

Equalising ESG: The Challenges with ESG Reporting - Summary

12pm - 1pm on 29th October

Objectives of the session

- Discuss the potential for establishing a collaborative global platform that will present the ESG-related impact of an investment, a purchase, a company or a country
- Understand the impact this would have on markets, supply chains, consumers, society and the environment
- Recognise the barriers currently in place preventing a common standard for ESG reporting

Key themes discussed

- There is a lack of ESG data available within the market and for the ESG data we do have access to, there is a lack of common standards on how to disclose this information, creating a lack of confidence and trust in the market.
- Addressing this issue is important to improve market signals, allow individuals to understand the wider impacts of products, and improve confidence in the market, however initial ratings will likely have negative impacts while the market learns to understand what it means.
- More action needs to be taken at addressing governance within ESG as it is often overlooked.
- There is a need for the Government to support solutions to this issue through the Governance White Paper, continued dialogue and continued information sharing with the market.
- *As Chancellor Rishi Sunak announced on Finance Day at COP26, the Government wants to create better and more consistent climate data, and wants to introduce stronger global reporting standards. These initiatives are strongly welcomed and it creates a fantastic opportunity for industry and Government to collaborate on improving the reporting and measuring of ESG.*

Please find a full summary of the session below.

What is the issue?

- Consumer and investor's requirements from a market are changing, the highest quality product for the lowest price is no longer the main priority as environmental considerations of a product become more important to the public. However the market is currently not geared to address this new requirement as we do not have access to the data necessary to assess the environmental impacts of a product nor the framework to disclose and compare figures.
- There has been growing competition between companies in accessing the data that is available and while competition is beneficial to increase research and encourage the use of environmental data, it creates a fragmented market whereby data is not measured or reported in one single way but in a way that best suits the company.
- Recent environmental stress tests by the Bank of England showed that only 40% of the data existed to allow financial institutions and the Central Bank to take an effective stress test.
- Different countries, such as the US, are beginning to take different approaches to ESG measuring and reporting which risks are creating further fragmentation within the market.

How do we get the necessary information and what are the potential impacts?

- We need to fully understand and assess supply chains and work with auditors to increase accessibility of this data.
- This will increase trust and confidence in the market as consumers would be able to understand the ESG impact of each product. Arguing over how to measure and report ESG is like the big four accounting firms arguing over how to present a balance sheet. Differing approaches to reporting this data would completely undermine confidence in the market - this is exactly what is currently happening with ESG.
- However, when we are able to obtain the information, we will be presented with an issue of what firms are willing to disclose due to information being potentially price sensitive.
- Many companies are asking 'what good looks like' which is not an easy question. As we begin to unpick ESG and obtain the information, we will find that everything is interconnected and ESG ratings will look worse before they can look better.
- Despite this, there is great need for this information as it will allow investors to make sound decisions, allow financial institutions to communicate to the markets, and help businesses understand their own position with regard to decarbonisation.

How does Governance play a part in this?

- The role of governance in ESG measuring and reporting was questioned as general emphasis tends to be placed on the environment, followed by social, however some argued governance is being siloed.
- There was discussion regarding the responsibility of governance belonging to all board members and while 50% of directors don't know what to do regarding ESG, they have a responsibility to learn, adapt and constantly be looking at how they, and other directors, can become even better at what they do.

What is the ask from politicians?

- Continued discussions with the Department for Business, Energy and Industrial Strategy, especially as the Government is writing the Governance White Paper. It is a perfect opportunity to push for further clarity around ESG.
- Increasing the size and availability of risk discounts for loans available to companies with verified and audited ESG data to encourage the use of reliable ESG information.
- Increased collaboration with SMEs, through initiatives such as the SME Climate Hub, to help SMEs understand the need for ESG and the options available to access this data.



Chair of the APPG on Fair Business Banking and Registered contact:

- Kevin Hollinrake MP, Chair of the APPG – kevin.hollinrake.mp@parliament.uk
- Heather Buchanan, Executive Director of Policy and Strategy – buchananh@parliament.uk

An All Party Parliamentary Group (APPG) is an interest group that occupies a strategic and effective position within Parliament. It is cross-party, with a minimum number of parliamentarians from the Government and the official opposition, and cross-house, made up of both peers and MPs. The APPG on Fair Business Banking is a platform through which businesses, professionals and trade bodies can discuss issues regarding commercial banking and its role in the life cycle of a business, and through which parliamentarians can access information on banking, finance and related issues, including business rescue and insolvency, on behalf of constituents. As a cross-party group, the APPG is an effective vehicle to effect meaningful change via the Parliamentary system. The Group's status is that of an APPG is bound by the rules set out by [The Office of the Parliamentary Commissioner for Standards](#). It does not have charitable status, or official status in the House, nor is it funded by Parliament. It relies wholly on the participation and contribution of parliamentarians, industry members and stakeholders committed to creating a strong platform for business in the UK to thrive. The APPG is coordinated and administered via the APPG on Fair Business Banking Secretariat.

The APPG on Fair Business Banking processes personal data. Further information on the processing of personal data for constituents is found on our [Data Protection Privacy Notice for Constituents](#) and for members and affiliates of the APPG on our [Data Protection Privacy Notice](#). We hold your information securely on Parliament's digital network and keep your information for one year after the current Parliament ends (maximum of 5 years). We will not share your personal data with a third party unless we have your express consent. You have the right to access your data, withdraw consent for the APPG to hold your data, to have your data corrected or to restrict the use of your data at any time. Please contact buchananh@parliament.uk in order to do so. The data controller is the Chair of the APPG.