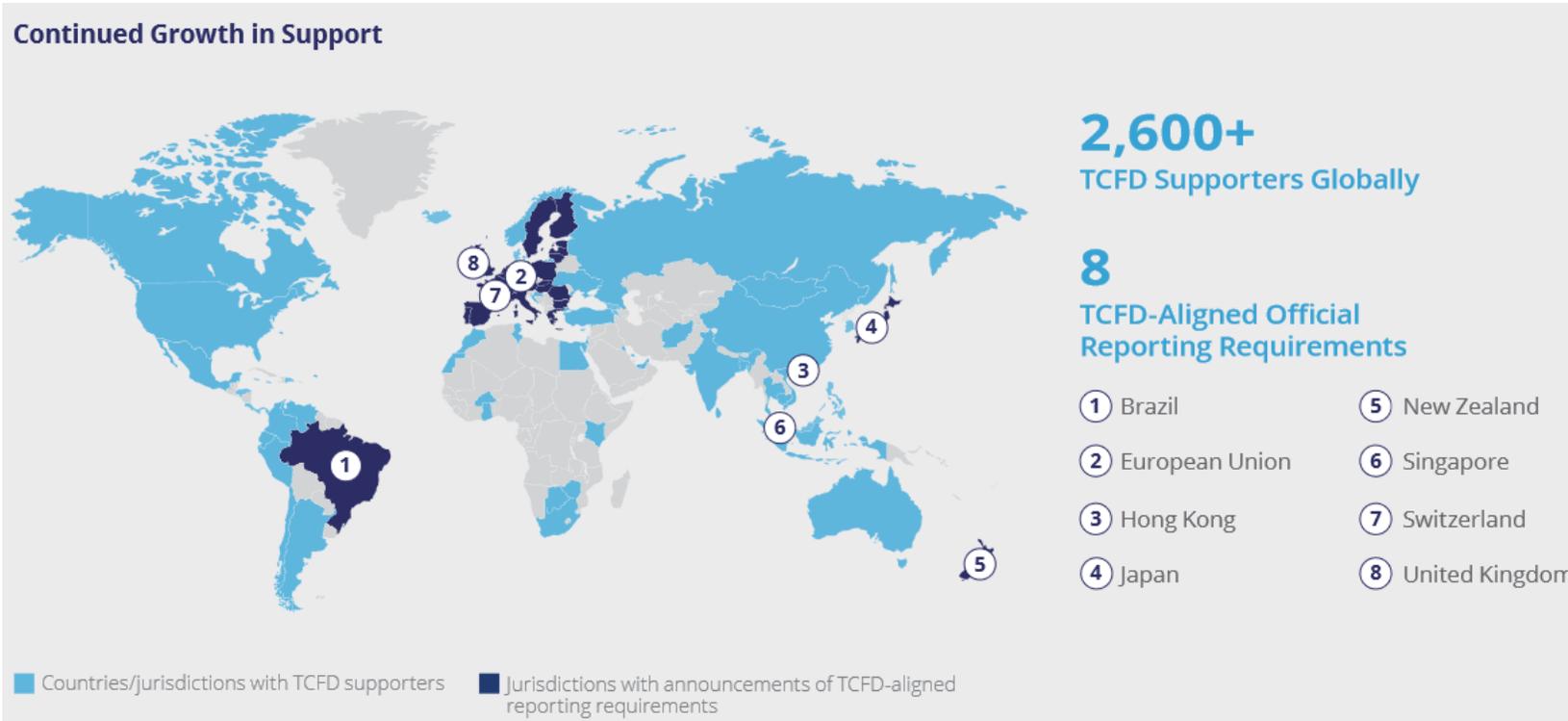
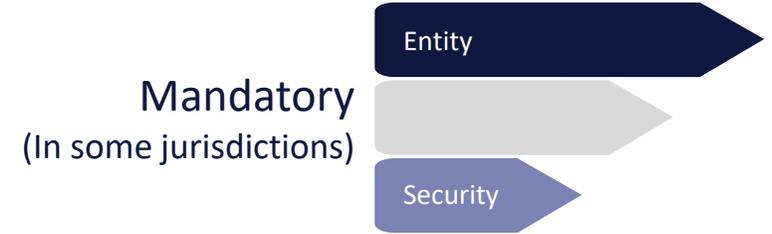


The Task Force has not modified its four overarching recommendations on Governance, Strategy, Risk Management, and Metrics & Targets.

However, it has updated the guidance for all sectors and clarified details for the Strategy and Metrics & Targets sections.







Consolidation Trend of ESG Standards



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03 November 2021

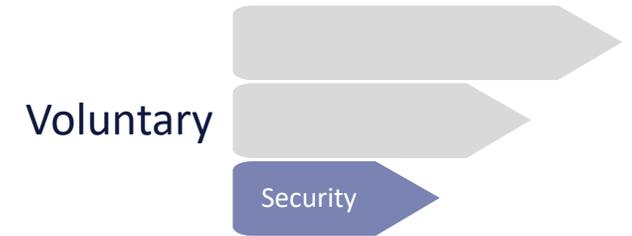
IFRS Foundation announces International Sustainability Standards Board, consolidation with CDSB and VRF, and publication of prototype disclosure requirements

Bringing different perspectives together – Shaping the ISSB and IFRS Sustainability Disclosure Standards



Erkki Liikanen, Chair of the IFRS Foundation Trustees, indicated at COP26 that he expects new global standards in the market in the second part of 2022.

Sustainability Accounting Standards Board (SASB)



Summary

The Sustainability Accounting Standards Board (SASB) is a non-profit organization, founded in 2011 by Jean Rogers to develop sustainability accounting standards. SASB issues sustainability accounting standards to help public companies disclose material and decision-useful ESG information to investors in their mandatory filings, based on their industry, in line with the notion that under existing regulation, material information should be disclosed. SASB currently offers 77 different industry-specific standards. The number of companies that use its industry-specific standards is expected to roughly double to 300 by next year.

The Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council (IIRC) merged into one organization in mid-2021 with the aim of offering investors and companies a comprehensive corporate reporting framework to drive global sustainability performance. The newly formed Value Reporting Foundation, to be headquartered in London and San Francisco, will advance initiatives by SASB, the IIRC, the CDP charity, the Climate Disclosure Standards Board (CDSB) and the Global Reporting Initiative (GRI) to work toward a comprehensive corporate reporting system.

Sources

SASB Materiality Map-
<https://materiality.sasb.org/>

SASB's 77 Industry Standards and the SASB Standards Application Guidance-
<https://www.sasb.org/standards/download/>



SASB Materiality Map®

SASB's Materiality Map® identifies sustainability issues that are likely to affect the financial condition or operating performance of companies within an industry. In the left-hand column, Categories, which encompass a range of Disclosure Topics and their associated Accounting Metrics that vary by industry. For example, the General Issue Category of Customer Welfare & the Counterfeit Drugs topic in the Health Care Distributors industry. For commercial use terms of the SASB Materiality Map®, [please contact us](#).

The SASB Materiality Map® does not contain all guidance necessary for use of the standards. To download the SASB standards, [click here](#).

Try the [Materiality Finder](#), a faster way to find your industry's disclosure topics and compare industries side-by-side.

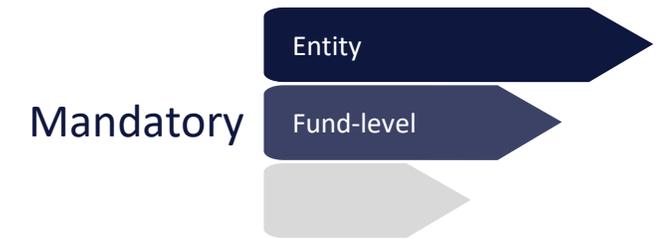
Voluntary

Security

		Consumer Goods	Extractives & Minerals Processing	Financials							Food & Beverage	Health Care	Infrastructure	Renewable Resources & Alternative Energy	Resource Transformation	Services	Technology & Communications	Transportation		
Dimension	General Issue Category	Click to expand	Click to expand	Asset Management & Custody Activities	Commercial Banks	Consumer Finance	Insurance	Investment Banking & Brokerage	Mortgage Finance	Security & Commodity Exchanges	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand		
Environment	GHG Emissions																			
	Air Quality																			
	Energy Management																			
	Water & Wastewater Management																			
	Waste & Hazardous Materials Management																			
Social Capital	Ecological Impacts																			
	Human Rights & Community Relations																			
	Customer Privacy																			
	Data Security																			
	Access & Affordability																			
	Product Quality & Safety																			
	Customer Welfare																			
Human Capital	Selling Practices & Product Labeling																			
	Labor Practices																			
	Employee Health & Safety																			
Business Model & Innovation	Employee Engagement, Diversity & Inclusion																			
	Product Design & Lifecycle Management																			
	Business Model Resilience																			
	Supply Chain Management																			
Leadership & Governance	Materials Sourcing & Efficiency																			
	Physical Impacts of Climate Change																			
	Business Ethics																			
	Competitive Behavior																			
	Management of the Legal & Regulatory Environment																			
	Critical Incident Risk Management																			
	Systemic Risk Management																			

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European Union Sustainable Finance Disclosure Regulation (SFDR)



Summary

The EU Action Plan on Sustainable Finance, which features a series of interlinking regulations designed to encourage sustainable investing, represents a major step towards redirecting capital to the sustainable economy. A key part of the plan is the EU Sustainable Finance Disclosure Regulation (EU SFDR), which came into effect on 10 March 2021. Further regulations are planned, including the EU Taxonomy Regulation, which will establish specific environmental criteria related to economic activities for investment purposes, and is expected to impact the product classifications set out in the EU SFDR, from 1 July 2022. An extended environmental taxonomy and a social taxonomy are expected to follow.

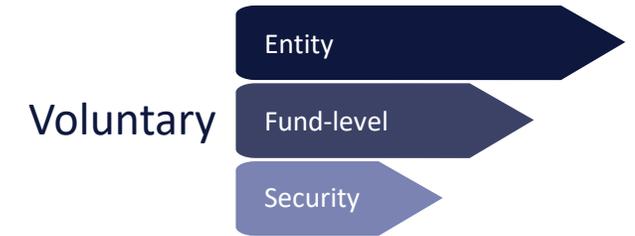
The EU SFDR is a regulation that is designed to make it easier for investors to distinguish and compare between the many sustainable investing strategies that are now available. The EU SFDR aims to help investors by providing more transparency on the degree to which financial products have environmental and/or social characteristics, invest in sustainable investments or have sustainable objectives. This information is now being presented in a more standardised way.

Sources

Regulation (Eu) 2019/2088 Of The European Parliament And Of The Council On Sustainability-related Disclosures In The Financial Services Sector-
<https://www.cfainstitute.org/-/media/documents/support/ethics/exposure-draft-cfa-institute-esg-disclosure-standards-for-investment-products.ashx>

Mapping of CFA's Standards vs. Europe's SFDR Requirements-
<https://www.cfainstitute.org/-/media/documents/support/ethics/Mapping-of-SFDR-Requirements-to-Exposure-Draft-Provisions.ashx>

United Nations Principles for Responsible Investment (PRI)



Summary

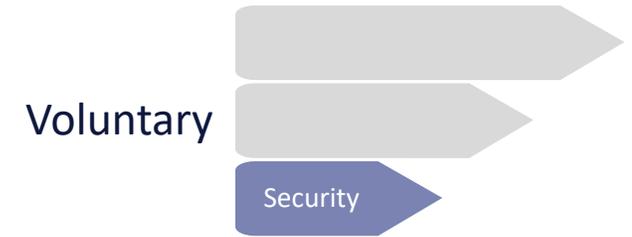
The Principles for Responsible Investment (PRI) were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General Kofi Annan in 2005. The PRI partners with the UN Environment Programme Finance Initiative (a collaboration between the UN Environment Programme and the private financial sector) and the UN Global Compact (a multi-stakeholder leadership initiative). The Principles were launched in April 2006 at the New York Stock Exchange. Since then the number of signatories has grown from 100 to over 3,000.

The United Nations adopted the Principles for Responsible Investment to encourage investors to implement six sustainable investment principles. Each signatory must report their responsible investment activities each year using the UNPRI Reporting Framework.

Sources

Guidance documents for Asset Owners, Listed Equities, Fixed Income, Private Markets, and Hedge Funds-
<https://www.unpri.org/investment-tools>

Global Real Estate Sustainability Benchmark (GRESB)



Summary

The GRESB reporting standard benchmarks the ESG performance of real assets. Real estate and ESG investors, managers, and the wider industry actively participate in the development of GRESB Assessments to ensure sustainability performance metrics reflect the issues most material to the industry.

GRESB Assessments are guided by what investors and the industry consider to be material issues in the sustainability performance of real asset investments, and are aligned with international reporting frameworks, such as GRI, PRI, SASB, DJSI, TCFD recommendations, the Paris Climate Agreement, UN SDGs, region and country specific disclosure guidelines and regulations.

Sources

GRESB Reports, Analytical Tools, and Services-
<https://gresb.com/transition-risk-tool/>

ISO 14097- Standard for Investment, Financing and Climate Change



ISO 14097

Summary

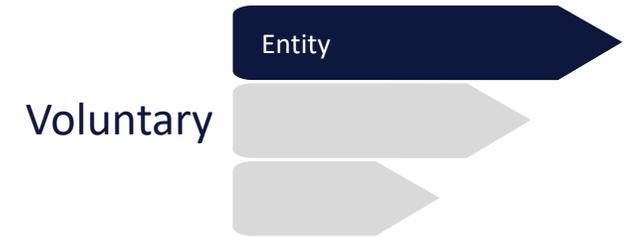
This standard provides a new framework for assessing and reporting investments and financing activities related to climate change, helps financiers assess and report on their actions, and see the real value of their contribution to climate goals. The framework outlined in the standard specifies the principles, requirements and guidance needed. It is built around the “theory of change” approach, which aims to define what is needed for a long-term impact.

ISO 14097 covers the effects of investment decisions on GHG emissions trends in the real economy, the compatibility of investment and financing decisions with low-carbon transition pathways and climate goals, and the risk on financial value for owners of financial assets (e.g. private equities, listed stocks, bonds, loans) arising from climate goals or climate policies.

Sources

Press Release of the new ISO standard-
<https://www.iso.org/news/ref2671.html>

ISO 14097:2021 Standard-
<https://www.iso.org/standard/72433.html>



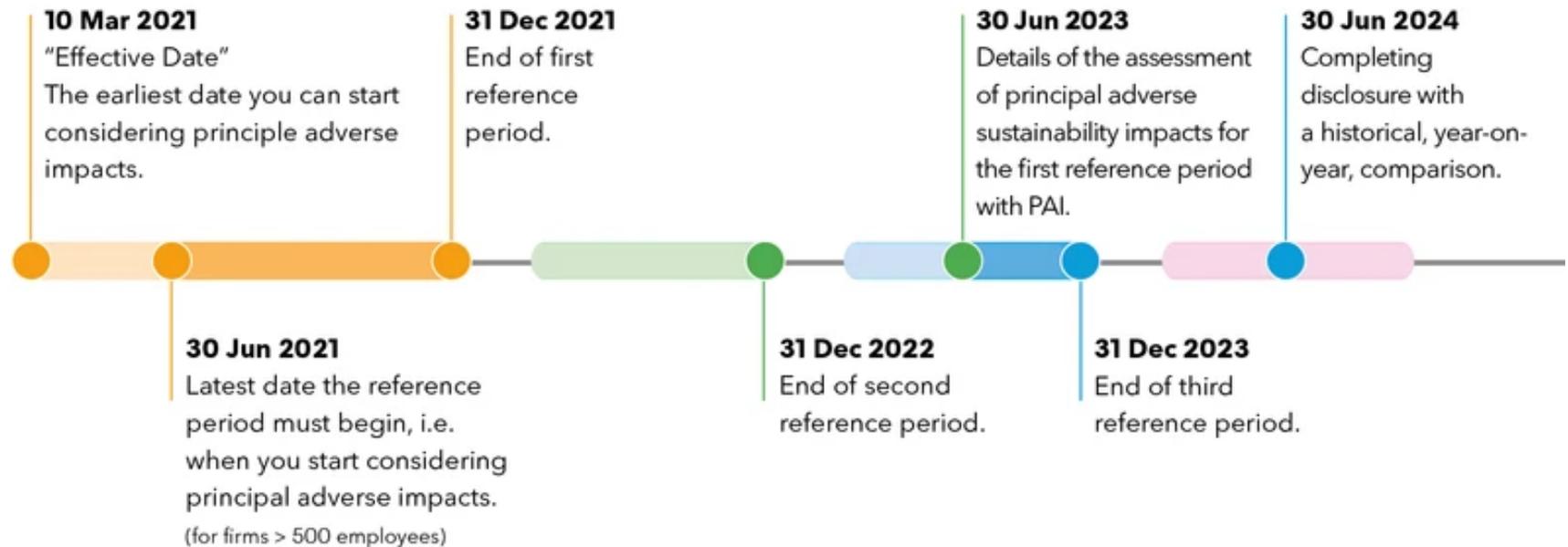
Timelines

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SFDR Timeline



- First Reference Period**
10 Mar 21 - 31 Dec 21
- Second Reference Period (inc. PAI)**
1 Jan 22 - 31 Dec 22
- Third Reference Period**
1 Jan 23 - 31 Dec 23



More detailed timeline (including UK requirements):
<https://www.bloomberg.com/professional/eu-sustainable-finance-regulation/>

Other Jurisdictions



Switzerland

Swiss public companies, banks and insurance companies with 500 or more employees, more than CHF 20 million in total assets, or CHF 40 million in turnover will be required to report publically on climate issues **in 2024 (2023 financial year events)** utilizing the TCFD-aligned disclosures.



Singapore

In December 2020, the Monetary Authority of Singapore (MAS) released its Environmental Risk Management Guidelines for banks, insurance companies and asset managers. Required disclosure should be in accordance with well-regarded international reporting frameworks, such as recommendations by the Financial Stability Board's TCFD. Regulated asset managers are given **18 months (Q2 2022)** to assess and meet these guidelines.



US

As investor demand for climate and other environmental, social and governance (ESG) information soars, the SEC's created in March an ESG disclosure and compliance task force. A request for public commentary on expected regulations closed on July 2021. **Guidelines are expected by the end of the year.**



Canada

Similarly, the Canadian Securities Administrators (CSA) has hosted roundtables on ESG-related regulatory issues in asset management. Montreal was selected to be home to offices of the new International Sustainability Standards Board (ISSB).



Thank you

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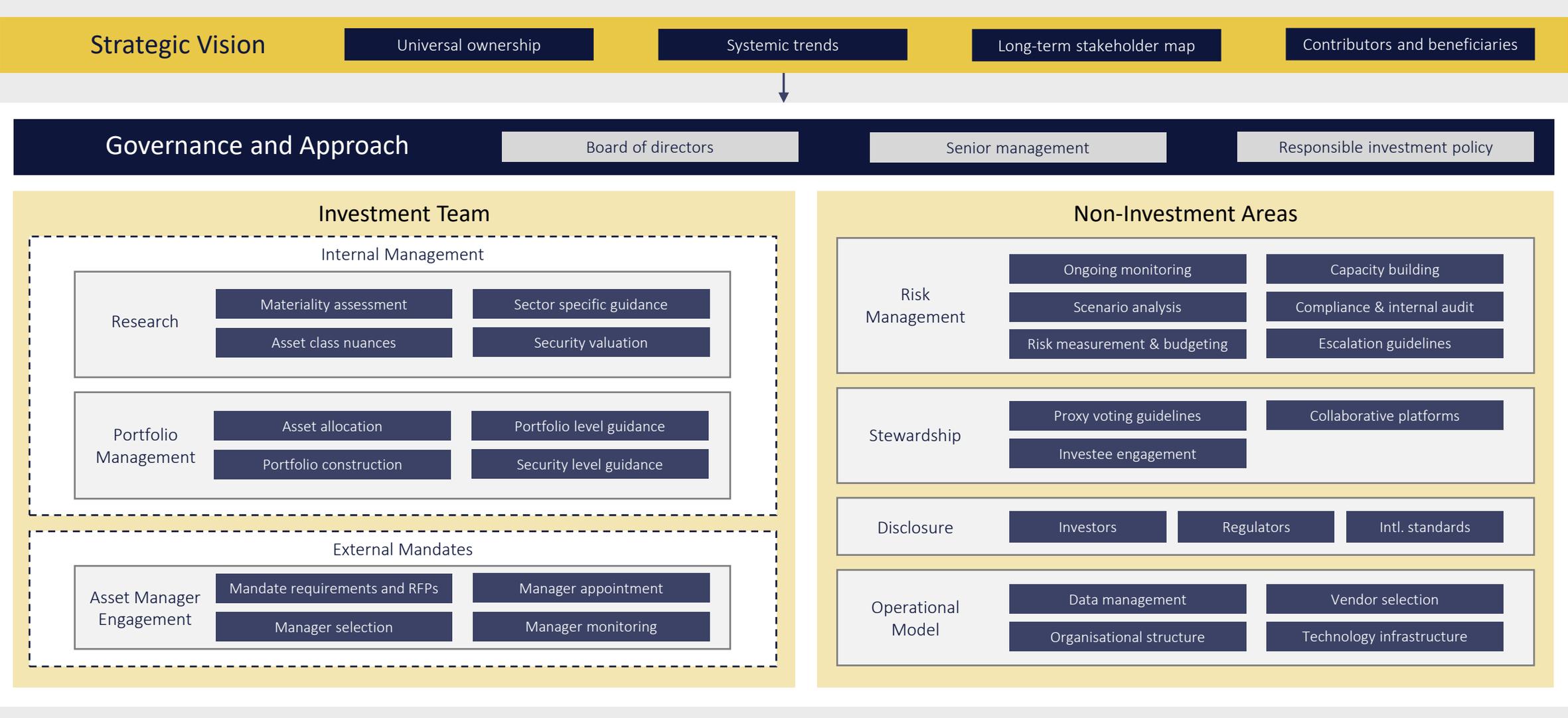
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invArtis

Holistic framework tailored to asset owners' operating model



Invartis' approach to ESG integration

ESG Integration

The explicit and systematic inclusion of ESG factors in investment analysis, decision-making, and operational processes

- ESG integration is a holistic approach to investment processes, where **material factors**—ESG factors and traditional financial factors—are identified and assessed to form an investment decision.
- ESG integration **is NOT**
 - Establishing investment prohibitions in certain sectors, countries, and companies
 - Sacrificing portfolio returns to perform ESG integration techniques
 - Allowing immaterial ESG factors to affect investment decisions and ignoring traditional financial factors
 - A mandate to implement major changes to your investment process
- **Immaterial ESG issues** should not affect investment decisions nor hinder operations
 - Only if traditional financial and ESG factors are analyzed and found to be material, an assessment of their impact should be carried out and incorporated into the investment process

Evolving purpose of asset owners - responsible, sustainable and impactful

The Spectrum of Capital

