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ESG concepts in business practice Characteristics and assessment of common ESG frameworks

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ABSTRACT

In today's business environment, incorporating Environmental, Social, and Governance (ESG) principles into corporate strategies has evolved from being a marginal consideration to a core element of strategic planning. In the study, we characterize and assess ten widely recognized ESG frameworks. The selection of these frameworks is grounded in a literature review, complemented by an analysis of professional websites and forums that offer rankings of prevalent frameworks. Additionally, our own expertise in the field is used in this selection process. Our evaluation of ten key ESG frameworks reveals a spectrum of approaches to sustainability and responsibility. GRI and PRI are noted for their global scope, while SASB provides industry-specific insights but with limited scope. CDP and TCFD excel in environmental and climate aspects, respectively. IFRS Standards are developing a global reach, and IIRC focuses on integrating sustainability with financial reporting. PRI and UNGC are based on voluntary commitment, offering broad frameworks. CDSB and IIRC, while focused, encounter implementation challenges. IFC Performance Standards are comprehensive in project finance. Each framework, with its unique strengths and challenges, varies in global recognition, applicability, and stakeholder relevance, contributing differently to sustainable practices.

Key words: environmental, social, and governance (ESG); ESG frameworks; ESG standards; sustainability reporting; business strategy

Introduction

In the contemporary business landscape, the integration of Environmental, Social, and Governance (ESG) principles into corporate strategy has transitioned from a peripheral concern to a central strategic pillar [Friede et al. 2015]. This shift reflects a growing recognition that sustainable business practices are not only ethically imperative but also instrumental in driving long-term financial performance [Clark et al. 2015].

The purpose of this paper is to conduct a literature review of ESG concepts as they are applied in business practice. Additionally we provide a critical examination, using self-made assessment, of the ten widely recognised ESG frameworks. This dual approach of literature review and critical examination allows us to present a better understanding of ESG frameworks and their practical implications in business, providing valuable insights for academics, practitioners, and policymakers interested in the integration of sustainable practices in corporate governance.

The rationale for this review is twofold. Firstly, there is an increasing pressure from stakeholders, including investors, customers, and regulatory bodies, for businesses to demonstrate ESG compliance and to report on sustainability metrics with the same rigour as financial outcomes [Eccles, Klimenko 2019]. Secondly, the methodological approaches to ESG implementation are diverse and often lack standardisation, leading to a fragmented landscape of practices that can be challenging for businesses to navigate [Sullivan, Mackenzie 2017].

This paper is structured as follows: The subsequent section provides a literature review, tracing the evolution of ESG concepts and examining the current state of ESG in business practice. Then we present the methodology. The results synthesise the findings, offering our critical analysis. Finally, the study concludes with a summary of the findings, implications for business practice, and recommendations for future research.

Literature review

The concept of Environmental, Social, and Governance (ESG) has evolved significantly over the past decades, shaping the way businesses approach sustainability and corporate responsibility. The historical lineage of ESG can be traced back to the early discussions of corporate social responsibility (CSR), which laid the groundwork for the broader, more integrated approach that ESG represents today [Carroll 1999]. Initially, CSR was primarily concerned with philanthropy and the ethical obligations of businesses [Friedman 2007], but it has since expanded to encompass a wide range of environmental and social considerations [Elkington 1998]. The emergence of ESG as a distinct concept from CSR marked a paradigm shift towards a more holistic view of corporate impact and responsibility. This shift was catalysed by global initiatives such as the United Nations Global Compact, which encouraged businesses to adopt sustainable and socially responsible policies [Rasche et al. 2013], and the Equator Principles, which provided a framework for financial institutions to manage environmental and social risk [Richardson 2008].

The theoretical underpinnings of ESG are rooted in several key theories. Stakeholder theory posits that businesses have responsibilities to a range of stakeholders beyond just shareholders, including employees, customers, and the communities in which they operate [Freeman 2010]. Shareholder value theory, on the other hand, suggests that the primary responsibility of a business is to maximise shareholder wealth, a view that has been critiqued for its narrow focus on financial performance [Jensen 2001]. Institutional theory provides a lens through which to understand the broader social and cultural expectations that influence corporate behaviour, including the adoption of ESG practices [DiMaggio, Powell 1983].

The integration of Environmental, Social, and Governance (ESG) factors into business strategy represents a paradigm shift from traditional business models to ones that are sustainable and responsible. This integration is a complex process that requires a strategic

approach to align ESG initiatives with business objectives and stakeholder expectations. In the realm of ESG integration into business practice, case studies have highlighted both successes and challenges. For instance, the integration of ESG factors into the investment decision-making process has been shown to mitigate risk and identify opportunities for long-term value creation [Eccles, Klimenko 2019]. Moreover, integrating ESG into business strategy can lead to a competitive advantage. Companies that proactively address ESG issues can differentiate themselves in the market, attract and retain talent, and foster innovation. Eccles and Serafeim [2013] argue that companies with strong ESG practices tend to have better operational performance and can experience lower costs of capital. Despite the potential benefits, integrating ESG into business strategy is not without challenges. One of the primary challenges is the perceived trade-off between ESG performance and financial performance. However, research by Khan, Serafeim, and Yoon [2016] suggests that firms with strong ESG scores outperform their counterparts in the long run, dispelling the myth of a necessary trade-off. Another challenge is the integration of ESG into corporate culture and decision-making processes. This requires a commitment from top management and a willingness to invest in long-term sustainability initiatives that may not yield immediate financial returns [Bénabou, Tirole 2010]. Additionally, sector-specific approaches to ESG reveal that industries face unique challenges and opportunities in implementing ESG principles, necessitating tailored strategies [Sullivan, Mackenzie 2017]. Case studies of companies like Unilever and Patagonia illustrate successful ESG integration. Unilever's Sustainable Living Plan outlines ambitious targets for improving health and well-being, reducing environmental impact, and enhancing livelihoods. Patagonia's commitment to environmental sustainability is evident in its product design, supply chain management, and advocacy efforts [Henderson, Van den Steen 2015].

The relationship between ESG and financial performance has been a focal point of research, with numerous studies suggesting that strong ESG practices can lead to superior financial outcomes [Orlitzky et al. 2003]. However, this link has been contested by some scholars who argue that the impact of ESG on financial performance is not clear-cut and may be context-dependent [Barnett, Salomon 2006]. Meta-analyses and systematic reviews have sought to synthesise these findings, with mixed results [Friede et al. 2015]. Direct financial impacts are often measured in terms of stock performance, cost of capital, and profitability. Companies with strong ESG practices have been shown to enjoy a lower cost of capital, both in terms of debt and equity [Friede et al. 2015]. This is attributed to the lower perceived risk by investors and lenders, as strong ESG practices are often associated with better risk management and more sustainable long-term business models. In terms of profitability, ESG can lead to cost savings through improved energy efficiency, waste reduction, and better resource management. These operational efficiencies can translate into improved margins and profitability [Clark et al. 2015]. Indirect financial impacts include brand value, customer loyalty, and employee satisfaction. ESG initiatives can enhance a company's reputation, leading to

increased customer loyalty and brand value. Moreover, companies that are perceived as socially responsible can attract and retain top talent, which can have a positive impact on productivity and innovation [Edmans 2011]. The impact of ESG on financial performance may also be influenced by the time horizon considered. While some ESG initiatives may involve upfront costs that could negatively impact short-term financial performance, the long-term benefits often outweigh these initial investments. Companies that focus on long-term sustainability tend to perform better financially over time [Freiberg et al. 2020]. Empirical studies have provided mixed results regarding the impact of ESG on financial performance, with some studies finding a positive relationship, while others report no significant impact or mixed effects. A meta-analysis by Friede et al. [2015] found that the majority of studies report a positive relationship between ESG and financial performance. One of the challenges in measuring the impact of ESG on financial performance is the variability in how ESG is defined and measured. The lack of standardisation in ESG metrics can make it difficult to compare results across different studies and industries [Eccles, Krzus 2010].

The evolution of ESG reporting frameworks has been instrumental in shaping business practices [Bose 2020; Cort, Esty 2020]. The Global Reporting Initiative (GRI) has been a pioneer in providing a comprehensive set of guidelines for sustainability reporting, which has been widely adopted by corporations globally [KPMG 2020]. The Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD) have further refined these frameworks, focusing on the financial materiality of sustainability information [SASB 2017; TCFD 2017]. Despite these advancements, challenges persist in the standardisation and comparability of ESG disclosures, with critics pointing to the lack of uniformity and the potential for "greenwashing" [Laasch, Conaway 2015].

The standardisation and regulation of Environmental, Social, and Governance (ESG) practices are critical for ensuring consistency, comparability, and reliability in sustainability reporting and performance. The landscape of ESG standardisation and regulation is rapidly evolving, with various international bodies and regulatory agencies working towards harmonising ESG metrics and disclosures. Standardisation addresses the challenge of the current ESG landscape, which is characterised by a plethora of frameworks and standards, leading to confusion and difficulty in comparing ESG data across companies and industries. Standardised metrics allow for a uniform assessment of ESG performance, facilitating better decision-making by investors and other stakeholders [Ioannou, Serafeim 2017]. The regulation of ESG practices faces several challenges. One significant challenge is the need to balance the demand for detailed and rigorous ESG information with the reporting burden on companies, especially smaller firms that may lack the resources for comprehensive ESG reporting [Amel-Zadeh, Serafeim 2018]. Another challenge is ensuring that regulations keep pace with the evolving nature of ESG issues and are adaptable to different contexts and industries. There is also a risk that overly prescriptive regulations could stifle innovation in ESG practices [Busch et al. 2016].

Environmental, Social, and Corporate Governance (ESG) frameworks, standards, and tools represent a comprehensive approach to enhancing corporate sustainability performance. These components, while distinct, are interconnected and crucial in guiding companies towards sustainable practices. ESG frameworks provide a broad structure, offering a holistic approach that encompasses both positive and negative impacts on sustainability [Sætra 2021]. They are complemented by ESG standards, which are more specific, detailing criteria and benchmarks for measuring ESG performance and determining the relevance of various sustainability topics for companies [Mattiasich-Szokoli, Szóka 2022]. ESG tools, as outlined by Jean and Grant [2022], include defined strategies, established processes, consistent practices, measurement, reporting, leadership oversight, and transparency, all aimed at implementing the frameworks and standards effectively. These tools are instrumental in integrating environmental and social strategies into corporate governance systems, as emphasized by Alsayegh, Abdul Rahman, and Homayoun [2020], who note the strengthening of corporate sustainability performance through ESG disclosure. Additionally, Friede, Busch, & Bassen [2015] highlight the role of ESG tools in helping global financial services manage risks, foster long-term market sustainability, and assist investors in recognizing investment value. Collectively, these frameworks, standards, and tools underscore the multifaceted nature of ESG in promoting sustainable corporate practices and ensuring effective sustainability reporting and performance improvement.

The tools and models for ESG implementation have been diverse, ranging from ESG ratings and scoring methodologies used by investment firms to assess corporate ESG performance [Chatterji et al. 2016], to impact assessment tools designed to measure the social and environmental outcomes of business activities [Clark et al. 2015]. These tools are critical for translating ESG principles into actionable business strategies, yet their effectiveness varies, and they are often subject to scrutiny regarding their accuracy and reliability [Kotsantonis, Serafeim 2019]. ESG assessment tools, such as the MSCI ESG Ratings and the FTSE4Good Index Series, provide metrics that are used to evaluate a company's adherence to specific ESG criteria. These tools are instrumental for investors who wish to incorporate ESG considerations into their portfolio selection process. The effectiveness of these tools is, however, contingent upon the robustness of their underlying methodologies and the quality of data they utilise [Scalet, Kelly 2010]. The reliability of ESG measurement tools has been a subject of debate. Studies have shown that different ESG rating agencies can produce divergent scores for the same company, raising concerns about the consistency and comparability of these assessments [Berg et al. 2022]. This inconsistency can be attributed to the subjective nature of certain ESG indicators and the lack of standardised reporting requirements. The evaluation of ESG tools reveals a complex picture. On the one hand, these tools have been successful in raising awareness and providing frameworks for ESG assessment and reporting. On the other hand, the lack of standardisation and the potential for subjective interpretation limit their effectiveness. To enhance the effectiveness of ESG tools, scholars have

called for greater standardisation of ESG metrics and reporting practices [Chatterji et al. 2016]. There is also a need for more rigorous validation of ESG data and the methodologies used by rating agencies. Furthermore, integrating ESG considerations into executive compensation has been suggested as a way to align incentives with sustainability goals [Edmans 2011].

The evaluation of Environmental, Social, and Corporate Governance (ESG) frameworks presents a complex landscape, marked by diverse methodologies and varying standards. This complexity stems from the multifaceted nature of ESG criteria, encompassing a broad range of environmental, social, and governance issues. The challenge lies in balancing these diverse elements to create coherent, effective frameworks that accurately reflect a company's sustainability performance and impact.

Critiques and debates surrounding ESG practices have been fervent. One central debate concerns the actual efficacy of ESG measures. Critics argue that many ESG initiatives fail to bring about real change and are instead a form of 'window dressing' designed to improve public image rather than to effectuate environmental or social improvements [Hansmann, Kraakman 2017]. Proponents counter that ESG measures, even if imperfect, start a process of change and raise awareness among stakeholders, which can lead to more significant improvements over time [Eccles, Klimenko 2019]. Concerns of greenwashing – the practice of making misleading claims about the environmental benefits of a product, service, or company practices – have been at the forefront of these debates [Lyon, Maxwell 2011]. Greenwashing is a term used to describe the practice of overstating or fabricating the environmental benefits of a company's products, services, or practices. This critique is particularly pertinent as companies increasingly seek to present themselves as environmentally friendly to meet consumer and investor expectations. The debate centers on the authenticity of corporate sustainability claims and the need for rigorous, independent verification of ESG reporting [Lyon, Maxwell 2011]. Another area of contention is the impact of ESG practices on financial performance. Some studies suggest a positive correlation between ESG performance and financial outcomes, while others find no significant link or a negative impact. Critics of ESG argue that it can distract from a company's primary economic objectives and impose unnecessary costs. In contrast, supporters believe that ESG practices can lead to better risk management and long-term value creation [Friede et al. 2015]. The motivations behind the adoption of ESG criteria by companies are also debated. Sceptics question whether the adoption of ESG practices is driven by genuine concern for environmental and social issues or by the desire to align with current trends and investor demands. This debate touches on the broader issue of corporate purpose and the role of businesses in society [Kramer, Porter 2006].

Despite the extensive literature on ESG, gaps remain. Methodological inconsistencies in ESG research make it difficult to draw definitive conclusions, and empirical research in certain areas, such as the long-term impact of ESG on corporate performance and innovation, is lacking [Riedl, Smeets 2017]. Scholars have called for more rigorous and systematic research to address these gaps and to build a more robust understanding of ESG's role

in business practice [Whelan, Fink 2016]. There is a need for more longitudinal studies that track the impact of ESG practices over extended periods. Such studies could provide deeper insights into the long-term effects of ESG on corporate performance, sustainability outcomes, and stakeholder value creation [Clark et al. 2015]. Current research often lacks comprehensive cross-cultural and cross-industry comparisons. Understanding how ESG practices vary across different cultural contexts and industry sectors can help identify best practices and tailor ESG strategies to specific operational environments [Brammer et al. 2012]. Much of the existing research focuses on large corporations, with less attention given to how SMEs integrate ESG into their business practices. SMEs face unique challenges and opportunities in implementing ESG initiatives, and more research is needed to understand these dynamics [Jenkins 2006].

In our study, we endeavour to characterize and evaluate Environmental, Social, and Corporate Governance (ESG) frameworks. We present their advantages and disadvantages. Additionally, our assessment is anchored on six key determinants: global recognition, comprehensiveness, effectiveness, scope, ease of implementation, and relevance to stakeholder. This multifaceted approach enables us to provide a better understanding of the efficacy and impact of ESG frameworks in the context of sustainable corporate practices. We would like to point out that the evaluation of Environmental, Social, and Corporate Governance (ESG) frameworks presents a complex landscape, marked by diverse methodologies and varying standards. This complexity stems from the multifaceted nature of ESG criteria, encompassing a broad range of environmental, social, and governance issues. The challenge lies in balancing these diverse elements to create coherent, effective frameworks that accurately reflect a company's sustainability performance and impact.

Research methods

In this study, our primary objective is to conduct a literature review of Environmental, Social, and Corporate Governance (ESG) concepts as they are applied in contemporary business practice. This involves a systematic examination of academic literature to understand the evolution, application, and impact of ESG in the business world. Building on this foundational knowledge, we then critically examine ten widely recognized ESG frameworks. The selection of these frameworks is meticulously informed by a thorough literature review, which is further enriched by an analysis of professional websites and forums. These online platforms provide valuable insights into the current rankings and perceptions of prevalent ESG frameworks. Additionally, our own expertise in the field contributes to the selection process. Our assessment of these frameworks is not only descriptive but also analytical, as we evaluate each framework's strengths and weaknesses. Additionally, our assessment is anchored on six key determinants: global recognition, comprehensiveness, effectiveness, scope, ease of implementation, and relevance to stakeholder.

Results

The literature review, complemented by an analysis of professional websites and forums that offer rankings of prevalent frameworks, and our own expertise admit of selecting the following common known and used ESG frameworks.
- Global Reporting Initiative Standards (GRI Standards),
- Sustainability Accounting Standards Board (SASB Standards),
- Carbon Disclosure Project (CDP) Guidance,
- IFRS Sustainability Disclosure Standards,
- Task Force on Climate-related Financial Disclosures (TCFD),
- United Nations Principles for Responsible Investment (PRI),
- United Nations Global Compact (UNGC),
- Climate Disclosure Standards Board (CDSB),
- International Integrated Reporting Council (IIRC),
- International Finance Corporation (IFC) Performance Standards.

Below, we provide a brief description and characteristics of each of the ten ESG frameworks analysed.

Global Reporting Initiative Standards (GRI Standards) – stablished in 1997 in the United States, the Global Reporting Initiative (GRI) developed the GRI Standards, which have become a leading global framework for sustainability reporting. These standards offer comprehensive guidelines for organizations to report on a wide range of economic, environmental, and social impacts. Designed to be universally applicable, the GRI Standards focus on stakeholder inclusiveness and sustainability context, aiming to help organizations make more sustainable decisions. They encourage transparency and accountability, enabling organizations of all sizes and sectors to understand and communicate their impact on critical sustainability issues.

Sustainability Accounting Standards Board (SASB Standards) – founded in 2011 in the United States, offers SASB Standards that provide industry-specific guidelines for companies to disclose financially material sustainability information. These standards focus on identifying and reporting on sustainability issues that most impact financial performance in each industry. By integrating ESG factors into traditional financial reporting, SASB facilitates investor analysis and decision-making. The standards are designed to be cost-effective for companies and decision-useful for investors, enhancing the ability of businesses to communicate financially material sustainability information to their investors.

Carbon Disclosure Project (CDP) Guidance – founded in 2000 in the United Kingdom, the Carbon Disclosure Project, now known as CDP, runs a global disclosure system for managing environmental impacts. The CDP Guidance assists organizations in disclosing their environmental performance, with a particular focus on climate change, water security, and deforestation. It emphasizes the collection and disclosure of quantitative environmental data, enabling companies to measure and manage their environmental impacts effectively. The CDP's approach helps organizations, investors, and cities to drive environmental action, providing a critical tool for managing carbon emissions and climate change risks.

IFRS Sustainability Disclosure Standards – developed by the International Financial Reporting Standards Foundation, the IFRS Sustainability Disclosure Standards aim to establish a global baseline for sustainability reporting. The foundation, established in 2001, works towards a single set of globally accepted accounting standards. These sustainability standards focus on providing investors with material information for decision-making, aligning sustainability reporting with financial reporting. They are designed to complement existing frameworks, enhancing the comparability and consistency of sustainability-related information, and are particularly significant in the context of the growing demand for reliable sustainability information among investors.

Task Force on Climate-related Financial Disclosures (TCFD) – established in 2015 by the Financial Stability Board, the Task Force on Climate-related Financial Disclosures (TCFD) provides a framework for companies to report on climate-related financial risks and opportunities. The TCFD emphasizes the importance of considering and reporting the future impact of climate change on business operations. Its recommendations are structured around four thematic areas: governance, strategy, risk management, and metrics and targets. The TCFD encourages organizations to integrate climate change into their strategic planning and reporting, making it a critical tool for businesses in addressing climate-related financial information.

United Nations Principles for Responsible Investment (PRI) – launched in 2006 by a group of institutional investors in partnership with the United Nations. The PRI is a global network of investors working to implement six aspirational principles for responsible investment. These principles aim to incorporate ESG factors into investment decision-making and ownership practices, fostering a sustainable global financial system. The PRI framework emphasizes the alignment of investment activities with broader societal goals and provides a platform for international collaboration among investors on sustainability issues.

United Nations Global Compact (UNGC) – announced in 1999 by then UN Secretary-General Kofi Annan and officially launched in 2000. It is a voluntary initiative that encourages businesses worldwide to adopt sustainable and socially responsible policies. The UNGC is based on ten principles in the areas of human rights, labour, environment, and anti-corruption. It serves as a framework for businesses to align their strategies and operations with universal principles and take actions that advance societal goals, promoting corporate sustainability and responsible business practices.

Climate Disclosure Standards Board (CDSB) – founded in 2007 by a consortium of business and environmental organizations in the United Kingdom. It offers a framework for companies to report environmental and climate change-related information in mainstream reports, such as annual reports or 10-K filings. The CDSB Framework is designed to align with existing financial reporting principles, helping businesses to provide clear, concise, and consistent information to investors and other stakeholders about the environmental and climate-related impacts on their performance.

International Integrated Reporting Council (IIRC) – established in 2010 and based in the United Kingdom, the International Integrated Reporting Council (IIRC) promotes an integrated reporting framework that combines financial and non-financial information. This framework focuses on how organizations create value over time, considering various forms of capital such as financial, manufactured, intellectual, human, social, and natural. The IIRC's approach aims to improve the quality of information available to providers of financial capital, enabling a more efficient and productive allocation of capital, and promoting a more cohesive and efficient approach to corporate reporting.

International Finance Corporation (IFC) Performance Standards – introduced in 2006 by the International Finance Corporation, a member of the World Bank Group, the IFC Performance Standards provide guidance for environmental and social risk management in project finance, especially in emerging markets. These standards define clients' responsibilities in managing environmental and social risks and cover areas like environmental sustainability, community health, safety, and labor and working conditions. The IFC Performance Standards are globally recognized and used by the IFC for its own investments, as well as by other financial institutions, playing a crucial role in sustainable project financing.

In Table 1, we present our assessment of the advantages and disadvantages of the ten ESG frameworks analysed.

Table 1. Advantages and disadvantages of the ten analysed ESG frameworks

Framework/standard	Advantages	Disadvantages
Global Reporting Initiative Standards (GRI)	comprehensive coverage	complexity and resource intensity
	flexibility and applicability	potential information overload
	stakeholder inclusiveness	challenges in materiality determination
	transparency and comparability	potential for generic reporting
	global recognition	regular updates
Sustainability Accounting Standards Board (SASB)	industry-specific relevance	limited scope
	investor focus	U.S. market orientation
	compatibility with financial reporting	complexity for multi-sector companies
	ease of integration	potential overlap with other reporting standards
	focus on materiality	emerging nature
Carbon Disclosure Project (CDP) Guidance	strong environmental focus	resource intensive
	data-driven approach	complex reporting platform
	investor recognition	focus primarily on larger companies
	global benchmark	environmental focus
	supply chain engagement	pressure to disclose

Framework/standard	Advantages	Disadvantages
IFRS Sustainability Disclosure Standards (IFRS)	global standardization	still in development
	financial materiality focus	potential overlap and complexity
	integration with financial reporting	focus on investor needs
	credibility and recognition	implementation challenges
	complement existing frameworks	resource requirements
Task Force on Climate-related Financial Disclosures (TCFD)	climate change focus	complexity in implementation
	forward-looking approach	limited scope
	investor relevance	data and modelling challenges
	supports strategic planning	reporting burden
	global applicability	voluntary nature
United Nations Principles for Responsible Investment (PRI)	focus on ESG integration	self-reporting and variability in implementation
	global network	voluntary nature
	comprehensive ESG coverage	resource requirements
	transparency and accountability	focus on signatories
	influence on investment practices	complexity in measurement and reporting
United Nations Global Compact (UNGC)	broad principles	self-regulation
	global recognition	limited enforcement and monitoring
	flexibility	risk of bluewashing
	diverse network	broad and general principles
	support for strategy development	resource requirements
Climate Disclosure Standards Board (CDSB)	climate and environmental focus	limited scope
	alignment with financial reporting	complexity
	investor-relevant information	resource intensive
	global applicability	integration challenges
	supports regulatory compliance	evolving standards
International Integrated Reporting Council (IIRC)	holistic reporting	implementation complexity
	focus on value creation	resource intensive
	multi-capital framework	lack of standardization
	improved stakeholder relationships	emerging practice
	strategic focus	potential information overload
International Finance Corporation (IFC) Performance Standards	comprehensive risk management	complexity in implementation
	global best practices	primarily for project finance
	focus on sustainability	resource intensive
	stakeholder engagement	high compliance standards
	applicability across sectors	focus on risk mitigation

Source: own study

Table 1 shows that the ten ESG frameworks each present distinct advantages and challenges. The Global Reporting Initiative (GRI) Standards are lauded for their comprehensive coverage and flexibility, but they can be complex and resource-intensive. The Sustainability Accounting Standards Board (SASB) Standards offer industry-specific relevance and investor focus, yet they have a limited scope and U.S. market orientation. The Carbon Disclosure Project (CDP) is recognized for its strong environmental focus and data-driven approach, but it can be complex and primarily targets larger companies. The IFRS Sustainability Disclosure Standards aim for global standardization and integration with financial reporting, but they are still in development and may pose implementation challenges. The Task Force on Climate-related Financial Disclosures (TCFD) is praised for its forward-looking approach and investor relevance, but it requires complex implementation and focuses narrowly on climate issues. The United Nations Principles for Responsible Investment (PRI) and Global Compact (UNGC) both offer broad frameworks with global recognition, but they rely on voluntary commitment and self-regulation, which can lead to variability in implementation. The Climate Disclosure Standards Board (CDSB) provides a focused framework on climate and environmental issues, but it has a limited scope and can be resource-intensive. The International Integrated Reporting Council (IIRC) promotes holistic reporting and a multi-capital framework, yet faces challenges in implementation complexity and standardization. Each framework serves a unique role in guiding organizations towards sustainability, with varying degrees of effectiveness, scope, and stakeholder relevance.

In Table 2, we provide a self-made assessment of ten analysed ESG frameworks anchored on six key determinants: global recognition, comprehensiveness, effectiveness, scope, ease of implementation, and relevance to stakeholders.

The assessment of ten prominent ESG frameworks reveals a diverse landscape of tools designed to guide organizations in sustainable and responsible practices. The Global Reporting Initiative (GRI) and the United Nations Principles for Responsible Investment (PRI) stand out for their global recognition and comprehensive scope, addressing a wide range of sustainability issues. The Sustainability Accounting Standards Board (SASB) is notable for its industry-specific focus and accuracy, making it highly applicable for investor-focused reporting. The Carbon Disclosure Project (CDP) and the Task Force on Climate-related Financial Disclosures (TCFD) excel in environmental and climate change reporting. The IFRS Sustainability Disclosure Standards and the International Integrated Reporting Council (IIRC) align sustainability with financial reporting, emphasizing long-term value creation. The United Nations Global Compact (UNGC) and the Climate Disclosure Standards Board (CDSB) offer broad principles and environmental focus, respectively. The International Finance Corporation (IFC) Performance Standards are recognized for their comprehensive approach to project finance. Each framework has its unique strengths and challenges, varying in global recognition, applicability, ease of implementation, and relevance to stakeholders (Table 2).

Table 2. Self-made assessment of the ten analysed ESG frameworks

Frame-work	Global recognition	Compre-ensiveness	Effective-ness	Scope	Ease to imple-mentation	Relevance to stakeholders
GRI	*****	*****	****	*****	***	*****
SASB	****	***	****	***	****	****
CDP	*****	***	****	***	***	****
IFRS	****	****	****	****	***	****
TCFD	*****	***	****	***	***	*****
PRI	*****	***	****	***	***	****
UNGC	*****	***	***	***	****	****
CDSB	****	***	****	***	***	****
IIRC	****	****	****	****	***	****
IFC	****	****	****	****	***	****

Source: own study

Conclusions

The integration of ESG into business strategies has been shown to correlate with enhanced financial performance, particularly over the long term. Companies that have embedded ESG principles into their core operations have not only reported improved profitability but also resilience against market volatility. This suggests that ESG factors are becoming critical in shaping sustainable business models that can withstand and adapt to the complexities of the global market.

Our evaluation Each of the ten ESG frameworks has unique strengths and limitations. For instance, the Global Reporting Initiative (GRI) offers extensive coverage but is complex, while the Sustainability Accounting Standards Board (SASB) is industry-specific but limited in scope. The Carbon Disclosure Project (CDP) excels in environmental focus but targets larger companies, and the IFRS Sustainability Disclosure Standards are globally standardized yet still developing. The Task Force on Climate-related Financial Disclosures (TCFD) is forward-looking but narrowly focused on climate issues. The United Nations Principles for Responsible Investment (PRI) and Global Compact (UNGC) are globally recognized but rely on voluntary commitment. The Climate Disclosure Standards Board (CDSB) is focused but limited in scope, and the International Integrated Reporting Council (IIRC) promotes holistic reporting but faces standardization challenges. Each framework contributes differently to guiding organizations towards sustainability.

The evaluation of ten key ESG frameworks highlights their varied approaches to sustainable and responsible practices. GRI and PRI are globally recognized for their broad scope, while SASB excels in industry-specific, investor-focused reporting. CDP and TCFD specialize in environmental and climate reporting. IFRS Standards and

IIRC integrate sustainability with financial reporting, focusing on long-term value. UNGC and CDSB emphasize broad principles and environmental focus, respectively. IFC Performance Standards are known for their comprehensive approach in project finance. Each framework presents unique strengths and challenges, differing in global recognition, applicability, ease of implementation, and stakeholder relevance

The primary limitation of our study lies in its reliance on our self-made assessment methodology for evaluating ESG frameworks. While this approach allowed for tailored analysis, it may introduce subjective biases and limit the generalizability of our findings. Additionally, our assessment might not fully capture the rapidly evolving nature of ESG standards and practices, potentially overlooking emerging trends or recent developments in the field. This inherent subjectivity and the dynamic landscape of ESG practices suggest that our conclusions should be interpreted with caution and seen as a snapshot within a continuously evolving discourse.

In conclusion, ESG frameworks, standards, and tools are evidently instrumental in steering businesses towards a sustainable future. However, the full potential of ESG can only be realised through concerted efforts to standardise practices, enforce regulations, and foster an environment of transparency and accountability. As the corporate world grapples with unprecedented environmental and social challenges, the role of ESG in business practice is not merely an optional add-on but a fundamental component of corporate responsibility and success. The path forward requires a collaborative approach, involving academics, practitioners, policymakers, and other stakeholders, to ensure that ESG principles are not only espoused but also enacted with integrity and purpose.

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Koncepcje ESG w praktyce biznesowej. Charakterystyka i ocena ram ESG

STRESZCZENIE

W dzisiejszym środowisku biznesowym włączanie zasad środowiskowych, społecznych i ładu korporacyjnego (ESG – Environmental, Social, Governance) do strategii korporacyjnych ewoluowało od marginalnego rozważania do kluczowego elementu planowania strategicznego. W artykule scharakteryzowano i oceniono dziesięć powszechnie uznanych ram ESG. Wybór tych ram opiera się na przeglądzie literatury, uzupełnionym o analizę profesjonalnych stron internetowych i forów oferujących rankingi popularnych ram. Dodatkowo, w procesie selekcji wykorzystano własną wiedzę i doświadczenie. Ocena dziesięciu kluczowych ram ESG ujawnia spektrum podejść do zrównoważonego rozwoju i odpowiedzialności. GRI (Global Reporting Initiative) i PRI (Principles for Responsible Investment) są znane ze swojego globalnego zasięgu, podczas gdy SASB (Sustainability Accounting Standards Board) dostarcza wglądów specyficznych dla branży, ale w ograniczonym zakresie. Ramy CDP (Carbon Disclosure Project) i TCFD (Task Force on Climate-related Financial Disclosures) wyróżniają się w aspektach środowiskowych i klimatycznych. Standardy IFRS (International Financial Reporting Standards) rozwijają globalny zasięg, a IIRC (International Integrated Reporting Council) koncentruje się na integracji zrównoważonego rozwoju z raportowaniem finansowym. PRI i UNGC (United Nations Global Compact) opierają się na dobrowolnym zaangażowaniu, oferując szerokie ramy. Koncepcje CDSB (Climate Disclosure Standards Board) i IIRC, mimo że skoncentrowane, napotykają wyzwania w implementacji. Standardy Wydajności IFC (International Finance Corporation) są wszechstronne w finansowaniu projektów. Każda z ram, ze swoimi unikatowymi mocnymi stronami i wyzwaniami, różni się globalnym uznaniem, możliwością zastosowania i relewancją dla interesariuszy, przyczyniając się w różny sposób do praktyk zrównoważonego rozwoju.

Słowa kluczowe: ESG (E – środowisko, S – społeczna odpowiedzialność, G – ład korporacyjny); ramy ESG; standardy ESG; raportowanie zrównoważonego rozwoju; strategia biznesowa

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