

Removing Greenwashing: Mervyn King's Good Governance Academy Launches the *Global ESG Exchange*

fin24



The Good Governance Academy launched the global ESG Exchange on Tuesday. It wants to remove the guesswork and greenwashing in ESG reporting by standardising it worldwide.

Greenwashing, green-wishing and feel-good reporting have made many people doubt companies' genuine commitment to Environment, Social and Governance (ESG) concerns. Elon Musk even called ESG a scam, and more people are concerned that it has become another costly box-ticking exercise. Now, the new ESG Exchange, launched on Tuesday, wants to change that.

The Good Governance Academy, founded by former judge Professor Mervyn King, is behind the initiative. It was concerned that for many companies, ESG reporting is just made up as they go along. So, there's a lot of inconsistency in the reports, which is problematic as users of those reports cannot compare how one company is doing relative to another. This also creates new areas for litigation. The Exchange will create a new global benchmark for ESG reporting.

What the ESG Exchange is all about

Peadar Duffy, ESG Exchange Chair of the Technical Committee, said it will be looking very clearly at the basic and fundamental things that, regardless of where a company is located in the world or its regulatory context, should report on. The ESG Exchange was first launched on the Johannesburg Stock Exchange on Tuesday, the first geography to accommodate in the world. Other exchanges will follow soon. "We are looking at using the Johannesburg Stock Exchange as an example or proof of concept for other stock exchanges around the world," said chief executive of the Good Governance Academy, Carolynn Chalmers.

King said in forming the ESG Exchange, the Good Governance Academy collaborated with a group of leaders in standard-setting and reporting from around the globe. They've agreed to also sit on the exchange's technical and advisory committees. They will also create content, in the form of a playbook, to show companies around the world how to do sustainability reporting correctly because the more informed their reporting is, the more transparent companies' accountability will be. "So, it's with some pride that we launch today the ESG exchange, which will be a global body with these global leaders, knowledgeable leaders. You will have under the IFRS a system, ESG reporting...It is an exciting time for corporate reporting and corporate governance," said King.

Addressing Greenwashing

Helle Bank, the Chair of the ESG Exchange's Advisory Committee, said this initiative is about removing greenwashing. Bank said she'd seen many companies using a lot of money, putting a great deal of effort and time into their ESG initiatives and reporting but still not getting the outcome they could have. "This is also about comparability. This is about taking all of these reports and compare so that no one will go out and say ESG is a scam. So, we take away the greenwashing. We take away the green, wishing we start making companies resilient," she said.

Chalmers said the Good Governance Academy realised that ESG reporting was not an easy or inexpensive task. The big audit firms are putting a lot of money into upskilling their staff and employing new people to try and get it right. *Reuters* has called it "a \$35 trillion-dollar conundrum for auditors". It was concerned that for many companies, ESG reporting is just made up as they go along. So, there's a lot of inconsistency in the reports, which is problematic as users of those reports cannot compare how one company is doing relative to another. This also creates new areas for litigation. So, the Academy realises that correctly reporting on their sustainability activities will be a lengthy process for companies.

Harry Broadman, the Chair of the ESG Exchange Governing Council, said it will also create a forum between the standard setters, the users, and other stakeholders to ensure these reports are useful. He reckoned that capital markets will view companies very differently than they do today. The reports will become an accurate judge of their credibility. "That's what we're trying to do with the ESG exchange, making sure that these reports are not just backwards-looking, [and] forward-looking but also credible," he said.