



Beyond ESG: Reporting as an Outcome of Sustainability Excellence (ROSE)

One of the landmark achievements of SSCI is that it successfully takes the Environmental, Social and Governance (ESG) debate and attempts to become sustainable beyond the conventional ESG Reporting Models. This shift is a necessity today for creating a sustainable financial sector.

ENVIRONMENT

In terms of reporting on Environment (E), the mainstream reporting tools are not comprehensive enough. Most of them focus mainly on Green House Gas (GHG) Emissions. Often, the reporting does not take into account the backward and forward linkages of the emissions and pays little or inadequate attention to other critical environmental and biodiversity protection challenges.

SSCI addresses these gaps in a comprehensive and practical manner.

The applicants of Sustainability Certification and Certified Financial Institutions are required to set 8 top-tier targets encompassing all major areas of environmental, climate and biodiversity protection. In addition, they are provided with over 70 targets to green the operations of their institutions and over 80 targets to green their financial services. These targets include backward and forward GHG emission linkages. The aims of setting and achieving the targets go beyond greening the operations of a financial institution and include greening the businesses and projects it funds. This approach serves the bigger goal of greening the economy in which a financial institution is licensed to do business.

SOCIAL

The Social (S) aspect in the over-the-counter ESG Models has its limitations too.

Unlike under SSCI, such models generally do not enable a financial institution to report how its business and its financial and non-financial products positively impact the customers and the society at large.

More often than not, the conventional ESG Reporting attends to social sustainability from the perspective of Corporate Social Responsibility (CSR), which is mostly considered as corporate volunteerism.

On the other hand, SSCI considers social sustainability a nexus of business imperative (a business case) and corporate accountability (a compliance issue).

In this regard, the applicants and certified financial institutions get 48 customizable targets at their disposal to become leaders in social sustainability and profiting from such an undertaking.

GOVERNANCE

In reference to Governance (G), the conventional ESG Reporting does not take into account the modern-day challenges, such as the challenges of managing and mitigating risks in highly volatile market environment, technological disruption and large-scale crisis, for e.g., pandemics, supply chain constraints, and trade and physical wars. Taking such challenges into account and addressing them is unique to SSCI as it introduced the holistic approach for the well-being of organizational health, the institution's stakeholders and the environment.

The off-the-shelf ESG Reporting generally also fail to link one of the key outcomes of good governance, which is the organizational financial performance, with the social and environmental outcomes.

To this end, SSCI delivers a comprehensive set of financial and non-financial metrics related to Governance that need to be adopted to become a Sustainability Certified Financial Institution. In addition, the organizations are rated on their performance in each of the 8 modules in the Octagon Value Creation Model, which includes a module dedicated to Governance.

ECONOMY

The conventional ESG Reporting Models lack the close link between the organizational performance and the impact on the economy in which a financial institution is expected to make profits, create jobs, and generate tax revenues, etc.

Quite rightly, there is no E for Impact on the Economy in off-the-shelf ESG Reporting Models, although every organization has a role to play in modernizing the economy and benefiting from a successful economic transformation of their country.

SSCI demands from applicants and certified institutions to select from 84 powerful targets for linking their organizational success with the success in creating a green, inclusive, digital, technologically-advanced, and sustainable economy of the countries and territories in which they operate. As stated above, this initiative applies a holistic approach and thereby makes creation of a sustainable economy a profitable business proposition for the Sustainability Certified Financial Institutions.

THE PARADIGM SHIFT

As the term suggests, off-the-shelf ESG Reporting Models are about **reporting** only.

Hence, they do not provide any solution to the interested organizations for undertaking practical actions, i.e., to turn their environmental and social ambitions into reality. But equipping the institutions with a framework to become sustainable is of fundamental importance as only then they can be expected to deliver results and report the outcomes. This gap leads to enormous greenwashing risks, which are increasingly considered as compliance risk.



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Consequently, the practice of reporting for the sake of it or as a goal in itself sooner or later damages the organization's brand reputation and erode stakeholder confidence.

Both are some of the key criteria for being a strong and profitable institution, because environmental and social justice are going mainstream and becoming essential prerequisites for staying in business.

Therefore, the applicants of Sustainability Certification under SSCI are provided with a comprehensive framework, a clear and customizable roadmap and step-by-step guide to integrate sustainability across the organization and in a profitable manner.

This is indispensable, because only demanding from financial institutions to report sustainability without ensuring that there is a tested plan and a practical system to become truly and holistically sustainable, the organizations will likely be pushed towards unintentional greenwashing, which is also referred to as "greenwashing".

SSCI enables applicants and certified institutions to embrace sustainability as organization's core philosophy and adapt it as an integral part of its business and financial and non-financial products and services. It makes sustainability the source of financial institution's revenues and a solid foundation of corporate profitability.

THE QUESTION OF INTEGRITY

The over-the-counter ESG Reporting tools lack credibility since reporting is generally not externally verified. The interested organizations can access the reporting forms/checklists, fill spreadsheets and create, publish and celebrate reports on their ambitions related to environment, social and governance.

On the other hand, each and every step taken and document produced as an applicant of Sustainability Certification under SSCI is thoroughly reviewed, debated, peer inputs taken and considered, and CEO and Executive Management consultation sessions regularly held. This is essential to examine the compliance level and help the applicant institutions in complying with the real-life based and stringent sustainability standards.

The level of compliance with sustainability standards is reflected in the Sustainability Certification document. There are five levels, whereby 5 represents highest compliance with Sustainability Standards and 1 being the lowest.

THE SILO TRAP

The conventional ESG Reporting Models generally requires an Environmental/ESG Officer or equivalent who does the reporting paperwork. They generally do not involve the entire organization to be sustainable, instead it creates another organizational silo: *the new ESG Reporting silo*.

Such a strong focus on reporting to express a desire to become environmentally friendly (“greenwashing”) or the heavy emphasis on disclosures that are intended purely to be a part of a marketing strategy (greenwashing) does not require active regular engagement of the board, the executive management and staff. Generally, only few people in an organization are involved in dealing with the reporting tools, whereby Sustainability Certification demands that everyone in the organization be part of the holistic sustainability integration process.

Through off-the-shelf ESG Reporting Models, sustainability does not become an integral part of the financial institution's core business and the foundation of its profitability. At the most, it becomes a nice to have and delivers attractive material backed by eye-catching graphics for annual reports, corporate branding and conference presentations, but real, measurable and powerful impact on the ground remains a distant proposition.

APPLYING THE ROSE APPROACH

The above shortcomings can clearly lead to overselling sustainability, undermine the organization's commitment to go green, and expose it to unnecessary reputational and legal risks.

In fact, they hinder an organization to become a truly sustainable entity and benefit from new business opportunities that are unfolding. Such shortcomings can expose a financial institution to the risk of being uncompetitive in an increasingly competitive environment in which sustainability is undoubtedly taking a center stage.

Therefore, SSCI applies **Reporting as an Outcome of Sustainability Excellence (ROSE)** approach.



ROSE requires that sustainability becomes organization's primary business, a source of sustained profitability and an integral part of organization's success story, which can and shall then be reported, but no earlier.

By applying for Sustainability Certification, the applicant organizations gain exclusive access to a set of carefully selected top-tier financial and non-financial metrics for organizational performance and the impact of their business on the society, economy and the environment. Most importantly, these fully customizable targets are backed by an all-encompassing framework and support to set, achieve and monitor those targets.



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Applying ROSE Approach means that everyone in the organization is an active driver of an exciting sustainable journey – the journey which is not only of its institution, but also of the country and territory in which it operates.

Therefore, the ROSE approach is a game changer as it makes an organization to move from striving to report ESG to become a truly and fully sustainable entity. It is only then that the organization under SSCI begins to report sustainability and that too in a highly meaningful and fair manner.

Through ROSE approach, every member of the board, management and staff of a certified institution can contribute to the collective success and benefit from a dynamic, forwarding-looking and positive organization, which is driven by values and mission and makes a strong positive impact on the society, economy and environment.

ROSE approach puts sustainability practically into action for becoming a strong financial institution that can help create a better world.