What is a good sustainability strategy and why on earth would you need it?

One example is that you are based, or operate, or work with, or invest in, an EU based entity. You may want start asking yourself the following – basic – questions:

1. Has your company adopted a written ESG/Sustainability investment policy/strategy? How you ensure effective engagement with investees so that you do not operate on exclusion but rather on engagement for sustainability based on concrete indicators and goals? Have you thought about the "implicit" strategy you may already have in place?
2. Does your company consider sustainability/ESG as an integral part of your risk management? Are you ready to report meaningfully on Sustainable Finance Disclosure Requirements - including knowing when questions are truly non-applicable or ready to disclose when you are yet to obtain information?
3. Do you have practical and pragmatical indicators on ESG/Sustainability which are linked to your strategy and which truly readies you for reporting on e.g. SFDR and other such regulation? Do your strategy and indicators allow you to capture small progress that your investees make on sustainability issues?
4. Have you committed to a strategy addressing effects - positive and negative - on the societies of your investments? Do you have indicators based on international norms and SDGs which pragmatically aid you in your reporting and in making certain that you do no harm - or if you adhere to "implementing the SDGs" in your reporting you actual do so?
5. Have you considered that by asking these questions of you Asset Manager (perhaps not on ALL AUMs in one go!) you can deduct an implicit sustainability policy/strategy which may already be rather well developed? And with confidence say „this does not apply to us" or „we are seeing this as an area to focus on" once questionnaires start arriving?

Why? Because very soon you will be asked to disclose on these issues. And it will be very good to know if not all, at least some of the answers – and also know why you do not HAVE some of the answers YET – as well as what questions simply do not apply to you.

Doing an initial screening of your asset managers portfolio, based on their policies and strategies but also looking into their investees actual ESG footprint, based on international standards which are at the basis of the SDGs and WILL BE the BASIS for ANY regulation coming from regional or national regulatory bodies, you can start to paint a picture of an implicit sustainability policy/strategy which may actually be much more elaborate than what is on paper, as well as discover the areas to work on. Importantly the knowledge this will give you, will allow you to say "this does not apply to me" once massive questionnaires start coming your way, as well as say with confidence where you are focusing on improving"

On 27th November 2019 EU Regulation No.2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) introduced a number of disclosure obligations for financial markets participants and financial advisers, most of which will become applicable on 10th March 2021. On 23rd April 2020, a public consultation on the content, methodologies and presentation of disclosures was launched by the European Supervisory Authorities (ESAs), and the Final Report on Draft Regulatory Technical Standards (RTS) was published on 2nd February 2021, leaving a very short time for implementation before the entry into force of the SFDR obligations (a general concern that was highlighted by the stakeholders who participated in the consultation, together with the need to ensure consistency with the Taxonomy Regulation and the Non-Financial Reporting Directive).

The SFDR aims at preventing greenwashing and ensuring data comparability through enhanced standardized transparency on sustainability within the financial markets. It provides proposals on sustainability disclosures in the field of principal adverse impact, pre-contractual product, website product, and product periodic disclosures. These obligations will impact not only EU entities, but also indirectly non-EU entities who provide services in the EU or use EU subsidiaries.

Besides requiring entities to understand the scope, severity, probability of occurrence and potentially irremediable character of the negative impact on the E that has been caused, compounded by or directly linked to its investment decisions and advice performed, the adverse sustainability impact set forth in the SFDR – mandatory for large entities and large holdings – requires considering the negative, material or likely to be material effects also on the S and the G, including requiring the publication of a statement on the entity's website describing its due diligence policies in respect of these adverse impacts. The SFDR defines mandatory and voluntary adverse sustainability indicators and metrics in relation to social and employee matters, respect for human rights, anti-corruption and anti-bribery. The pre-defined sustainability factors provided in a template include 16 social mandatory indicators and 7 social voluntary indicators. This has resulted to be overall widely supported among stakeholders, although a big challenge that will likely be encountered in delivering these indicators will be the lack of data and the absence of a reliable source to calculate social and governance related indicators. Despite acknowledging these concerns in its final report, the ESAs have reiterated that "the inclusion of social indicators with this package of RTS is beneficial in terms of simplicity and predictability for financial market participants and for comparability purposes for investors".

There is also a heightened awareness as to what ESG actually has to be understood as, when read in context - that when we speak about ESG it has to be understood in the sense of the SDGs: that is at 360 degrees – it is not enough to focus on the environment and think that an investment is sustainable "simply" - in quotation marks -because it is "Green" - one has to consider also the effects on the societal levels too. Investments on environmental projects in energy for instance , often do not report on the potential positive effects that they have the societal, but they do also not necessarily weigh in the potential negative effects. AN example could be an investor or asset manager who is focusing on investing in solar panels but is not considering how do solar panels have been produced, whether or not labour conditions live up to International standards or whether the workforce is being exploited. Another thing could be focusing on clean water; in this case very often in reporting and decision making, the investor/asset manager would focus only on the SDG on water and not consider the positive "spill-over" effects such as: if you have clean water if you live in a rural area for instance the crops will be healthier and your livelihood will be positively impacted; if you have clean water you will have better health - and for children for instance if they have better health they attend school, and this in turn has long-term consequences on their ability to find jobs, to make informed choices and to participate in society.

All of these issues are a right in international law : the right to water within the right to a decent standard of living; the right to education; the right to an environment in which you are able to search for adequate employment; the right to participation; so these could be very positive spillover effect of an investment in clean water which today are rarely captured.

Measuring potential negative consequences could be if you are focusing on hydro energy and building a dam which will provide clean energy for let's say two million people in a certain area but you have to displace 350,000 from their homes and from the current livelihood. Does this mean that you are prevented from building the damn? No, not necessarily but there is a need to put certain measures in place: Relocation plans which respect the rights and the interests of the people who will be relocated and prevent them from suffering displacement for instance.

Importantly the disclosure will not only be on financial products labelled "impact" or "sustainable" but mainstreamed. This is closely linked, but also distinct, from the upcoming Human Rights Due Diligence Requirements for companies operating in, or out of Europe. Investors will by now be required to be able not necessarily to answer all questions, but to be able to understand the effects on sustainability of the investments and at least ask the right questions of the investees – and the same goes for asset owners of their asset managers. One option could seem, for investors as asset managers, to pull out of any investment which may be complex, in a complex sector or in a complex geographical area. However, from both an investments perspective, as well as from a sustainability perspective that would be a mistake. It would narrow down investment portfolios to a range of products which would harm many asset managers, and it would have an adverse effect if we want to further sustainability – which at the end of the day is the goal of the EU Regulations. The first step in both being ready, and in taking steps to follow these regulations has to be transparency and engagement. But this requires real sustainability experience and sustainability professionals to assist in preparations, due diligence, reporting, and engagement with investees, communities and the EU institutions.

This is closely linked to the Human Rights Due Diligence requirements which are being drafted. On 29th April 2020 the European Commissioner for Justice announced that the EU Commission plans to submit a formal legislative proposal by 2021 (expected to come into force by early 2022) requiring businesses to carry out mandatory due diligence in relation to the potential human rights and environmental impacts of their own operations and value chains. On 26th October 2020, the EU Commission launched a public consultation on a possible initiative on sustainable corporate governance, after the European Parliament had proactively published its own draft text and recommendations for an EU Directive on corporate due diligence, which may indicate the position that it will adopt in response to the future proposal of the Commission.

In line with the EU Commissioner's statement, the recommendations of the European Parliament and the ongoing consultations, it is likely that the UNGPs will be taken as guidance in the definition of the scope of the HRDD obligations. The mandatory due diligence duty, expected to be a legal standard of care, will therefore likely be enshrined in a cross-sectoral regulatory measure, applicable also to SMEs (although with *ad hoc* treatment), and requiring not only EU based companies, but all EU operating companies to identify, prevent, and mitigate adverse human rights and environmental impacts on their entire upstream and downstream value chain, even if such impacts do not take place within EU borders. It further seems likely that any future HRDD would apply to all human rights and cover all violations regardless of their severity – thereby avoiding legal uncertainties and the artificial separation of human rights – as well as provide for additional measures for vulnerable groups based on current human rights treaties and instruments such as CEDAW, CRC, CRPD and UNDRIP.

Most reports coming out from investment institutions and asset managers these days mention that these entities "work toward the SDGs" - but if thus on the basis of National Labor legislation, for instance, that is simply not necessary nearly enough. Could mean only that the invitees are not criminals – yes good! -

but what you really want to look at is the international legal framework! this makes your goals and ESG reporting very concrete. What does international law mean to us as individuals? Think of the right to food, the right to health, the protection from criminal actions such as kidnapping and murder from others, employment rights such as minimum wages and maximum hours as well as being free from beatings from your supervisor. Getting concrete, no? This does not mean that e.g. wages are the same all over the world but a minimum wage need to be adapted to the context, your investee may very well save money on outsourcing or having a supply chain in countries that are cheaper but that does not mean that they should allow for the industry to exploit that labor.

The right to health guarantees all of us that we can obtain healthcare both to prevent as well as to remedy when we are sick. To most investees and as well as investors and asset managers this will seem far-fetched for them unless they are actually working in the healthcare sector - but the fact is that you can very easily work towards the SDG on health if you invest in someone who operates where access to healthcare is not guaranteed: ask them to have a doctor coming to their factory or place of business to do a health check-up for the workforce. You can measure what has been done as an investor - you can measure what that industry did, and you can measure progress on medium and long-term basis - this is something that can go directly into your report on your sustainability efforts!!

Concerning enforcement mechanisms, it is being discussed whether these should be established in the form of judicial enforcement (with liability and compensation in case of harm), and/or supervision by competent national authorities, possibly coordinated at the EU level (with effective sanctions in the case of non-compliance). Businesses may be further required to ensure an ongoing risk assessment and, should risks be identified, establish a due diligence strategy indicating the measures they plan to adopt to address them. The definition of due diligence currently discussed suggests that it will be intended it as inherently risk-based, proportionate and context specific, implying that the extent of implementing actions will depend on the risks of adverse impacts that the company is causing, contributing to or should foresee.
This may not affect your company tomorrow. But once it comes into force, if you are not prepared you will need to put in governance mechanisms, due diligence mechanisms, and perhaps even basic strategies, policies and codes of conduct that conform. We offer to assist you to be at the forefront and thus ready when these regulations come into force. The regulation may be EU focused, but any company based in the EU with a supply chain will be affected which means that any supplier will be affected.

This also ties into upcoming legislation for investors on mandatory reporting on sustainable financing which means that any investor or asset manager operating in, out of or with EU based companies will have to be ready for stricter regulations. Working sustainably is becoming not only a question of catering to consumer pressure, but of not risking being in violation of ever stricter regulations.

Many actors are not aware how profoundly concrete and operational international norms and standards are when linked to the people and societies and issues they intend to protect and address. And many people simply do not understand the importance of private actors in protecting and furthering rights through the obligation to respect – since private actors are not direct duty bearers under international law. With increasing regulations on due diligence, on labour and human rights generally from both regional bodies such as the EU as well as nationally, starting out with not only a strong policy but a profound understanding of the importance of using a norms based approach to measure impact, talk about and engage on social sustainability and impact issues also when it comes to new regulatory frameworks can give a company a very strong advantage both vis-à-vis potential clients when show casing their product but also when it comes to reporting and policy engagement.

Bring it down to "earth"

Doing an initial screening of your asset managers portfolio, based on their policies and strategies but also looking into their investees actual ESG footprint, based on international standards which are at the basis of the SDGs and WILL BE the BASIS for ANY regulation coming from regional or national regulatory bodies, you can start to paint a picture of an implicit sustainability policy/strategy which may actually be much more elaborate than what is on paper, as well as discover the areas to work on. Importantly the knowledge this will give you, will allow you to say "this does not apply to me" once massive questionnaires start coming your way, as well as say with confidence where you are focusing on improving"

It is important to understand that many internal violations of rights found in international instruments are dealt with by national institutions; this is why it is so important to respect the due diligence if a violation has been committed and to have effective and fair legislation, law enforcement and an impartial and effective judiciary. In these cases the State is dealing with violations as it is supposed to – taking action to prevent and address (and redress). In these cases the national system is functioning and thus direct international responsibility (as in "liability") for a violation will not follow as it would if the State did nothing to prevent/address/redress violations, or actively participated in them. There is thus a responsibility to prevent/protect from wrong-doing and act if wrongs have been done, not an expectation that e.g. murder (taking of life) will never occur. It is a question of a responsibility to have in place legislation/regulation that is effective and is impartial and non-discriminatory and effectively implemented to create a society based on respect for fair rules.

If you have a norms based approach you can engage your investee and you engage the communities where your investee operate you will immediately gain a in transparency and you will be able to show your multi-stakeholder engagement and you will be able to set up short medium and long-term goals which will allow you to decide upon continued investment or not - but also to explain both to regulators as well as NGOs and journalists, why you are staying in that investment not only because of the return that it will give you but because you realize that pulling out of complex investments, instead of engaging may well be the worst possible thing to do also from a sustainability perspective.

Using norms to create your own meaningful indicators will make it so much easier for you to report towards a variety of regulations as well as obtain a variety of labels not only because you will show medium and long-term goals which are anchored in international standards, you will also linked this to internal governance and transparence. In many cases what may seem "daunting" when reporting on sustainability is also to know when with credibility you can say "this is not applicable to me" with confidence - a norms based approach will guide you also when to say "nope – not relevant" and it will allow you to say to Regulators "I do not want to pull out of this investment because I see engagement" and it will allow you to say "we are looking into potential problems we do not yet have the answers but we are aware and these are the mechanisms we have to address the issues" – transparency on these issues are mostly rewarded.

There is also no doubt that if you start developing a robust sustainability strategy and a robust internal understanding of what sustainability is - supported by sustainability professionals - you will slowly decrease your risk of investing in companies who may lose license to operate, you will withstand consumer pressure as well as regulatory pressure, that will increase. These issues are not only important for the investee- it is something that will get to investor and asset manager level quickly. Because if you

invest in an entity which does not operate correctly from a sustainable perspective you will also be unable to report on your sustainability in accordance with e.g. the SFRD standards and you will be known as the firm who invested and supported an investee who does NOT want to work towards the SDGs.
AN entire new generation of asset owners are going to become incredibly rich over the next 5 to 10 years. An unprecedented amount of money is changing hands and the Generation Z and the millennials all focus on putting value and alignment of values as primary focus for their investments

An incredibly useful aspect to using international norms is that they were negotiated – sometimes for YEARS – between States, so they are not utopian! They are actually very practical, and can truly be used by you to be READY for any regulation coming out regarding sustainability issues, specifically governance and societal issues which right now are often seen as "complicated" and not only "complex".

Private Impact

There is no doubt that business enterprises can impact the entire range of human rights positively or negatively, including discrimination, health, access to education, labour exploitation freedom of association and to form unions, freedom of expression, privacy, adequate standard of living (not in poverty), food and water, housing. So, what does it mean to "respect" human rights when one is a private enterprise? It means taking active steps to be in line with human rights obligations, often even if not always enshrined in national laws and regulations. A State has an obligation to exercise due diligence under its obligation to protect. A non-state actor has such an obligation in order to respect rights. That means first of all having internal policies which from an internal governance perspective sets up a regulatory framework safeguarding workers – all the way down the supply chain – as well as the more extended communities in which the enterprise operates.

ESG from an investor perspective is a translation of the Sustainable Development Goals (SDGs) engagement of a company into what financial analysts measures as ESG performance, and it is clear that investors have a growing appetite to benchmark companies against each other in terms of that performance. There is a recognition of the fact that there is no reaching the SDGs without a rights-based approach and by taking action to address systemic rights issues in workplaces, value chains and the societies in which they operate, sell and invest companies can lift people out of poverty, discrimination and abuse. Anchoring the S within a rights language and a rights-based approach also helps us understand what the S in ESG actually **is.** As with the SDGs there can be no real ESGs if we do not put the Rights squarely in the middle – or rather squarely as a foundation.

At times human rights and international norms are listed as only one point under "S" instead of being understood as the foundation for sustainability – and most certainly as the foundation for the "S". Human rights and a rights-based approach must be understood as underpinning the efforts made both on E and S and incorporated into G – thus it may be most clearly found under "S" but it really must be mainstreamed into all components. Rights cannot be an isolated pillar but must be connected throughout the ESG discourse. But clearly it is the S that is directly about "people". Even if it would be meaningless to disassociate it from the E and G – people live in the Environment and influence the Environment. It is clear that countries in which living standards for people are high there is a increased focus on how to be ecological, how to recycle how to buy more responsibly. Because the people have the possibility to not only focus on the next meal, people get the necessary education to make these choices and have the possibility to say "no" to jobs in industries that damage the environment and to even influence political decisions on whether such industries can operate in society and how.

For any company focusing on the S means focusing on workers, including in supply chains; customers; and people in affected communities – largely speaking those are the communities in which they operate both when producing as well as selling. If the S is about human beings – individually, as groups and making up societies then the guidance on how to promote S is clearly linked to respect for rights. Countries with higher degrees of respect for rights experience higher economic growth rates and higher levels of human development. Broadly speaking human rights standards also set up a framework which protects consumers, including by guaranteeing participation and socio-economic rights which underpin prosperous and safe societies, thus respect for rights is important both for good production conditions as well as good consumption conditions.

Considering ESG as a real **sustainability tool** enables investors to identify new sets of financial risks and opportunities. Investors who consider ESG criteria have a more profound insight of an enterprise's operations, since the due diligence process will take into account a much broader range of information. This allows investors to better manage the risks linked to human rights violations. Such risks can often result in significant financial impact, including potential impact on the reputation and brand of a company, with repercussions on sales, and legal sanctions on companies and their suppliers. As well as the broader impact on societies that denial of rights of individuals/groups will have. This effect has become excruciatingly clear with the covid-19 pandemic. The effects of no universal health care, of no living wage, of no social security, of lack of respect for workers' rights has been clearly exposed. And so has the effects on this inequality on the recovery of societies and economies. Those spiraling quickly into poverty because they already lived in insecurity without effective respect for their rights will not be able to quickly bounce back and take active part in the recovery of the economy. Many these days talk about building back better after the crisis. The covid-19 crisis did not create these inequalities – it merely exposed how bad they are for everyone in a society, including investors. Building back better does not mean reinventing the wheel – it means putting the Rights squarely where they belong; underpinning all decisions made at the political, corporate and investor level.

So what to do?

Imagine the following scenario: you have a sustainability initiative in place ensuring that your company does not pollute water, or a programme that is aimed at cleaning up polluted water (or you are an investor in said company). The contribution of such initiatives towards SDG 6 is easily identified, but very often "only" the impact on E in ESG is highlighted. What happens however when people have clean drinking water and access to it too? It is likely to reduce their vulnerability to illness (causing a positive impact on their right to health); healthier children can attend school (fulfilling their right to education), and adults can work (having meaningful access to their right to work). Furthermore, clean water has a direct impact on the standard of living of the affected communities, by e.g. improving crops quality and livestock health in rural areas, which in turn can influence positively the communities' economic situation, contributing to the enjoyment of their human rights (e.g. the right to shelter). As this example shows, it is important to consider the spill-over effects of the impact of good (or bad) decisions on water when assessing and reporting on the overall ESG performance of a company

Start with your strategy/policy. Stating that you "work toward the SDGs" and then say that "you make certain that your investees' operations always follow national labour legislation" unfortunately will often be a contradiction if your investees have supply chains in countries where national labour legislation does nothing to work towards the SDGs – the only thing that says is that they are not breaking national law.

What is needed is an awareness and attention towards and basis in international agreed upon labour standards.

Also your strategy (it does not have to be ONE strategy – it can be spread our over specific areas) need to be linked to your indicators and thus your reporting.

For a robust strategy everyone who wants to be ready to answer ever more detailed questions regarding their sustainability – and who wants it to be an opportunity and not a burden – should include general parts on non-discrimination and inclusion, participation and accountability as well as linking this to internal processes.

Your strategy does not need to be formulated with the language below with reference to specific norms but it makes it easier to make it concrete and divide it into sections that can be linked to your indicators, reporting and the SDGs.

At a minimum there will be a need for a general non-discrimination and inclusion – this could read as follows:
The principle of non-discrimination is a core human right, both standing alone as well as in relation to the enjoyment of all other rights. Without the right to not be discriminated most other rights become meaningless for large groups of society – most often those already in a position of weakness.
All Human Rights Conventions contain a non-discrimination Article and ILO standards are based on the principle. Non-discrimination is found amongst what is called the "core human rights principles". It is clear that it is a foundation for any meaningful implementation of rights and any real impact of investments.

Following that, depending on your activity you would need:

Economic and social rights – such as education, health, social security issues

E*conomic and Social Rights are rights which are necessary for an individual (or in the case of group rights: any specific group of individuals) to fully participate in society. They relate to the ability to live in safety and dignity and are intricately connected to the enjoyment of civil rights since all rights are indivisible. Furthering economic and social rights in societies promotes cohesion and inclusion and avoids that people become marginalized and unable to contribute to the societies in which they live, due to either a moment of misfortune or lack of health care and education or general poverty. Societies in which social and economic rights are respected will prosper more and have better markets and better economies. Denial of social and economic rights have a profound negative effect not only on the individuals directly affected, but on broader societies.*

You will be able to see here that the SDGs are all linked to the international normative framework and since governments report on progress towards the SDGs, companies who do likewise, in detail, will be aligned with a number of regulations.

Imagine the following scenario: you are operating in an area (or are investing in a company that operates in an area) where access to healthcare is scarce, of poor quality or accessible through corruption. As a company you may think this is not something you can do anything about (while as an investor you may see that your ratings on social issues are not strong). However, if you can establish a system ensuring that a doctor provides basic healthcare to your employees (or your investee's employees), with a relatively modest step you will have achieved a concrete improvement of the affected communities' quality of life, and you will be able to report on a very specific action taken to further the SDG Goal 3, instead of having to generally refer to your “investments in the S”.

Civil and Political rights such as participation

Groups in a situation of vulnerability – addressing specific vulnerabilities in e.g. workforce or who are disproportionately affected by environmental issues.

Corruption, not only internally but also offsetting effects of corruption on society.

Processes, discourse, goals and targets

Doing an initial screening of your asset managers portfolio, based on their policies and strategies but also looking into their investees actual ESG footprint, based on international standards which are at the basis of the SDGs and WILL BE the BASIS for ANY regulation coming from regional or national regulatory bodies, you can start to paint a picture of an implicit sustainability policy/strategy which may actually be much more elaborate than what is on paper, as well as discover the areas to work on. Importantly the knowledge this will give you, will allow you to say “this does not apply to me” once massive questionnaires start coming your way, as well as say with confidence where you are focusing on improving”

All of the elements of your policy ought to be linked to how promoting protection and implementation of these rights and standards are linked to measuring impact and showing effective impact. It is also important to show that progress in respect for an implementation of rights will not happen overnight.

Thinking of a more detailed and more robust Strategy will not only show your understanding of what sustainability is - the links between the S and the necessity of having a good G to do any of this but it will also advance any discourse on ESG issues, including implementation of the SDGs as well as standardised reporting. It will make it easier for you to show that your Investments are truly sustainable.
I have mentioned before that it also opens up your portfolio! These days investing coal is not seen at the most sustainable thing you can do!! But imagine investing in a coal mine in Afghanistan now in Afghanistan as far as I have been informed there is quite a lot of coal… and there is lot of people living in abject poverty. bringing energy to these people would get them light to work and study by. It could bring them water it could help them set up businesses. It will be a little bit the opposite of the example of the damn/hydro-energy that I gave before: the positive effect on Society of investing in Coal would by most measurements clearly outweigh the potential damage of investing in coal from a carbon emission perspective - combine that with carbon emission offset in your portfolio and all of a sudden you have a 360-degree view of sustainability. you are literally bringing people out of poverty. On a longer term this will affect positively their participation in society, they will become much more able to make environmentally friendly choices, and you can report and show that you have now understood what sustainability really is about bringing people the possibility to concentrate on things that are not only the barest necessities for survival from one day to another - this will have for short medium and long-term effects on the lives of these people as well as a return for you. Your just stopped investing on ESG from an exclusion perspective and changed lives in the process.

For any investor and company who want to be invested in, it would be beneficial to have a policy/guidance which establishes a process that reviews the companies' internal policies, makes suggestions to strengthen said policies, ensure implementation processes and reporting on the basis of international standards. Such a policy with ensuing processes should include guidance on when it is necessary to make a decision to divest in case no progress in made for companies which may pose potential risk. This is an enormously important point and can be made with reference to accountability and participation principles and monitoring and evaluation done based on human rights principles and the eventual human rights policy that could/should be developed for all investors who want to be ready to comply with forthcoming legislation on ESG issues. Again this should be accompanied by suggestions on such processes for ensuring continued accountability.

The process needs to be cyclical so you create a robust strategy; link your indicators to that; and then you're reporting will inform where you're not doing enough, where you could be doing better, where you need to engage or disengage – but also where you are not reporting all the good you are doing. But it has to makes sense for you specifically and not be something that has been created as a framework or Excel sheet that is just being sent out to 500 other asset managers. Importantly this does not mean that there will not be harmonization because you will be working on a framework that is standardized and that is harmonized but some norms will be more important for you. if you are VC or are a bank with a broad ESG portfolio the strategy and reporting will differ and should differ. We go back to being able to say "N/A" to certain questions and feel confident knowing that you do not need to answer 7500 questions that really do not apply to you.

A norms-based approach allows for setting concrete short- medium- and long-term goals around sustainability and progress and to effectively and honestly tell what those are, what the challenges are, and what is being done to work towards those goals.

Many investors or regulators do not necessarily have an appreciation of the fact that worldwide implementation and respect for rights happens in extremely complex settings. This means that progress may be slow and even at times hindered. Having a norms-based approach will help show how impact is made, at a different speed, even in complex settings where e.g. weak infrastructures, low educational level, general lack of respect for rights, lack of access to basic services, presence of corruption or widespread unrest may require to take into consideration and evaluate different contextual elements using specific parameters. The notion of "progressive realization" of rights was developed to allow for States with lesser available resources to not be held in violation if they did not reach the same levels of e.g. health care as developed countries, and to reflect a recognition that the realization of economic, social and cultural rights can be hampered by a lack of resources and can be achieved only over a period of time. But a lack of resources cannot justify inaction in protecting and promoting these rights nor indefinite postponement of measures to implement these rights! This is a notion which often escapes people living in the global north when reading reports or set due diligence standards. A norms-based approach will help create REAL impact and REAL engagement, both in the societies where you invest as well as with investors and policy makers.