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Accelerating ESG Disclosure—
WEF Task Force Releases Preliminary Framework Centered on
Mainstream Reporting Aligned with UN Sustainable Development Goals

Reflecting the growing push among investors, asset managers, companies and other stakeholders for a standardized ESG disclosure framework, a task force sponsored by the International Business Council (IBC) of the World Economic Forum (WEF), has released a [consultation draft](#) proposing a set of common disclosures aligned with the UN Sustainable Development Goals for companies to consider. Entitled “Toward Common Metrics and Consistent Reporting of Sustainable Value Creation” and drawing from several existing standards and disclosure frameworks (notably, the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD)), the draft framework proposes a set of 22 “core” primarily quantitative metrics and disclosures believed to be readily reportable by companies and an additional set of “expanded” metrics and disclosures that serve as “a more advanced way of measuring and communicating sustainable value creation” and which could be made by companies for whom such disclosure is material and appropriate. The task force was chaired by Brian Moynihan, Chairman and CEO of Bank of America and Chairman of the IBC, and included experts from each of the Big Four accounting firms—Deloitte, EY, KPMG and PwC. Roughly 120 multinational companies and their CEOs are represented on the IBC, which launched this initiative to identify a core set of material ESG metrics and recommended disclosures with the objective that companies would begin reporting collectively on an aligned basis.

The proposed framework is driven by the growing belief that ESG and other sustainability factors are critical to long-term business viability and that a company’s performance must be measured not only on the return to shareholders, but also on how a company achieves its environmental, social and good governance objectives. Accordingly, material metrics and disclosures set forth in the proposed framework would be provided by companies in their mainstream investment disclosures, such as annual reports and proxy statements, in addition to supplemental sustainability or social impact reports. The proposal contemplates that addressing ESG topics in the management discussion and analysis section of a company’s annual report would ensure that consideration of these topics will be on the board’s agenda, and thus integrated into core business strategy and governance.

The proposed ESG disclosures are organized into four pillars grounded in the UN Sustainable Development Goals: the Principles of Governance, Planet, People and Prosperity. Together, the pillars seek to measure the strength of a company’s governance, its environmental impact and climate change risk management, labor practices and contribution to wider society.

Each of the pillars is further divided into themes, metrics and disclosures which were selected based on their adoption among existing frameworks and standards, materiality to long-term value creation, actionability, universality across industries and firms, and monitoring feasibility. The proposed framework aims to provide “a path for companies to report on core indicators, with the possibility to add more leading-edge disclosures to their reporting.”

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Companies will be expected to disclose in all pillars: the proposal notes that each of the pillars has “an important bearing on the capacity of a firm to generate shared and sustainable value” and that “performance in one pillar is highly interdependent with that in the others.”

While many of the “core” metrics and disclosures are generally comparable with those that are currently being made by many companies in their voluntary ESG disclosures and sustainability reports, some of the “expanded” metrics are not currently in widespread use. For example, several of the “expanded” metrics relating to climate change and sustainability engage ISO 14008, a new standard issued last year by the International Organization for Standardization providing for a monetary valuation of environmental impacts from emissions and use of natural resources. The proposal would require this monetary valuation with respect to greenhouse gas emissions, use of land and conversion of ecosystems, water consumption, air and water pollution and solid waste disposal, where material. Moreover, for purposes of the “Planet” pillar, the proposed framework provides that materiality of impacts on society (rather than on the disclosing company) should be the key determinant of whether or not a metric should be quantified and reported. Other proposed metrics in the “expanded” category are totally new and do not track to any of the major disclosure frameworks, such as reporting on single-use plastics and the level of stakeholder buy-in on a company’s stated purpose.

A key development in this latest push for a standardization of ESG disclosure metrics is the participation of the Big Four in the development of the proposal. The contributions and support of the Big Four, backed by members of the IBC and the WEF, will likely help pave a concrete pathway forward for not only the adoption of more standardized ESG disclosure metrics but also, potentially, future assessments of the accuracy and verifiability of disclosed ESG data.

Together with the recent letters from BlackRock’s CEO, Larry Fink, and State Street’s CEO, Cyrus Taraporevala (see our memos found [here](#) and [here](#)), WEF- and IBC-sponsored disclosure metrics would further accelerate the entry of ESG into mainstream business practice as a measured, disclosed and impactful aspect of corporate strategy and operations. The proposed set of agreed-upon metrics and disclosures are expected to be finalized over the coming months with the benefit of further consultation with and feedback from companies (including IBC members), investors and other stakeholders, with a view to implementation in 2021.

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