

# REPORTING INSIGHTS

# SUSTAINABILITY

# REPORTING

# FRAMEWORKS AND

# STANDARDS



# INTRODUCTION

Sustainability reporting teams struggle with the complexity of the current reporting landscape. There are a multitude of frameworks and standards, with different stakeholders – including investors, rating agencies and regulators – requesting the application of different standards and proprietary methodologies. Organizations must present data across multiple outlets and contend with inconsistent guidance, resulting in increased reliance on advisors and independent assurance service providers. This underlines the urgent need for alignment and harmonization of sustainability reporting frameworks and standards to encourage consistency and comparability in sustainability reporting, along with adequate guidance to achieve this outcome.



**We seek to ensure balanced reporting of the environmental, social and commercial aspects of our business activities, and be transparent in the process. There is an ongoing challenge in annual reporting, however, in terms of balancing detail and readability, transparency and concise content, and easy-to-find information with an engaging format. Carefully navigating the various reporting frameworks and standards is critical to providing clear, useful information.**

RISHI KALRA,  
MANAGING DIRECTOR AND CFO,  
OLAM FOOD INGREDIENTS

45%

**of global investors say harmonizing global ESG standards, taxonomies and metrics should be the top ESG priority for national regulatory frameworks in their respective countries.<sup>1</sup>**

52%

**of companies use two reporting standards or frameworks to disclose their ESG performance in the US.<sup>2</sup>**

1. Capital Group, [ESG Global Study 2021](#)

2. Deloitte, [ESG executive survey 2022 - Preparing for high-quality disclosures](#)

# TOP FIVE QUESTIONS TO CONSIDER

1

Is your sustainability reporting approach linked to a robust materiality assessment? Do the sustainability reporting frameworks and standards that you adopt accommodate the types of information that are important to your organization and key stakeholders?

2

Are you actively monitoring sustainability reporting developments at international and regional levels – for example, from the ISSB<sup>1</sup>, EFRAG<sup>2</sup> and the SEC<sup>3</sup> – to anticipate potential implications for your reporting?

3

Have you developed systems and processes for an integrated reporting approach that is responsive to the evolving landscape?

4

Do you provide sufficient disclosure to your intended audience on your sustainability reporting approach and methodologies, including the materiality assessment process and the use of estimates?

5

Do you have a clear policy to guide your appointment of an independent external assurance provider? Are you prepared to engage with the assurance provider early to help ensure assurance readiness?

1. International Sustainability Standards Board  
2. European Financial Reporting Advisory Group  
3. Securities and Exchange Commission

## KEY CONSIDERATIONS REGARDING SUSTAINABILITY REPORTING FRAMEWORKS

- **Selection of the reporting framework** requires consideration of the needs of various stakeholders and awareness of peers in the sector.
- **Reporting systems and processes must be agile**, responding to both the evolving sustainability reporting landscape and current developments in frameworks and standards.
- **Disclosing the methodologies used**, including in relation to materiality assessment and use of estimates, as no universal reporting approach is currently followed.
- **Early engagement with internal audit or external consultants** can support the organization as it responds to the evolving sustainability reporting system and builds processes and control systems for sustainability reporting.
- An **effectively designed and implemented control environment** is critical to obtaining independent external assurance over sustainability metrics.

## CURRENT STATUS OF SUSTAINABILITY REPORTING FRAMEWORKS AND STANDARDS

The plethora of sustainability reporting frameworks and standards, along with the pace and scale of ongoing change in the sustainability reporting landscape, creates a challenging environment for organizations.

The following pages explore these areas in more detail along with suggested practical actions for finance teams:

1. Multiple sustainability frameworks and standards
2. Limited guidance and inconsistency across sustainability frameworks and standards
3. Engagement with advisors and assurance service providers

## Multiple sustainability frameworks and standards

**Most organizations are reporting under multiple sustainability frameworks and standards, frequently to satisfy different stakeholder demands.**

Investor expectations can influence the sustainability reporting standards that organizations adopt. Compliance with a number of reporting frameworks and standards has become the expected norm, such as those developed by the Task Force on Climate-related Financial Disclosures (TCFD), the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB). In addition, organizations are expected to respond to multiple stakeholder and investor benchmark and ratings organizations, including the Carbon Disclosure Project (CDP), World Benchmarking Alliance, MSCI and S&P, among others. Further, companies may need to comply with regulatory requirements, such as the Non-Financial Reporting Directive (NFRD)<sup>4</sup> in the European Union, where large public-interest entities are already within the scope of mandatory disclosure. Increasingly, there are additional expectations to communicate organizational sustainability performance to the wider customer base, covering material aspects of human, social and environmental performance and/or value creation measures.

Some organizations aim to limit issuing multiple reports by presenting combined GRI and SASB disclosures into a single report, with an appendix identifying the relevant disclosures. TCFD reporting has been commonly produced as either standalone or as a set of TCFD-aligned disclosures integrated into the annual report. Organizations also voluntarily adopt and promote other reporting initiatives as part of a best practice approach, and some have also advanced their approach sufficiently to adopt the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).

4. The European Commission is working on the [Corporate Sustainability Reporting Directive \(CSRD\)](#), which will amend the existing requirements under NFRD.

For many organizations, reporting under multiple frameworks and standards creates compliance challenges, consumes additional time and limits the effectiveness of integrated thinking. This approach also requires metrics designed for one standard to be repurposed to meet the requirements of another. This can create comparability challenges for users of the reports. Convergence and interoperability of standards is key to simplifying and enhancing the consistency and comparability of sustainability reporting – freeing up time for preparers to focus on action and delivering progress against sustainability-related goals, rather than on complying with multiple reporting requirements.

### **ACTIONS FOR FINANCE TEAMS**

- Disclose the standards adopted, along with references to measurement methodologies and assumptions used for estimates.
- Map your reporting against the different frameworks and leverage existing systems to centralize efforts and streamline the process, wherever possible.
- Provide external users with easy access to metrics used, such as on a dedicated webpage.
- Engage with users to understand their needs and prioritize your efforts in favour of specific frameworks accordingly.
- Ensure strategic metrics that are driving decision making in the organization are included in reports, even if not required by the specific framework or standards adopted, as they will help investors understand how sustainability considerations are embedded within the business strategy, model and operations.
- Adopt an agile approach, adapting or evolving current metrics and reporting as standards are revised, converged or created by regulations.

## 2

### Limited guidance and inconsistency across sustainability frameworks and standards

**The current limited guidance and lack of consistency among sustainability reporting frameworks and standards creates complexity in relation to the selection of metrics and qualitative information disclosed.**

Organizations look to standards for guidance on achieving high-quality reporting, but are faced with a significant disparity in the level of detail provided by standard setters and other guiding bodies. For example, guidance around the use of estimates in sustainability metrics, or the process applied for completion of a materiality assessment and related disclosure, is often seen as too high-level, while standards for reporting certain metrics seem too prescriptive. This then leads to challenges when trying to align the relevance of some metrics to business operations.

With regards to the use of estimates, organizations are developing individual approaches to making estimates based on the best available data. This presents a risk of divergent approaches, undermining consistency and comparability. This is especially relevant as the level of disclosure around estimates is limited to identifying that an estimate has been used, without detailing the methodology applied or key inputs and sensitivities.

Some organizations also struggle with the lack of detailed guidance on the application of the materiality assessment process and its appropriate level of disclosure. Disclosures typically are made at a high level, noting that an assessment has been undertaken, but often not detailing the process and key judgments. Some organizations do expand on the process, identifying how the work was conducted and their assessment of the likelihood and potential impact of material environmental and social issues.

#### ACTIONS FOR FINANCE TEAMS

- Embrace consultation processes, and make your views on proposed standards heard by standard setters, both voluntary and regulator-led.
- Put in place processes that will enable you to maintain alignment with standards as they evolve, including an approach to disclosing any changes to methodologies, frameworks and assumptions which may result.
- Collaborate with investors, industry partners and other stakeholders to develop industry-level guidance and guidelines to fill the gaps, such as the [Partnership for Carbon Accounting Financials \(PCAF\)](#) and the [Climate Measurement Standards Initiative \(CMSI\)](#).

# 3

## Engagement with advisors and assurance service providers

**Advisors and external assurance professionals can provide insights on best practice to support the selection of the most appropriate frameworks under which to report.**

Many organizations use professional advisors and subject matter experts to advise and guide at different stages of their sustainability reporting journey. For example, advisors can help benchmark the organization's approach to others in the industry or against best practice, at different stages of the organization's reporting maturity. They can also support the selection of standards, and provide application guidance in the most complex areas requiring judgement and estimation.

The majority of the world's largest organizations are now seeking external assurance over their sustainability reporting<sup>5</sup>, driven by a number of factors including building trust, meeting investor demand, providing comfort to the board and complying with regulatory requirements. In tandem with the developments in sustainability reporting frameworks and standards, sustainability assurance standards are also set to evolve. Whenever preparers seek assurance from professional accountants, the provider is likely to adhere to the International Auditing and Assurance Standards Board (IAASB)'s assurance standards. In the case of sustainability assurance, the IAASB issued new guidance in April 2021 on Extended External Reporting (EER) Assurance Engagements, which deal with how its existing ISAE 3000 (Revised) Standard on assurance engagements may be applied to sustainability information.<sup>6</sup> These standards are also used by other verifiers and assurance providers, sometimes alongside a more stakeholder-focused standard, AccountAbility's AA1000AS. The IAASB has announced that it will be developing a new 'sustainability bespoke' assurance standard, following dialogue with regulators, investors, assurance providers and other market participants.

5. KPMG [Survey of Sustainability Reporting 2020](#)

6. According to the 2021 IFAC survey on the [State of Play in Sustainability Assurance](#), 88% of assurance engagements employing an Audit Firm made use of the International Standard on Assurance Engagements 3000 (Revised), while other service providers often rely on alternative assurance standards



For preparers, when deciding on assurance provider, it is important to be alert to the different potential scope of assurance and the assurance standards that will be applied. This can be particularly difficult when seeking limited assurance, where the scope of procedures that the assurance provider undertakes can vary significantly and a lot more judgement on the part of the provider is required.

An increasing number of regulators are mandating assurance over sustainability reporting, and assessing both the standards used and who will be able to provide assurance. The European Union, for example, has indicated that they will, over time, be requiring a reasonable level of assurance over sustainability reporting. Taking steps to be ready for these developments is key.

### **ACTIONS FOR FINANCE TEAMS**

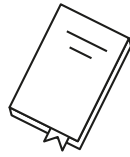
- Involve your advisors in supporting your benchmarking exercise of your report with others adopting the same reporting frameworks or different frameworks, with particular focus on sector-specific disclosures and metrics.
- Consider whether to commission 'pre-assurance' reviews to make sure that you have time to put in place the necessary processes and controls in order to be ready for external assurance.
- Stay abreast of the developments in sustainability assurance standards, including regulatory demands, and consider how these developments might influence the nature and scope of assurance that you commission.

# FURTHER RESOURCES



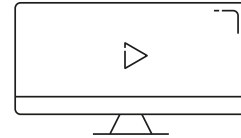
## Explore

How to best [communicate with investors](#) using reporting standards.



## Read

A4S Guide on [Navigating the Reporting Landscape](#)



## Watch

[Developments and trends in sustainability-related reporting and practical actions to respond.](#)

## The A4S Newsletter

Sign up to receive the [A4S newsletter](#) to get monthly news and updates on our reporting resources, including guidance, workshops and webinars.

## The A4S Academy

The A4S Academy is a learning and implementation programme for finance leaders on embedding sustainability. The programme empowers and equips finance teams with the skills needed for their businesses to succeed in the face of environmental and social risks and opportunities. The Academy is for senior finance professionals, sponsored by their CFOs.

[Find out how you can join the Academy.](#)

## Sustainability Reporting Insights

The A4S Sustainability Reporting Insights series is written to equip CFOs, reporters, investors, boards and other stakeholders with a better understanding of current approaches to sustainability reporting, highlighting some of the key actions finance teams can take to respond to future sustainability reporting requirements.

A4S has established a reporting project to discuss the current status of sustainability reporting practice with key stakeholders including members of the A4S [CFO Leadership Network](#) and the A4S [Accounting Bodies Network](#) and other large multinational organizations (both private and publicly owned).

The A4S Sustainability Reporting Insights series consisting of four briefs reflects the findings from these discussions.

### Disclaimer

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