2023

Handbook for voluntary reporting and disclosure of environmental, social, and governance (ESG) information

Prepared by CNV with the support of the IDB

Acknowledgments

The contents of this handbook were prepared by Nicolas Jerkovic, consultant to the Inter-American Development Bank.

This handbook has been developed with reference to the recommendations and suggestions of the SSEI (2015), and the World Federation of Exchanges (WFE, 2015 and 2018).

Acronyms

CDP	Carbon Disclosure Project
CDSB	Climate Disclosure Standard Board
CCG	Code of Corporate Governance
CNV	National Securities and Exchange Commission
COSO	Committee of Sponsoring Organizations of the Treadway Commission
EFRAG	European Financial Reporting Advisory Group
ESG	Environmental, Social and Governance (ESG)
FSB	Financial Stability Board
IFRS	International Financial Reporting Standards
IOSCO	International Organization of Securities Commissions
IIRC IFRS	Foundation's Integrated Reporting Framework
ISSB	International Sustainability Standard Board
GHG	Greenhouse gases
GRI	Global Reporting Initiative
OECD	Organization for Economic Co-operation and Development
SASB	Standards Sustainability Accounting Standard Board of the IFRS Foundation
SDGs	United Nations Sustainable Development Goals
SSEI	Sustainability Stock Exchange Initiative
TCFD	Task Force for Climate Financial-related Disclosure
VRF	Value Reporting Foundation

Message from the Board of Directors

Sebastián Negri
CNV´s Chairman

We are witnessing a new paradigm in the performance of governments, financial institutions and companies in relation to environmental, social and governance factors. A trend that is here to stay and is growing steadily worldwide.

A new culture is emerging among investors and consumers at global, regional and national levels, motivated by the urgency to mitigate and adapt to climate change, the need to reduce social inequality gaps in its various forms and to achieve sustainable and equitable development in the long term. Consequently, there is a growing incentive for companies to accomplish greater integration of ESG factors into business and related activities.

In our country, both consumers and investors are beginning to demand a greater commitment from companies in environmental, social and governance issues, which has led to companies already making efforts in this regard, incorporating, for example, the identification of ESG risks in their management.

While much progress has been made, we are also aware of the need to deepen the incentives for companies to incorporate practices aimed at achieving greater transparency in the disclosure of ESG information, in order to attract the growing demand of socially responsible investors to our local market. Argentina has embarked on this new challenge, and that is why the CNV, as the entity that regulates the capital markets, is committed to contribute with our vision, work and capabilities to strengthen the ecosystem of sustainable finance.

The construction of a virtuous path towards sustainability implies the promotion and education on this topic towards the actors that are somehow linked to the capital market. In this sense, the elaboration of this handbook is also a major piece to continue fostering the foundations for sustainable development in our country and constitutes a crucial step in our path towards the consolidation of binding regulations.

We are grateful for the cooperation and collaboration provided by the Inter-American Development Bank (IDB) and its permanent and solid commitment to the promotion of sustainable finance. In this opportunity, the IDB technical support provided to the CNV concludes in the creation of this handbook for voluntary reporting and disclosure of environmental, social and governance factors, which guides issuers in the disclosure of ESG information and promotes best practices and international standards in our market.

"This handbook represents a starting point for companies to begin preparing their ESG reports, providing them with a comprehensive framework and structure that will enable them to improve every year. We believe that disclosure of environmental, social and governance factors will lead to companies strengthening their corporate governance practices and being able to respond to shareholder and stakeholder demands about the environmental and social risks and opportunities they face."

Matías Isasa
CNV Director

"Non-financial information becomes relevant for investment decision making and influences investors' risk analysis. For this reason, sustainability reporting has become a one of many tools for investors and stakeholders to consult."

Nadia Montenegro
Manager of Corporate Governance and Investor Protection CNV

"Our society faces two key challenges, climate change and social inequality. Both of them are not external to companies and for this reason, knowing and understanding how Boards manage and analyze ESG risks and opportunities is gaining more space in listed companies."

Florencia Puch
Deputy Corporate Governance Manager CNV

"Disclosure of corporate ESG information is a key practice if the company wants to remain competitive in the market"

Nicolás Jerkovic
IDB consultant

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1

Institutional presentation

As the nexus between issuers and investors, capital markets are uniquely positioned to promote greater transparency and efficiency, and thus generate long-term value. Transparency builds trust, and is key to well-functioning markets.

In turn, access to corporate ESG information is critical for the protection of investors and the facilitation of their decision-making, efficient risk management, the development of transparent capital markets and the credibility of investments that claim to pursue sustainability objectives. It is also critical for the efficient allocation of capital in the economy (IMP et al., 2020).

The CNV presents this Handbook with the objective of accompanying companies in the transition towards the disclosure of non-financial information. Includes a variety of resources and concepts that companies should consider in order to achieve effective communication with their investors and stakeholders, in relation to ESG factors.

3.Introduction

3.1 Purpose of this document

The handbook is intended to meet the need and opportunity presented by the new requirements for investor information on ESG factors.

ESG reporting is evolving rapidly. At the international level, there is still no taxonomy or prototype that defines a universal framework for ESG disclosure. However, there are emerging practices, international best practices, guidelines, frameworks and standards that guide the ESG disclosure process. This document was designed and built based on these existing resources.

The objective of this handbook is to guide companies in the disclosure of ESG information, based on the understanding and recognition of key concepts, best practices and trends, leaving to the companies' discretion the election of the framework and standard it considers most appropriate to respond to its different audiences and stakeholders.

3.2 What is ESG?

It is important to note that, while this document primarily uses the term "ESG", the term "sustainability"[1] is commonly used within organizations. While many companies, specialists and regulatory body standards consider either of this terms as interchangeable concepts, the term "ESG" is commonly used among investors in relation to business value from an economic-financial perspective, while the term "sustainability" is a much broader approach, recognizing the need to drive a systemic change to achieve a more equitable society and economy that operates within ecological limits, and to contribute to the United Nations Sustainable Development Goals (SSEI, 2015; BVC, 2020; BVP, 2021; NASDAQ, 2019; JSE, 2021; LSE, 2021).

For the purposes of this handbook, any of the above terms refers to the broad set of environmental, social and corporate governance considerations that may impact a company's ability to run its business strategy and value creation process, such as: climate change, energy, water, gender, diversity, employee health and safety.

It is worth noting that the management of ESG factors can have a financial impact on the company and affect, among others, access to capital, risk management, brand value and reputation, human capital, company value as an acquisition target, cost savings and productivity, revenue growth and market access, license to operate, employee retention and recruitment, ability to acquire other high-quality companies , among others (SSEI, 2015).

3.3 Climate change within the ESG factors

Climate change is one of the ESG factors that is gaining prominence in the international financial community. As the global trend to align financial and investment policies with environmental objectives continues to expand, the demand for consistent, comparable and transparent disclosures of climate-related financial information has led to the need for increased education and training on how to use and disclose such data (SSEI, 2021).
In 2015, nearly all the world's nations signed up to the "Paris Agreement", through which they reached a global commitment to substantially reduce global GHG emissions[2] In response to this urgency, in the same year the FSB created the TCFD[3], whose mission is to provide companies, investors and insurance underwriters with the necessary guidance to promote climate-related disclosures, and facilitate a smooth transition to an environment based on a sustainable, low-carbon economy.

Some particular characteristics of climate risks
(Frisario, G. et al., 2020)

The time horizons of weather risks tend to extend beyond the useful life of a company's property and assets.
Climate-related risks focus on the direct impact caused by business activities on its nearby environment, as well as on the damage caused due to the company's exposure to extreme and incremental weather events. Examples include heavy rains, floods, droughts, among others

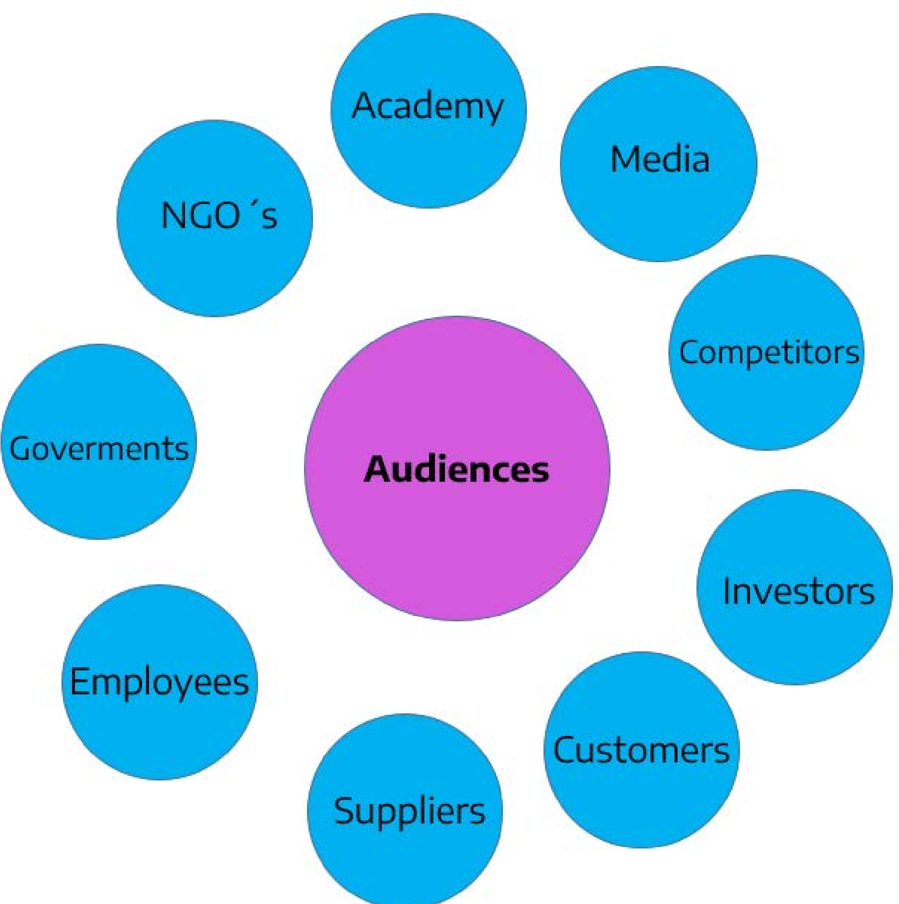
3.4 Who is demanding ESG information?

In recent years, there has been an increase in global efforts to promote the development of sustainable and climate change-sensitive economies, both in the public and private sectors (IOSCO, 2020). In this context, there is a growing demand from both investors and society as a whole to know how companies are managing their ESG impacts. In this sense, corporate information on their exposure to ESG risks and opportunities, and their strategies to address them, are increasingly important for investment decisions, as in certain circumstances they can represent serious threats to the viability of the business on a sustained basis (IMP et al., 2020).

Based on these disclosures, society and investors want to understand: how ESG issues affect the company's long-term value creation; the nature of strategic and financial risks; and how the company intends to manage them. Investors also require companies to report on the impacts (actual or potential) on the environment and society resulting from ESG factors specific to its business activities. In this context, transparency about how a company manages ESG risks and associated opportunities should be part of its value proposition (IOSCO, 2019).

Likewise, the new ESG information needs will depend on the different stakeholders and audiences to which the company needs to respond, hence the need for these aspects to be identified and defined beforehand (WBCSD. 2019).

POSSIBLE AUDIENCES FOR ESG INFORMATION



3.5 What are the benefits for companies of disclosing ESG information?

Business models that embrace ESG factors have many benefits, such as supporting greater innovation, cost savings, brand differentiation, long-term thinking, employee engagement and customer loyalty. However, capitalizing on these benefits will be feasible if the positive and negative impacts are understood and managed in a transparent, reliable and objective way. The main benefits for companies that issue ESG reports are the following (GRI, 2021):

- Makes tangible problems that are often abstract
- Helps set objectives, measure performance, and manage change.
- Improving governance and stakeholder relations, enhancing reputation and building trust
- Guides the development of strategies and activities related to sustainability.
- Inspires accountability, helps to identify and manage risks, and enables companies to organizations to seize new opportunities.
- Enables more and better informed dialogue and decision-making for all stakeholders (customers, employees, investors, local communities, suppliers, etc.).

A key benefit of ESG reporting practice is to contribute to UN Sustainable Development Goal 12, in particular target 12.6.: "Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle".

EXAMPLE

TRANSPARENCY S.A. received many requests and questions from its main multinational customers regarding social responsibility and sustainable management practices. The answers were decentralized, and each area responded according to its own criteria. Even the Chief Executive Officer was not aware about the many requests for information. Year by year, the number of queries and the level of demand were growing, however, the uncoordinated and decentralized process of the company to respond became risky, costly and critical. TRANSPARENCY S.A. made the decision to issue its first ESG Report. The experience was very beneficial for the company. Not only it allowed the company to gain agility in responding to the requirements of its most important customers, but it also reduced communication risks by centralizing the process through the ESG report. The Chief Executive Officer was able to understand all the information that was being communicated externally on ESG aspects, and increased trust from his customers by using indicators based on internationally recognized standards for his industry.

In addition to the above-mentioned benefits, ESG reporting can be used to address different objectives or needs that the company has, such as (WBCSD, 2019):

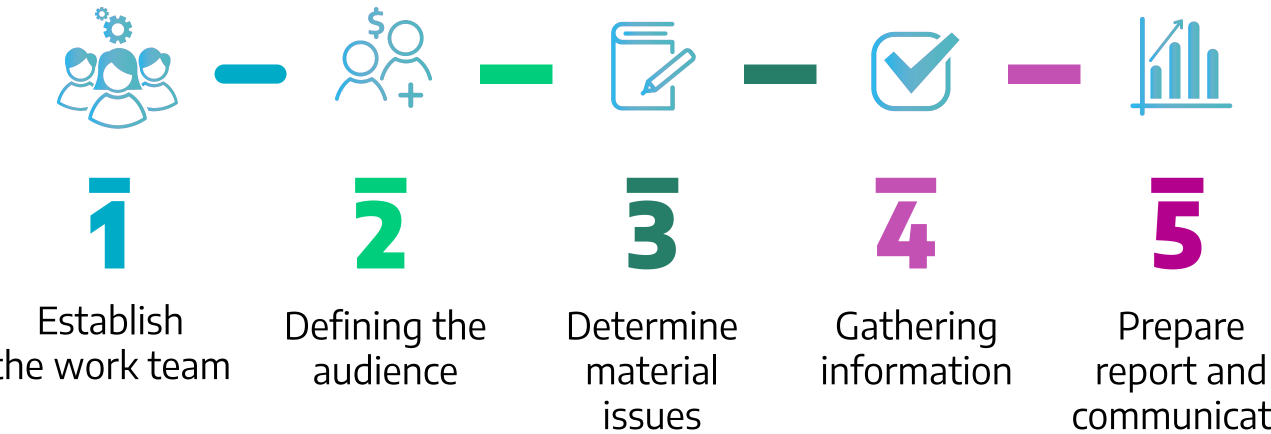
- To comply with external requirements, regulatory or not.
- Align with peer practice.
- Communicate operational efficiency, allocated resources and plans, in response to risks and ASG opportunities.
- Communicate important information to stakeholders.
- Participate in ratings, rankings, and indexes specialized in ESG issues.
- Explain how the company will create long-term value through business model design and flexibility, capital investments, asset and portfolio changes, and transformation programs.
- Communicate performance in relation to corporate commitments and objectives linked to ESG factors. It also allows communicating performance in relation to the SDGs, or programs such as the United Nations Global Compact, or others linked to Climate Change such as "Science-Based Targets".

EXAMPLE

Accountability S.A. wanted to improve its risk rating from investors and rating agencies. As a result of conversations with investors, it understood that the interest in understanding how the company was managing ESG issues could help increase their confidence and aspire to a better risk rating. Providing standardized and orderly information on ESG performance was essential to meet the new reporting expectations. The company decided to issue its own annual ESG report, using international standards. This practice allowed the company to better understand its ESG risks, improve its own performance, and also improve its credit rating not only with its current investors, but also with new investors who would only invest in companies that demonstrate a commitment to ESG management.

4. How to prepare an ESG report?

Five methodological steps are suggested below for the company to prepare and issue its ESG report. They are arranged according to a pre-established and suggested logic, and are based on the use of the guiding principles and thematic contents developed in chapter 5 of the handbook. The methodological steps may be modified or adapted to the circumstances that the company deems most appropriate and useful.



1 Establish the work team

Step 1

The company should define a project leader and ensure that he/she has the necessary resources. The leader should have communication and reporting mechanisms to the division responsible for overseeing and monitoring the ESG reporting process. It is recommended that this division has knowledge of ESG factors, ESG reporting frameworks and standards, reporting, control and assurance mechanisms and procedures.
Under the coordination of the team leader, it is advisable to form a task force made up of representatives from different areas, who should provide information for the preparation of the ESG report. The support and participation of the Chief Executive Officer, the board of directors and/or its committees in this task force is essential to empower the project leader.

Use of guiding principles
Resposibility and oversight-the company must take into account the "Responsibility and oversight" principle of subsection 5.1.1.

2

Defining the audience

Step 2

Preparing ESG information for an investor is not the same as preparing information for a customer, a supplier, an employee or the community. The company must identify and understand which stakeholders are demanding information, and to whom the ESG report will be addressed. This is critical to understand the quality and quantity of information that needs to be prepared, and to comprehend the need to increase the reliability of ESG information with external verification processes.

Use of guiding principles

Clarity in relation to the business value: the company must take into account the principle 5.1.2 " Identifying and understanding the audience".

Quality and credibility: the company must take into account section 5.1.5 corresponding to "Frequency of reporting and quality of information" and "Evaluation and assurance".

3

Determine material issues

Step 3

Prior to the information gathering process, and based on the comprehension of the audience, the company must identify the material ESG[4] topics on which it will gather information. For this process, section 5.2. "Thematic content" offers a preliminary list of relevant topics, which could be material for the company according to its own analysis and interpretation.
As part of the analysis, the company should select performance indicators that allow to understand the extent to which business activities translate into economic, environmental and social impacts and, in this way, to argue and better understand the material issues. The information in section 6.3. "Setting frameworks and standards in relation to content, audience, and materiality" may be useful in identifying and using performance indicators based on internationally recognized frameworks and standards, where the GRI indicators and the IFRS Foundation SASB Standard tend to be the most commonly used.

Use of guiding principles

Clarity in relation to the value of the business: the company must take into account section 5.1.2 "Support for corporate strategy".

Materiality: the company must take into account section 5.1.3. corresponding to "Identification of material issues" and "Adoption of performance indicators".

Quality and credibility: the company must take into account section 5.1.5 "Commitment to continuous improvement".

Gathering information

Step 4

Once the company has understood its audience and the material issues, it can begin the information gathering process. This process should aim to cover the following aspects for each of the material topics: context information[5], corporate and management system information, performance information for the reporting period and quantitative information based on the indicators selected according to step 3 described above. The information in section 6.2. "Global basis for ESG financial information disclosure" may be useful to understand the quantity and quality of information to be collected.

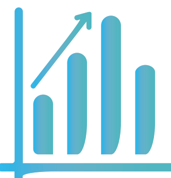
Use of guiding principles

Materiality: the company should take into account section 5.1.3 "Performance indicators reporting and its context.

Quality and credibility: the company must take into account sectin 5.1.5 "Internal ESG data gathering and management processes".

5

Prepare report and communicate



Step 5

When all the information has been compiled, the company will be in a position to comply its ESG report and submit it to the necessary internal review processes, and to the external verification processes if defined as necessary according to Step 2, and then start the communication process to its stakeholders. The feedback of lessons learned from the impact generated can be of great value to give stakeholders a voice in future decision making.

Use of guiding principles

The company must take into account the “Accessibility” principle of subsection 5.1.4.

Quality and credibility: the company must take into account section 5.1.5 "Evaluation and assurance".

5. What should an ESG report contain?

This chapter provides resources and references that the company should consider when preparing its ESG report.

5.1 Guiding principles for the preparation of reports

Refer to recommendations and criteria that companies should consider when preparing and issuing an ESG report. Compliance with these principles will help the company to issue ESG reports with increasing quality and effectiveness. ANNEX 2 provides resources and questions that the company can use to work on each of the principles.

The following are the guiding principles that companies should consider when preparing ESG reports (SSEI, 2015; WFE, 2018):

Responsibility and oversight

The definition of the team in charge of the ESG reporting implementation project is fundamental. Furthermore, the involvement and commitment of the board of directors is a key feature to inspire credibility and trust of potential users of the information disclosed by the company. The following are the key elements that the company should consider.

Implementation team

As a first practical step, it is useful to determine within a company the roles, responsibilities and capabilities that are relevant to ESG reporting, including the identification of appropriate personnel and the coordination among them. Countless companies started ESG reporting from the bottom up and evolved to full acceptance at the highest level of the company. Different departments (finance, investor relations, environment, communications, institutional, human resources, legal, sustainability, risk management, and internal audit) can make valued contributions to the outcome of the report. It is feasible that lower level collaborators may participate in representation of different departments, which may have a particular interest and incentive in participating in the project, as well as representing the interests of their area and being an opportunity to develop new capabilities.

Commitment and responsibility of the Board of Directors

The Board engagement and leadership in reporting on ESG factors lends credibility to a company's assertions about its sustainability commitments and performance. Its involvement reflects that risks and opportunities are considered at the highest level and is an indicator of overall good governance. In order to assess the quality of management, many investors value not only ESG performance and the quality of disclosures, but also the governance or management of these issues by senior executives.

Clarity regarding business value

ESG reports should provide clarity on how the company creates value from a multi-capital management perspective[8]. For this purpose, they must be a practice that contributes to the corporate strategy and responds to the audience that will use this information.

Support for corporate strategy

ESG reporting helps a company to inform decision-making and address various objectives in relation to managing internal and external stakeholder expectations. The information gathering process strengthens internal information systems and benefits a company's management. To capitalize on these opportunities, a clear linkage of ESG factors with strategic objectives, business model, risks, opportunities, operational indicators and financial performance is required. This linkage increases a company's ability to identify and manage risk, evaluate and measure success, and identify future challenges and opportunities.

This handbook is a guideline for companies to respond to the ESG information requirements of the different providers of financial capital, whose expectations are usually defined based on financial metrics and indicators. For this reason, the recommendations presented here are intended to cover ESG reporting requirements from a "financial materiality" perspective. However, the CNV recognizes the importance of "impact materiality" and "double materiality", and encourages companies to consider adopting "double materiality" (see next page).

Identifying and understanding the audience

When considering the presentation of ESG information, it is important to remember that while all stakeholders can benefit from this information, there may be different needs among them.
In the case of investors with a long-term investment horizon, they may be particularly interested in information on related risks, for example, on how climate change may affect the company in the medium or long term. Other investors may only be interested in the material information that is disclosed in a financial report, or they may also want complementary and detailed information on ESG issues in an independent report.
These considerations are important from the beginning of the reporting process, because will help define the content, scope and format of the reports, as well as the engagement efforts to achieve the company's stated objectives. Investors are also interested in how a company communicates with other stakeholders, especially those who may have a material impact on the company's operations (e.g., workers, consumers, civil society, governments).
Additionally, there may be other stakeholders that have expectations regarding the company's ESG management, such as customers, risk rating agencies, regulators, communities, among others. Therefore, it is advisable for the company to take a broad consideration when identifying the audience to which it will respond through ESG reporting.

Materiality

In order to understand the company's value creation process, understanding the relevance and materiality of the information for stakeholders is a key aspect in determining the scope and content of ESG reporting.
The concept of materiality comes from financial accounting. According

to the International Financial Reporting Standards (IFRS), *"information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity"*.

With respect to ESG reporting, different organizations have varying interpretations and recommendations on how the financial accounting concept of materiality could be applied to ESG reporting. Similarly, stakeholders have different views on which ESG factors are material to a company. However, there are two perspectives of materiality that companies can use when defining material ESG information, and on which they are required to report:

Financial materiality

Refers to those ESG factors that could have a significant impact (positive or negative) on the company's business model and value creation drivers, such as: sales growth, profitability, cash flow and financial risk.

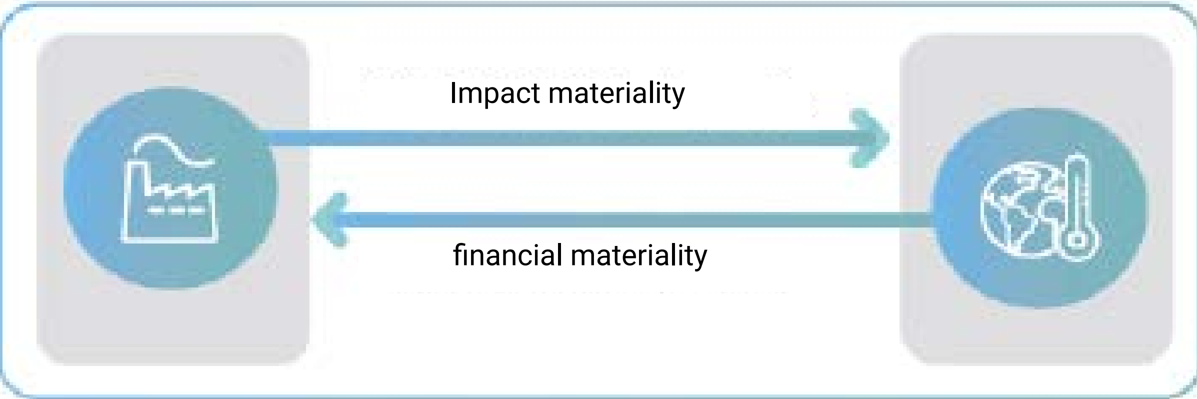
This materiality usually relates to what financial investors are interested in/need to know. It is a materiality criterion intended to meet the needs of users whose primary objective is economic decision making.

Impact materiality

Refers to those aspects of the business and/ or company that have an impact on people, society and the environment.

This perspective focuses on the interests and expectations of multiple stakeholders. It involves establishing a joint agreement with these parties regarding material sustainability issues and associated disclosure requirements, in order to identify the relevance of a company's negative and positive contributions to sustainable development.

In other words, the "impact materiality" approach requires companies to report how their activities impact people, society and the environment ("inside-out" perspective). In contrast, the "financial materiality" approach requires the company to report how ESG factors affect financial results, financial position and business performance ("outside-in" perspective) (EC, 2021).
Under the "financial materiality" perspective, the company outlines the subgroup of ESG issues that are material to company value creation, recognizing that some performance on these issues may already be reflected in the Financial Statements (IMP, et al., 2020). This includes identifying ESG factors that are likely to affect a typical company's financial position, performance or risk profile (IMP et al. (2), 2020). This perspective is the one currently adopted by the ISSB of the IFRS Foundation[5].
From an "impact materiality" perspective, the resulting information can serve a wide range of users and targets, and is often of most interest to citizens, consumers, employees, business partners, communities and civil society organizations. Reports where this information is disclosed are often referred to as "Sustainability Reports" (IMP et al., 2020).



EXAMPLE ☑

Climate change and different perspectives on materiality (Impact Management Project et al (2), 2020).
As society becomes more aware of global warming, corporate GHG emissions are becoming more relevant to different stakeholders from an impact materiality perspective. At the same time, from a financial materiality perspective, investor interest is growing in relation to corporate strategies for a transition to a zero GHG emissions world, and their implications for corporate market value and investment returns.

Based on the two definitions above, the third materiality approach emerges: double materiality, which is being adopted by the European Union and the GRI, and consists of adopting both financial and impact materiality perspectives when determining the ESG factors on which to report.

It is important to note that materiality is considered a dynamic concept. ESG factors that a company once considered immaterial to its disclosure may become material (Impact Management Project et al, 2020). Dynamic materiality (Bala et al. 2020) is the concept whereby companies, industries and sectors have a unique materiality that evolves over time because of different factors, such as: changes in business models, in consumer preferences, emerging technologies and new regulations. Dynamic materiality is driven by how stakeholders respond to events, behavior and externalities experienced in relation to a company or an industry. And in this sense, also many aspects that were relevant from an impact materiality perspective may become relevant from a financial materiality perspective.

Identification of material issues

The identification of relevant issues is the starting point for determining material ESG factors. Information is "relevant" when it can influence the opinion or decision of its users, assisting them in evaluating past, present or future events, as well as confirming or correcting their past evaluations. Understanding the audience for which ESG reports are intended is essential to determine relevant issues. Thinking about the different components of a company's value chain can also help to develop a comprehensive understanding of ESG factors that might be relevant to disclose.
Based on the identification of relevant issues, the company should analyze and understand which are key in relation to the process of creating company value, and thus determine the material issues[8].

The company can use a variety of international resources to develop an initial list of relevant ESG issues, either generic or by industry, on which it can begin to assess which may be material to company value creation.

Resources

Source	Resource	Link
SASB STANDARDS Now part of IFRS Foundation	SASB materiality map, by industry	LINK
GRI	Material topics as defined by the GRI, and its sectoral guides	LINK
Pacto Global Red Argentina	10 Principles of the United Nations Global Compact	LINK
OBJETIVOS DE DESARROLLO SOSTENIBLE	SDG	LINK
ISO 26000 RESPONSABILIDAD SOCIAL	ISO 2L000 Standard	LINK
Líneas Directrices de la OCDE para Empresas Multinacionales	OECD Guidelines for multinational Enterprises	LINK
PRINCIPIOS RECTORES SOBRE LAS EMPRESAS Y LOS DERECHOS HUMANOS	United NAtions Guiding Principles on Business and Human Rights	LINK
Corporate Knights; S&P Global	Benchmarking with industry peers	LINK LINK

In addition to material ESG information, a company may decide to report on other items that do not meet the materiality threshold, but are relevant to the company in its operational and/or reputational performance (i.e. brand), or to its stakeholders.

Adoption of performance indicators

In assessing material issues, the company should define performance indicators that allow it to analyze the magnitude of its impacts. Many of them will be later used to demonstrate progress and performance on ESG factors. They can be generic or industry- or company- specific. It is recommended the use of widely accepted indicators developed through a credible national or international process.

GRI and the SASB Standards of the IFRS Foundation have standardized and globally recognized indicators. It is recommended that the company reviews them and evaluates the convenience of implementing them based on the target audience expectations. The CDP, ISSB and TCFD also have specific indicators related to the disclosure of information on the implications of climate change in the company, which could be taken into account.

It is possible that there are no indicators internationally defined by these institutions and initiatives for certain relevant and/or material issues. For these cases, it is recommended that the company evaluates the use of indicators recognized by its relevant industry and, if necessary, its own indicators.

Performance indicators reporting and its context

When reporting performance indicators associated with material ESG issues, stakeholders, and mostly investors, will appreciate information that describes the appropriate context in relation to the material issues, including information on:

- Explanation of the reasons why the issue is material.
- Strategy for approaching the material issue.
- Business risks and opportunities.
- Short, medium and long term objectives.
- Related governance mechanisms.
- Commitments assumed and initiatives to which the company is adhered to.
- Actions carried out during the period.
- Data collection methodologies and the reason for their choice.

As an example, the company could explain the link between ESG metrics and financial performance by demonstrating, where possible, how ESG initiatives drive growth, productivity, and risk management. It could also explain why indicators increased or decreased year after year, and how this might change in the future. Another example could be reporting on challenges, achievements, and also mistakes. In this regard, there are jurisdictions where information on breaches or sanctions to rules and regulations by companies is freely available. If this information is relevant to stakeholders and is not found in the ESG report, its credibility could be affected.

Using more than one channel of communication can be an effective way to ensure that entire target audience gets the information they need.

Accesibility

The right ESG disclosure channels ensure that stakeholders receive relevant, accessible, comparable and timely information. These depend on the company's regulatory context and its business and communication strategy. They also depend on different information needs and interests. This is why it can be beneficial to use different dissemination channels. Even though it is not a mandatory requirement, the company may decide to include certain ESG information in its financial disclosure reports, based on its own analysis of its stakeholders' information needs and expectations.

To achieve greater accessibility to international stakeholders, ESG information can be disseminated, in addition to the official language, in a language widely spoken globally and deemed more convenient by the company.

ESG information report	Financial Statements with ESG material factors	Integrated Report[9]
They address the information needs of investors and other stakeholders, such as consumers and civil society, on material ESG issues.	Information regarding material ESG factors is included in the Financial Statements.	It interconnects sustainability information with financial information, explaining how the company's strategy, governance, performance and future projections lead to the creation of value in the short, medium and long term, in the context of its external environment.

It is important to ensure consistency between the information provided through different communication channels[10] and the information readily available and easy to find[11].

In general, reporting is most effective when the language and manner in which information is presented is clear and relevant to investors and stakeholders, and connects to an understanding of a company's ability to create value in the short, medium and long term.

Quality and credibility

Making commitments to the quality and credibility of ESG information, and developing processes and management systems to support these commitments, is essential for efficient and effective ESG accountability, with consistent metrics and verifiable targets to assess the credibility of the company's stated commitments. The company must take into account the following key aspects.

Internal ESG data gathering and management processes

Better data leads to more consistent metrics and verifiable objectives, and as a consequence, to better decision making and overall performance. It also helps to increase the credibility of the company's stated commitments to investors and stakeholders.
It is advisable to evaluate the capabilities of existing internal systems to collect concise, reliable and complete ESG data. Companies can use of the assessment systems underpinned by internal audit, risk management and data control processes and resources. If internal systems are not sufficiently prepared to support the new demands for ESG information, the company can define as a medium- or long-term objective investing in capacity building in this area.
It is possible that the company does not yet have certain ESG information available. For these cases, the entity can explain this situation and its remediation plans for future reporting.

Commitment to continuous improvement

Systematic stakeholder engagement in the determination of ESG factors improves the responsiveness and usefulness of corporate information. Participatory processes properly accomplished can contribute to a better understanding and knowledge by the company about its strategic partners and available resources and help strengthen stakeholder relations, by increasing the level of trust in the company's actions and reporting.

Frequency of reporting and quality of information

Investors require ESG information to be consistent, clear and comparable. Companies should consider the following aspects when reporting:

• Accuracy of reported data.

• Comparability and consistency of information: is convenient to report using internationally recognized ESG disclosure standards, adapted to the local context as necessary.

• The reports should be aligned with the annual financial reporting cycle. Some companies provide ESG information in an integrated manner to the Financial Statements.

Evaluation and assurance

ESG reporting is more credible if resources permit robust external evaluation processes.
With respect to evaluation processes, an internal audit committee, or group of persons independent of the department/division in charge of measuring and collecting the information, may review the ESG disclosure made by the company.
External assessment implies the availability of additional financial resources and a higher level of demand on the company's ESG reporting processes. Although it helps to strengthen the credibility of the reports, it may be more beneficial for the company to start with ESG reports without external assessment, given the contextual situation and convenience.

It is better to start disclosing ESG information without external evaluation than the contrasting scenario of doing nothing.

5.2 Thematic contents

In determining material issues, companies should consider a broad and diverse set of ESG factors. A summary description of each of the chapters that make up ESG factors is provided below to help the company understand which relevant issues could be material to its business.

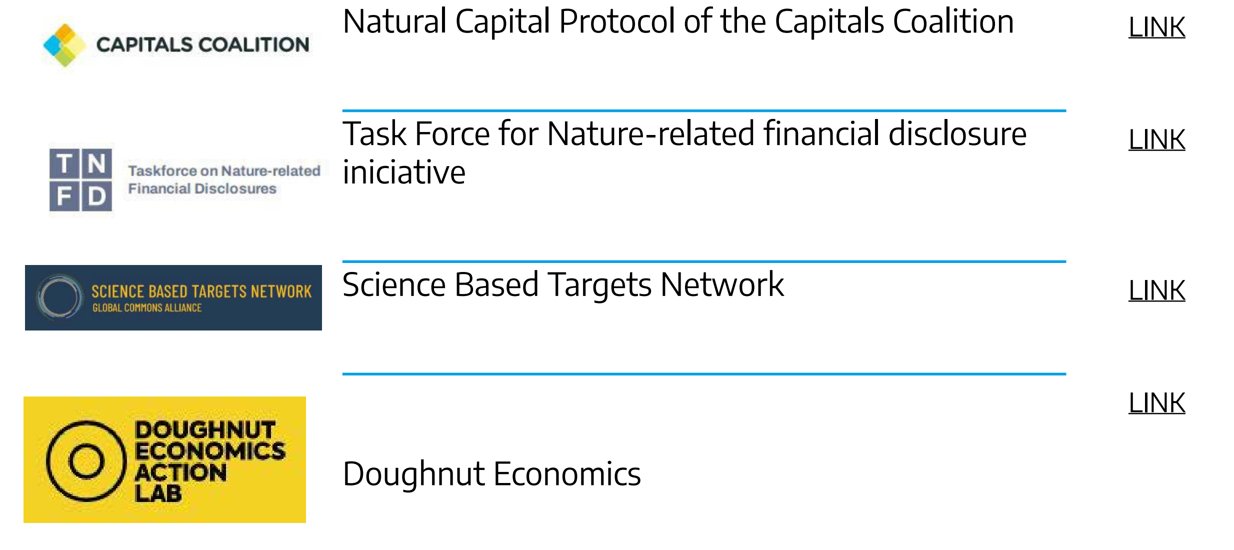
Environment

Environmental issues refer to any aspect of a company's business that is related to nature.
The main risks or opportunities are associated with the Natural Capital impacts and needs of a company, which is made up of the available natural resources that combined to generate a flow of benefits for people, society and the economy in general.
A company's business may be highly dependent on certain natural assets and their ecosystem services10, such as water, soil, energy, biodiversity, minerals, climate regulation, pollination, recreation. It can also have a high impact on them through air pollutant emissions, water sewage, waste, among others. From the analysis of impacts and dependencies that the business has in relation to natural capital, the company will be able to understand the associated risks and opportunities, and the costs and benefits derived from its management (Natural Capital Coalition, 2016).

RELEVANT ENVIRONMENTAL ASPECTS

Source: GRI, SASB, World Federation of Exchanges

For further information on the issues that a company should manage and disclose in relation to the "environment" aspect, please consult:



Social

Social issues refer to any aspect of a company's business that is related to human and social development.

The main risks and opportunities are associated with the management of social and human capitals. Social capital refers to norms, values and common understanding shared by the work networks that make up the entity's social frame. Human capital refers to an individual's knowledge, skills, competencies and attributes. These resources must be maintained and enhanced to make society more cohesive and resilient[12] and businesses more successful.

Impacts on social and human capital can be described as the extent to which a company, through its actions or decisions, contributes positively or negatively to a persistent change in the well-being of people living in society (capabilities, relationships, health, etc.). Regarding the dependence on these capitals, companies depend, for example, on healthy and qualified workers, on their customers, on social relations, on the trust they transmit and on the establishment of the rule of law.

RELEVANT SOCIAL ASPECTS

Human Capital		Human Rights	
	Labor practices		Human rights
	Worker health and safety		Community
	Diversity, inclusion and equal opportunities		Accesibility and affordability
	Educationand training		Product safety and quality
			Customer health
			Selling and internships
			Data security

For further information on the topics that a company should manage and disclose in relation to the "Social" aspect, please consult:

Resources

CAPITALS COALITION	Capitals Coalition´s Social and Human Capital Protocol	LINK
TNFD Taskforce on Nature-related Financial Disclosures	Task Force for Inequality-related financial disclosure	LINK
THE DANISH INSTITUTE FOR HUMAN RIGHTS	Danish Institute for Human Rights	LINK

Governance

Governance is the set of practices, processes and structures by which companies are directed and controlled. It involves a series of relationships between the company's management, its board of directors, shareholders and other stakeholders. In this sense, investors are those who provide capital to the company, and may have the ability to elect and remove members of the board of directors. The board is the corporate body at the heart of the company's corporate governance framework and is indispensable for ensuring that all components of good governance function effectively - e.g., control environment, transparency and disclosure practices, gender equity, minority shareholder protection, etc. -, providing the leadership and necessary oversight to meet corporate objectives. Its function goes beyond being just the link between the rest of the corporate bodies (CNV, 2019).

From an ESG perspective, investors and other stakeholders have an interest in understanding the role of the company's board in overseeing these issues. Disclosure of governance information from an ESG perspective serves as a basis for assessing whether these issues are receiving appropriate attention from the board and management (JSE, 2021). This is why governance practices include the board's responsibility and commitment to the strategic management of social and environmental performance (LSE, 2021).

It is also worth mentioning that, considering the progress made in gender equality in the global agenda as part of corporate governance, the CNV has not lagged behind, since it has an active participation in this matter. In this sense, CNV has settled practice No. 13 and its orientation in the new Corporate Governance Code[13] (CGS), whose content is focused on equality between men and women, with the aim of introducing companies on the importance of gender diversity on boards of directors to be in line with good Corporate Governance practices. The CGS recommendations seek to ensure that companies not only consider the composition of the board, but also the fairness in the remuneration of its members and the possibility for women to have access to leadership positions on the board, such as the chairmanship of the body or some of its committees. Transparency and disclosure on board diversity is an important element for investors and reflects the professionalization of the body.

RELEVANT GOVERNANCE ASPECTS

- Diversity and composition of the Board of Directors
- Traditional and ESG compensation incentives
- ESG compliance and risk management
- Tax transparency
- Stakeholder engagement
- Ethics and anti-corruption
- Privacy in the use of data
- Supply chain
- Audit, assurance and external evaluation of information
- Gender equity

5.3 What do investors look for in ESG reports?

Investors prefer information to come directly from companies, not from third parties. If there is something good or bad to report, they prefer the news to be communicated by the company and not by third parties that could be affected. This is why investors value more transparent and higher quality ESG disclosures on a broad set of issues that affect the risk, performance and company value. In relation to the quality of information investors value some of the following characteristics (International Integrated Reporting Council, 2017; BVC, 2020):

- Information and indicators elaborated under industry-specific criteria and standards (by for example, SASB and GRI). This allows them to compare information between companies in the same industry.
- Information that focuses on measurable performance factors, such as regulation, costs, and risks.
- Information explaining the links between broader risks and expected performance.
- Information that has been verified by the company top executives, for example, the board of directors or the audit committee, and externally verified. The latter increases the level of investor confidence in the company's information.

- Reporting information that reflects an integrated ESG approach in the organization and not just isolated actions. To this end, the information reported should demonstrate the link between ESG factors and the organization's strategy.
- Investors find useful that information has links between strategic objectives, risks, key performance indicators, and the company's financial statements.
- They value not only short-term performance information, but also information that enables medium- and long-term assessment of the organization's maturity and ability to manage risks and take advantage of ESG opportunities, including scenario analysis.

The examples mentioned above are not the only ones. It is suggested to use the principles of section 5.1 of the present Handbook, so that the company can improve the reliability and relevance of the information required by investors over time. The following table shows an example of summarized and interconnected information between the material ESG topic, performance indicators according to international standards, their link to the SDGs, and the explanation of the context in relation to the material topic. In addition to the information in the table, the company could explain its governance arrangements, strategy, risk management, and corporate objectives in relation to the material issues.

ASG Affairs	Indicator	ODS	Context
GHG emissions	GRI 305 - I Direct GHG emissions: gross value of direct GHG emissions (Scope 1) in metric tons of CO2 equivalent. SASB IF-EU-110a.2. Greenhouse gas (GHG) emissions associated with energy supply	SDG 13 Climate Action SDG 9 Industry, Innovation and Infrastructure	-Paris Agreement -National emission reduction commitments
Occupational health and safety	GRI 403-3 Workers with high incidence or high risk of diseases related to their activity. SASB IF-EU-320a.1. (1) total recordable incident rate (TRIR), (2) mortality rate and (3) quasi-frequency rate accidents (NMFR)	SDG 3 Health and well- being SDG 8 Decent work	- Context of pandemic and preemptive isolation - National occupational health and safety standards

6. Trends in ESG reporting frameworks and disclosure standards

This chapter provides a summary of the current international situation of the developing ESG disclosure frameworks and standards, and in ANNEX 1 the main institutions, frameworks and standards that are involved in this process. Both this chapter and the annex could help the user of this handbook to better understand the existing regulatory-institutional map for ESG reporting, possible trends, and thus frame the company's own report using the framework and standard of reference it deems most appropriate, according to the understanding of the audience and information it decides to report.

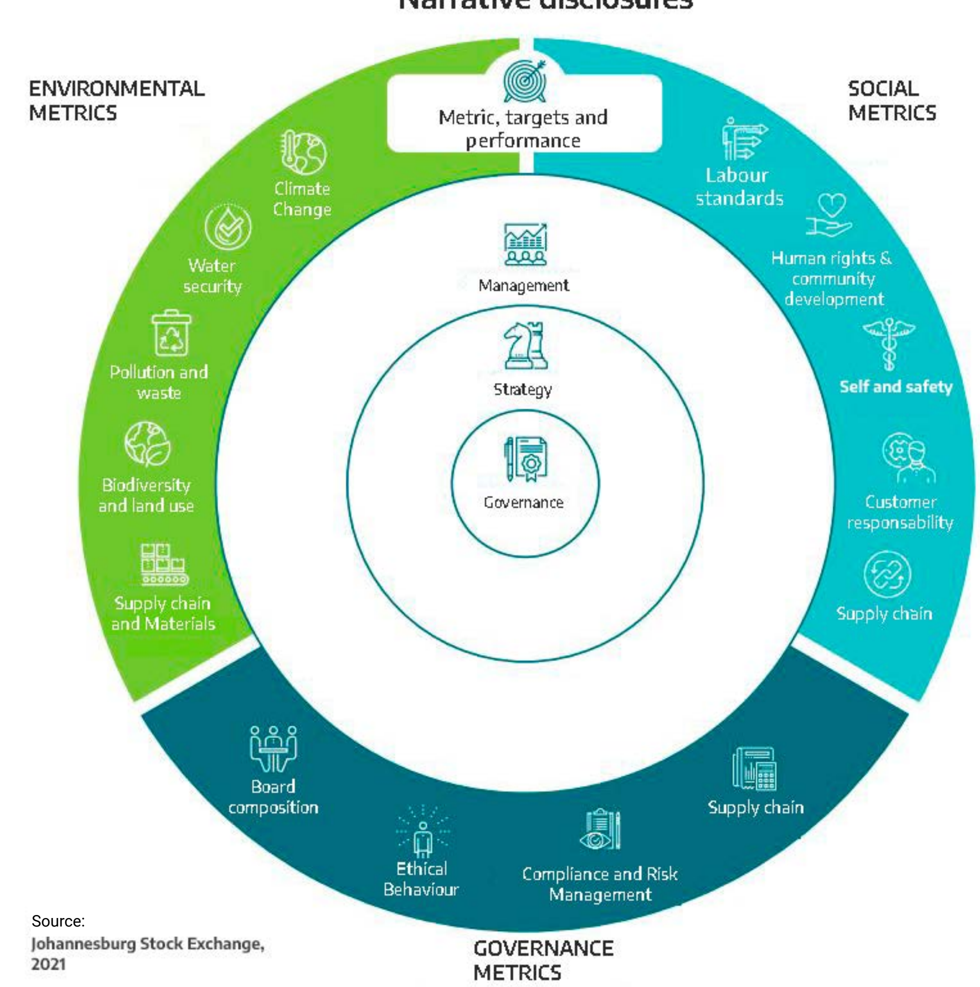
For several years now, and in particular since 2019, the institutions that played the leading role in the development of ESG disclosure frameworks and standards (GRI, Sustainability Accounting Standard Board, CDP, CDSB, International Integrated Reporting Council) have been working on the search for alignment with the aim of achieving a single general ESG disclosure framework that can be used across all companies. This alignment and unification of criteria would increase the comparability of information for investors, companies within the same industry sector and other stakeholders.
In order for the Handbook to remain valid over time despite the changes that are occurring, this chapter aims to help the company understand the context, state of the art and trends related to ESG disclosure frameworks and standards. For this purpose, the following sections will be developed: 6.1. institutional mergers, 6.2. global basis for ISSB's financial disclosure of sustainability information, and 6.3. normative framework related to content, audience and materiality.

6.1 Institucional mergers

Given the need to strive for convergence and to develop consistent and uniform ESG disclosure frameworks and standards (IOSCO, 2019), in 2019 the institutions GRI, Sustainability Accounting Standard Board, CDSB, CDP, and International Integrated Reporting Council started working together with the intention of identifying common topics between their different frameworks and standards regarding ESG disclosure. For this purpose, they took as a framework for analysis and comparison the four climate disclosure pillars of the TCFD: Governance, Strategy, Risk Management, and Metrics and Objectives. The use of these four pillars is recognized as a useful structure for organizing financial reporting related to climate and ESG factors, as they represent core elements of how organizations operate (IMP, 2020).
In 2021, the CDSB, VRF[14], and the IFRS Foundation initiated a merger process for the unification and convergence of standards and rules, which resulted in the creation of the ISSB, under the IFRS Foundation. As a result of this merger, the leading institutions in the development of sustainability frameworks and standards are the GRI, the CDP, and the IFRS Foundation through the ISSB and in conjunction with the SASB and IIRC. There are also the recommendations of the TCFD and EFRAG, which is the body in charge of developing frameworks and standards for ESG information disclosure for the European Union[15].

6.2. Global basis for ESG financial information disclosure

At the date of publication of this handbook, the ISSB is analyzing the possibility of using for future developments of frameworks and standards, a global basis for sustainability (IFRS 1) and climate change (IFRS 2) disclosures based on the four pillars recommended by the TCFD: corporate governance, strategy, risk management, and metrics and objectives (TRWG, 2021). This "global basis" should be able to provide a complete, neutral, accurate, comparable and interconnected description of the risks and opportunities associated with the company's material ESG factors (relating to financial materiality), and climate change. In other words, for each material ESG issue that the company identifies (including climate change), the information to be disclosed should describe its consideration and treatment for each of the four pillars. The contents to be disclosed in each of them are summarized below.



Source: Johannesburg Stock Exchange, 2021

GOVERNANCE

The objective is to enable users of ESG financial reporting to understand the governance processes, controls and procedures used to monitor and manage ESG and/or climate change risks and opportunities. Such information supports assessments of whether ESG and/or climate change financial risks and opportunities receive adequate oversight by those in charge of corporate governance.

STRATEGY

The objective is to enable users of ESG financial information to understand the entity's strategy for addressing significant risks and opportunities related to ESG factors and/or climate change. Such information supports assessments of whether risks and opportunities in these areas are incorporated into the entity's strategic planning and shape its strategy.

RISK MANAGEMENT

The objective is to enable users to understand how financial risks related to an entity's existing and emerging ESG and/or climate change factors are identified, assessed, managed and mitigated, and to understand whether these processes are integrated into the existing risk management system. This information helps its users to assess the company's overall risk profile and risk management activities.

METRICS AND OBJECTIVES

The objective is to enable users to understand how an entity measures and monitors its significant financial risks and opportunities related to ESG factors and/or climate change. This information helps its users to assess the entity's progress and performance in relation to these issues.

The work being done by ISSB will be based on the SASB and IIRC industry indicators. It will also be based on the IFRS Foundation's Integrated Reporting Framework to connect sustainability financial reporting with traditional financial reporting.

6.3. Normative framework related to content, audience and materiality

ANNEX 1 presents the main institutions, frameworks and standards currently existing (after the mergers explained in previous sections) in relation to the disclosure of ESG information by companies and organizations in general. In order to have a better understanding of the selection and use of the frameworks and standards of these institutions, possible configurations are presented:

- Interpretations of materiality developed in subsection 5.1.3.
- Target audience for ESG information, as discussed in subsection 5.1.2.

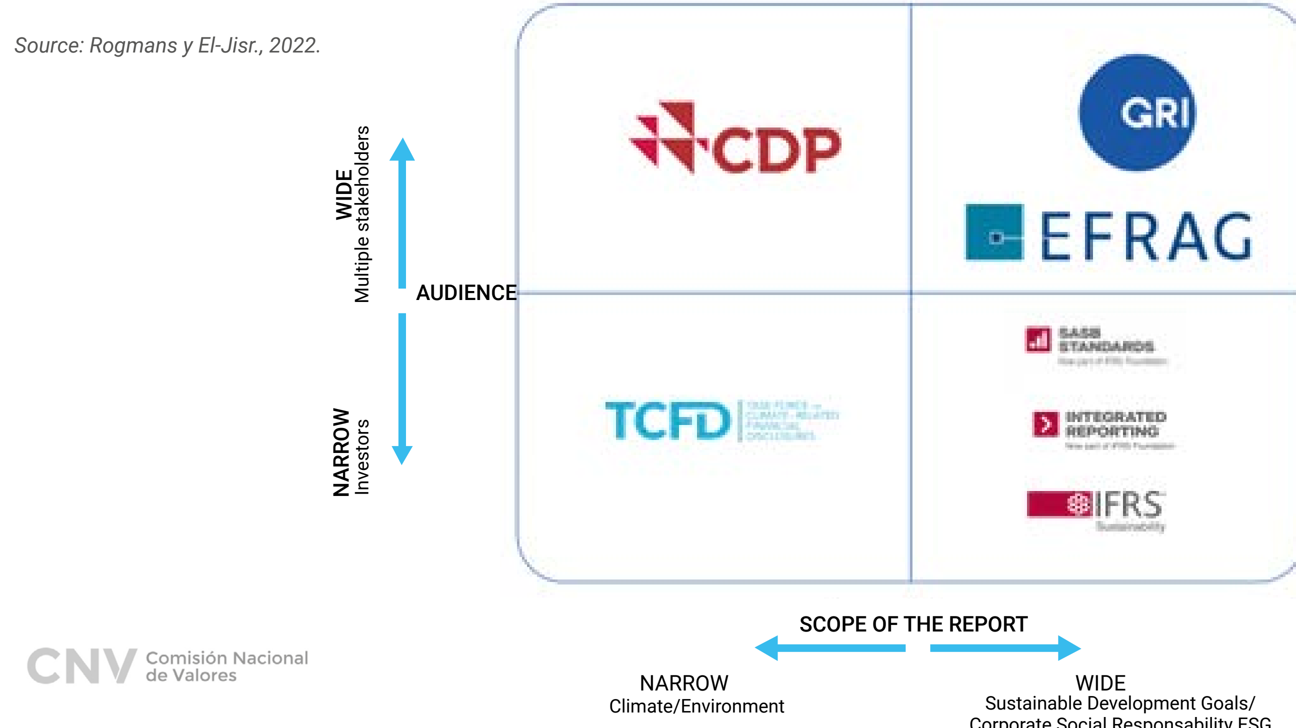
In relation to materiality interpretations and perspectives, the only institutions, frameworks and standards that adopt impact materiality and double materiality are the GRI, CDP and EFRAG for the European Union. The rest use the financial materiality perspective.

MATERIALITY PERSPECTIVES OF THE DIFFERENT INSTITUTIONS, FRAMEWORKS AND STANDARDS

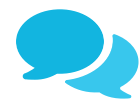
Source: Own elaboration based on Impact Management Project et al., 2020, p. 8; y TCFD, 2017, p. 61

The figure below summarizes the possible configurations regarding the audience focused by the different institutions, frameworks and standards, and the scope of the issues addressed. Thus, the TCFD, the IFRS Foundation SASB Standards, the "IFRS Foundation Integrated Reporting Framework", aim to provide information mainly to investors, adopting the interpretation of financial materiality. The CDP, the GRI and the EFRAG focus on multiple stakeholders, i.e. they adopt the materiality interpretation of impact and double materiality. In turn, the CDP and TCFD focus on the disclosure of specific information associated with environmental and climate issues, while the others address broad and comprehensive ESG-related issues (including environmental and climate issues).

Source: Rogmans y El-Jisr., 2022.



7. How to report climate change information to investors?



This chapter provides minimal guidance on the main aspects that the company should consider when disclosing climate-related information.

Given the financial risks arising from climate change, the business and investor environment is not only demanding ESG information from companies, but also specific information on how they are including the implications of climate change in their business strategies. Investors expect financial reporting aligned with the Paris Agreement, i.e., accountabilities that adequately reflect the impact on assets, liabilities, profits and losses of reaching zero net carbon dioxide emissions by 2050 (IIGCC, 2020).
Businesses depend on natural capital, so it must be considered when determining and reporting their climate-related risks (EC, 2019). For example, the OECD's 2021 report states that energy management, which is closely related to GHG emissions, is an environmental risk that is likely to be significant for 33 of the 77 industries classified by the IFRS Foundation SASB Standards. In its analysis, the OECD concludes that these risks would be accounting for half of the 2020 global market capitalization. The following table summarizes the industries that have the most potential to be affected by climate change, according to TCFD (2017) recommendations:

Energy	Transport	Material and construction	Agriculture, Food and timber products
• oil and gas • coal • utilities	• Aire transport • Maritime transport • Railway transport • trucks services • Automobile and auto parts industry	• metals and mining • Chemical substances • Building materials • Capital goods • Real State	• Beverages • Agriculture • Packaged foods and meat • Paper and wood products

The TFCD guide is useful for climate change financial disclosure purposes. As such, it should be considered as a material topic by its own, and should be used as the basis for a climate-related disclosure report using the criteria, resources, and concepts developed in this handbook. However, due to the specific characteristics of the topic, the following is a summary with references and resources, that companies could use and consult in case such information is required by their investors.

TCFD RECOMMENDATIONS AND PUBLICATIONS

RESOURCES

Recommendations of the working group on climate-related financial declarations. Year 2017.	LINK
Guidance on implementing the recommendations "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures". Year 2017.	LINK
Technical Supplement "The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities". Year 2017	LINK
Guidance on implementation of the recommendations "Guidance on Scenario Analysis for Non-Financial Companies". Year 2020.	LINK
Guidance on implementation of the recommendations "Guidance on Risk Management Integration and Disclosure". Year 2020.	LINK
Annex "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures". Year 2021	LINK

In relation to the risks, opportunities and related financial impact, the TCFD recommendations focus on the following:

	TRANSITION RISKS	PHYSICAL HAZARDS
RISKS	The transition to a low-carbon economy can involve major political, legal, technological and market changes, necessary to address climate change mitigation and adaptation requirements. Depending on the nature, speed and focus of these changes, transition risks can pose financial and reputational risks of varying levels for organizations.	Physical risks from climate change can lead to events (severe or extreme) or long-term (chronic) changes in weather patterns. Physical risks can have financial implications for organizations, such as direct damage to assets or indirect impacts caused by interruptions in the production chain. The financial performance of organizations can also be affected by changes in water availability, supply and quality, food safety and extreme temperature changes affecting infrastructure, operations, the supply chain, transportation and the safety of the company's employees.

OPPORTUNITIES

Efforts to mitigate and adapt to climate change also create opportunities for organizations, for example, through resource efficiency and cost savings, adoption of low-carbon energy sources, development of new products and services, access to new markets, and building resilience along the entire supply chain. Climate-related opportunities will vary depending on the region, market and industry in which the company operates.

SOURCE: TCFD, 2017

8. Final considerations

Currently, ESG factors are a fundamental aspect to be considered by companies, since it has been proven that their proper management tends to generate a lower cost of capital, higher profitability and lower exposure to tail risks.[16]

Disclosure of such information is a trend that is here to stay, and is valuable in contributing to informed decision-making by investors and other stakeholders.

In this line, there is an increase in the number of asset managers dedicated to sustainable investment who require more and better information related to ESG aspects, both locally and internationally, in order to incorporate them into their investment analysis.

Consequently, this handbook is intended as an accompanying tool to address the growing demand and drive the growth of ESG information in our local market.

Finally, it should be noted that, although disclosure of ESG information is a mandatory requirement in other countries in the region, the CNV opted to support its regulated entities beforehand, in order to move forward in accordance with international trends that establish its mandatory nature.

ANNEX I

ANNEX I: Institutions, frameworks and standards related to ESG disclosures

CARBON DISCLOSURE PROJECT (CDP)

CDP is an organization that supports companies and cities in disclosing the environmental impact of their activities. Its objective is to make environmental information and risk management a standard in decision making, and to promote disclosure, knowledge and action towards a sustainable economy. It has three information platforms according to area of interest: Climate Change, Water, and Forests. These platforms, in turn, are designed to gather information in two segments of entities: cities and the private sector. In relation to the private sector, at the request or requirement of clients, investors, or on a voluntary basis, companies annually disclose information on the CDP platform regarding the implications of their activities in any of the aforementioned areas of interest.

Source: https://www.cdp.net/en/info/about-us

EUROPEAN FINANCIAL REPORTING ADVISORY GROUP (EFRAG)

EFRAG is a private association established in 2001 with the encouragement of the European Commission (EC). In 2022 it expanded its mission, following the new role assigned to it in the European Commission's proposed Corporate Sustainability Reporting Directive in April 2021, by providing technical advice to the EC on European Union (EU) sustainability reporting standards. EFRAG's activities are organized in two pillars. One pillar related to financial reporting, which aims to influence the development of IFRS standards from a European perspective, and to provide advice on endorsement on IFRS standards to the EC. And the second pillar related to sustainability reporting, which aims to develop draft EU sustainability reporting standards and related amendments for the EC.

Source: https://www.efrag.org/About/Facts

IFRS FOUNDATION

The IFRS Foundation is a not-for-profit public interest organization established to develop a single set of high-quality, understandable, enforceable and globally accepted accounting and sustainability disclosure standards, and to promote and facilitate the adoption of the standards. The IFRS Foundation's standards are developed by its two standard-setting boards, the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB).

Source: https://www.ifrs.org/about-us/who-we-are/

INTERNATIONAL SUSTAINABILITY STANDARD BOARD (ISSB)

The ISSB is the IFRS Foundation's body responsible for developing future IFRS sustainability disclosure standards. These standards aim to establish how a company discloses information about sustainability-related factors that can help or hinder a company's value creation. The ISSB is born in November 2021, from the merger of the VRF and the CDSB announced by the IFRS Foundation.

Source:https://www.ifrs.org/groups/international-sustainability-standards-board/

INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

The IASB is an independent group of experts whose objective is to develop International Financial Reporting Standards (IFRS). IFRS are the most internationally recognized technical accounting standards, adopted by most of the world's publicly traded companies. They establish how a company prepares its financial statements.

Source: https://www.ifrs.org/groups/international-accounting-standards-board/

GLOBAL REPORTING INITIATIVE (GRI)

The GRI developed a framework for organizations to report their economic, environmental, and social performance. The GRI standards were designed to be used by organizations of any size, sector or location, with the objective of being accountable to multiple stakeholders in relation to material issues, i.e., that are of interest and relevance to both stakeholders and managers of the entity. GRI has planned the development of sectoral standards for 40 industries. To date, those corresponding to the following have been published: Oil and Gas, Coal, Agriculture-Aquaculture-Fisheries, and is in the process of developing Mining.

Source: www.globalreporting.org/standards/sector-program

INTERNATIONAL INTEGRATED REPORTING COUNCIL

This institution developed a framework of guidance and principles for companies on how to integrate financial and non-financial information, using the "6 capitals" model. This framework recognizes that in the value creation process the entity, in addition to using and generating economic- financial capital, also uses other types of capital, such as: intellectual capital, physical capital, natural capital, social and relationship capital, and human capital. In this sense, under this conceptual framework, entities must report non-financial information explaining how their value creation process impacts on the six capitals, which may be to a greater or lesser extent depending on the characteristics of the entity's operations. Unlike the GRI, this conceptual framework is based on principles and not on standards, i.e., it defines the main guidelines on which an integrated report must be based, although it does not provide technical specifications as the GRI does on different aspects related to economic, social and environmental impacts. In June 2021, the Sustainability Accounting Standard Board and the International Integrated Reporting Council merged to create the Value Reporting Foundation (VRF).

Source: https://www.valuereportingfoundation.org/

SUSTAINABILITY ACCOUNTING STANDARD BOARD

This Council was a U.S.-based organization incorporated in July 2011 for the purpose of establishing industry-based sustainability standards for recognition and disclosure of environmental, social and governance impacts. This organization developed standards for use by U.S. publicly traded companies, becoming an internationally recognized standard. Its body of standards is sectored by industry, covering 77 different industries. SASB standards focus on sustainability issues that are reasonably likely to affect the financial condition or operating performance or risk profile of a typical company in an industry (IOSCO, 2021, p. 24). In June 2021, the Sustainability Accounting Standard Board and the International Integrated Reporting Council merged to give birth to the Value Reporting Foundation (VRF).

Source: https://www.sasb.org/about/

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

To help identify the information needed by investors, lenders and insurers to evaluate and assess the risks and opportunities related to climate change, the G20 Financial Stability Board established a working group on Climate-related Financial Disclosures (TCFD). The working group was asked to develop voluntary and consistent climate-related financial disclosures that would be useful for investors, lenders and insurance underwriters to understand material risks. In 2017, the Working Group developed recommendations on climate-related financial disclosures that are applicable to organizations across all sectors and jurisdictions. The working group's report sets out recommendations for disclosing clear, comparable and consistent information on the risks and opportunities presented by climate change. The TCFD recommendations, also, provide guidance for incorporating climate change aspects into ESG reports prepared under GRI, CDP, and Integrated Reporting frameworks and standards (CRD, 2019; TCFD, 2017).

Source: https://www.fsb-tcfd.org/about/

ANNEX II

ANEXO II: Resources and questions for recognizing and applying the guiding principles of section 5.1.

Responsibility and supervision Principle

Useful guides

Modernizing governance. ESG challenges and recommendations for corporate directors. WBCSD. 2020.

LINK

Inspiring Transformational Governance. Global Compact.

LINK

Embedding ESG and sustainability considerations into the Three Lines Mode. The Institute of Internal Auditors and World Business Council for Sustainable Development. 2022.

LINK

Reference questions

How can the company use ESG disclosure to engage and align the board, management and employees?

What are the key issues and future objectives related to ESG factors, from the CEO's perspective?

How are Board members, managers and employees being involved in decision making related to ESG planning, monitoring and activities?

Clarity in relation to business value principle

Enterprise risk management. Application of enterprise risk management to risks related to environmental, social and

LINK

International IR Framework. Integrated Reporting and Value Reporting Foundation. 2021.

LINK

Natural Capital Coalition. Natural capital protocol. Capitals Coalition. 2017

LINK

Social & Human Capital Coalition. Social & Human capital protocol. Capitals Coalition. 2019.

LINK

Reference questions

How is the company considering the transition to a business strategy based on sustainable development?

How can ESG aspects support the achievement of business objectives?

What are the existing reporting requirements in the market(s) where the company operates?

What are the company's main information objectives?

What are the company's public commitments to sustainable development and corporate social responsibility?

Who are the company's priority stakeholders? How is the process for identifying them and how often is their identification reviewed?

How does the company know which ESG issues are relevant to its stakeholders?

What does the company know about the information needs of its current investors?

How would the company like to evolve its investor list over the next five years?

What does the company know about the information needs of the potential investor list?

Materiality principle

Useful guides

The reality of materiality. Insights into real-world use of ESG materiality assessments. WBCSD. 2021.

LINK

The road to materiality. A guide to achieving corporate objectives by applying materiality to environmental, social and governance issues. WBCSD. 2016

LINK

Reference questions

What are the ESG factors that impact the company's strategy from a risk and opportunity analysis perspective?

What ESG factors are most relevant to the company's current and potential investors?

What is the process for determining the materiality of the company in relation to ESG factors?

How do ESG factors influence the ESG determination process of the existing materiality in the company?

Which ESG factors have the greatest impact on the company's long- term value creation process?

What ESG factors impact the short term financial performance of the company?

Has the company identified what information is needed by investors and capital providers in relation to ESG factors?

How does the company's management compare with its benchmark peers in relation to ESG factors?

What ESG factors are linked to current and future regulations?

Accesibility, Quality and Credibility Principle

Useful guides

Internal Control - Integrated Framework. COSO. 2013.

LINK

Reference questions

How are investors, and other stakeholders, using company disclosures?

How can the company leverage ESG disclosure to improve and strengthen its relationship with investors? How can the company use their feedback to improve business performance?

How has the company effectively engaged investors? What alternative methods can the company use to engage investors?

How does the company use investor feedback in its decision- making processes?

How are applied the controls to ESG information in the disclosure of financial information?

What level of assurance through external evaluation is sufficient and feasible? What level of assurance do investors expect?

Footnotes

1 The terms “sustainability” and/or “social responsibility”, among others, are also commonly used.
2 Refers to gases emitted into the air as a result of human activities that contribute to climate change.
3 It is an international organization whose objective is to promote financial stability at the global level. It coordinates the development of regulatory and supervisory policies for the financial sector by the regulatory bodies of member countries. It encourages and monitors the implementation of policies recommended by the G20.
4 In subsection 5.1.3. the concept of “materiality” is developed.
5 Contextual information refers to the situation of the context inside and outside the organization in relation to the management of the material issue. This information would allow the user to have a better understanding of the risks and opportunities that exist regarding, for example, the use of water as a shared resource among different stakeholders, or the understanding of the socio-economic and environmental situation in the region where the company operates, vis-à-vis the commitment to improve gender equality indicators.
6 According to the IFRS Foundation’s Integrated Reporting Framework (International Integrated Reporting Council, 2021), the main capitals involved in the value creation process are: (financial, manufactured, intellectual, human, social and relationship, and natural).
7 In Chapter 6 of this handbook, the role and perspective of materiality adopted by this and other institutions is examined in more detail.
8 For this purpose, internal meetings can be organized with different areas and departments to get their opinion and views. It is also important to understand the expectations of investors and capital providers. In addition, conducting focus groups and stakeholder surveys contributes to the definition of the material aspects of the company and, at the same time, strengthens the credibility of the process.
9 The Integrated Report refers to the disclosure framework proposed by the International Integrated Reporting Council (2021), currently at by the IFRS Foundation and called IFRS Foundation’s Integrated Reporting Framework.
10 For example, it should not happen that a company has a channel where it emphasizes the critical nature of a problem for its business, and then does not discuss that issue in another communication channel with a similar audience.
11 For example, by producing an online content index with hyperlinks, and thus boosting digital accessibility by indicating where information on material ESG topics can be found.
12 Social cohesion is fostered when a society works for the well-being of all its members, fights exclusion and marginalization, creates a sense of belonging, promotes trust, and offers its members the opportunity for upward mobility (from a lower to a higher social class or status) (Human and Social Capital Coalition, 2019).
13 GR 979/2019. Available at: https://www.cnv.gov.ar/SitioWeb/Prensa/Post/1334/1334actualizacion-del-codigo-de-gobierno-societario.
14 The VRF is the result of the merger between the Sustainability Accounting Standard Board and the International Integrated Reporting Council.
15 A descriptive summary of each of these institutions is provided in Annex 1.
16 The CNV’s guide for Socially Responsible Investing defines tail risks as low probability but high impact events that normally cannot be observed in historical data and therefore may not be considered in the investment analysis. Some tail risks may be specific to an industry or company, such as, for example, a nuclear plant meltdown or a technological breakthrough that changes the business paradigm. Other tail risks may be general, such as financial or economic crises.

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