



NAVIGATING THE REPORTING LANDSCAPE

THIRD EDITION, REPUBLISHED NOVEMBER 2023

AN INTRODUCTION TO SUSTAINABILITY-RELATED REPORTING FOR FINANCE PROFESSIONALS

ABOUT THIS GUIDE

This guide summarizes recent key developments in corporate reporting, with respect to trends in sustainability reporting and sustainability-related financial reporting. It will be useful to finance professionals responsible for corporate reporting on a number of levels (for example preparation, data measurement or compliance), and in positions that cover areas including internal and external audit, risk management, governance, strategy and investor relations.

The guide shows how sustainability reporting and the growing demand from investors and other stakeholders for information on sustainability matters are impacting the role of the accountant and shaping the future of corporate reporting. It also highlights how this subject matter is likely to evolve going forward, providing useful links to further sources of information.

This document was first published in July 2021 then updated in June 2022 and November 2023 to reflect the latest developments.

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INTRODUCTION

Historically, business performance has been measured and reported in financial terms to gauge performance and help business management. Over the past two decades, however, there has been compelling evidence that a broader information set is required to give a comprehensive and complete picture of a business's ability to survive and prosper in today's dynamic environment. Societal awareness of environmental issues, in particular, has now also reached unprecedented levels, with increasing focus being placed on businesses' impacts and dependencies on planetary systems. One specific area of focus is the relevance of natural, social and human capital to business performance and value creation. This broad set of environmental and social risks, opportunities, impacts and dependencies are frequently referred to as sustainability or sustainable business factors, which may impact business performance and value creation. Without the right information, neither businesses nor stakeholders will be able to make fully informed decisions.

WITHOUT THE RIGHT INFORMATION, NEITHER BUSINESSES NOR STAKEHOLDERS WILL BE ABLE TO MAKE FULLY INFORMED DECISIONS.

Consequently, stakeholders are demanding a greater breadth of information, including institutional investors¹, for example, seeking climate disclosures about a company's approach to governance, risk management and strategic planning to enable informed decision making. Pursuing short-term profitability at the expense of creating sustainable, long-term value is no longer an option.

A growing body of regulations, standards and guidance has developed that provides a structure for the measurement and reporting of sustainability information relevant to companies' governance, future planning and use of resources. 96% of the world's largest 250 companies now prepare sustainability reports.² With governments, regulators and standard-setting bodies across the world now addressing sustainability reporting, there are significant opportunities for professional accountants working in a variety of leadership, management and operational roles, as well as in public practice, to integrate these factors into their roles.

These developments are placing broader demands on companies, such as:

- Boards of directors and audit committees reassessing their approach to risk, reporting and investment strategies.
- Chief Financial Officers, finance and investor relations teams addressing the expanding information demands of investors and market regulators.
- Report preparers compiling and presenting a greater breadth of information in company reports.
- Compliance officers and internal auditors ensuring that the expanding range of expectations is being met.

In determining what disclosures are required, the focus needs to remain on enabling action.

CONNECTIVITY WITH FINANCIAL REPORTING AND INTEGRATION

Connectivity between financial and sustainability reporting is vital to ensure consistency of information found in different locations and usefulness of disclosures to users of reports.

According to the European Financial Reporting Advisory Group's (EFRAG) report on the '[Connectivity between Financial and Sustainability Reporting Information](#)', the integration of the two is key to obtain a holistic and coherent view on corporate reporting and vital to providing a comprehensive picture. Non-financial information can complement and supplement financial information to help provide context. Connectivity of information also reinforces coherence and is important to avoid overlaps and repetitions of the same information in different reports. A clear interpretation of the concept of connectivity is needed, together with guidance for implementing it in reporting practice. Accountants have a key role to play in supporting greater connectivity within corporate reporting.



Financial accounting and reporting have long been the language of business and the capital markets. They are critical, but on their own they are not sufficient for boards to fulfil their duty of accountability for long-term value creation. We need to improve business reporting and sustainability disclosures in order to meet our current and future challenges.

JESSICA FRIES, EXECUTIVE CHAIR, A4S

1. For example: Ceres, [Investors, companies, organizations call on U.S. Securities and Exchange Commission to mandate corporate climate disclosure](#), PRI, [Investor groups call on companies to reflect climate-related risks in financial reporting](#), BlackRock, Larry Fink's 2022 letter [to CEOs](#)

2. KPMG, [The KPMG Survey of Sustainability Reporting 2022](#), The survey looks at global trends in sustainability reporting and aims to support those who have a responsibility for assessing and preparing their own organization's sustainability reporting.

THE NEED FOR CONVERGENCE

The increase in sustainability and ESG reporting requirements and the proliferation of reporting frameworks and standards has created complexity, particularly for those businesses that operate internationally and are affected by legal, regulatory and stakeholder expectations in more than one jurisdiction.

Many of these stakeholders have led calls for greater coherence, consistency and comparability in content and, overall, for more convergence between the different standards and frameworks. While progress on interoperability has recently been made, for example through the [high level of alignment of GRI and the EU requirements](#) and [between ISSB's and EU's climate disclosures](#), more progress is needed to avoid multiple reporting requirements and enhance comparability. This guide offers a brief introduction to the changing corporate reporting landscape and is divided into the following sections:

Section 1: How three key sustainability-related reporting standards are changing corporate reporting disclosures

Section 2: How other key sustainability-related reporting requirements can help accountants collect, collate and disclose relevant and complete sustainability-related information

Section 3: How the two key financial reporting components of materiality and assurance are evolving as they are applied to sustainability-related reporting

THE ACCOUNTING PROFESSION: RECENT REPORTING DEVELOPMENTS

There is a growing expectation that professional accountants will have a more prominent role in sustainability accounting, reporting, assurance and other related functions to help organizations, investors and other stakeholders make informed decisions.

Accountants can provide leadership in support of the further development of high quality global sustainability related standards that can be applied consistently across the globe. In fact, regional and global accounting profession organizations have recently intensified their work to develop internationally supported frameworks and standards on sustainability reporting.

The International Federation of Accountants (IFAC) actively supports and promotes the accountancy profession to lead on the sustainability agenda. They have identified the following four key priorities:

- Championing the adoption of an integrated mindset
- Enabling a global corporate reporting system (based on IFRS Sustainability Disclosure Standards) to serve the needs of global capital markets
- Developing the sustainability assurance standard, ISSA 5000 by IAASB and an ethics framework by IESBA
- Capacity building across the profession globally to enhance understanding of sustainability and reporting requirements

THE A4S ACCOUNTING BODIES NETWORK

This guide has been written and published by the A4S Accounting Bodies Network (ABN). The ABN is a collaboration between A4S and professional bodies across the globe. Accounting bodies are vital in equipping their members with the knowledge and skills they need to implement sustainable and accounting finance practices. The Network provides an open, cross-border platform. Members share knowledge, collaborate to overcome common barriers and champion the need for change within the accounting community.

Further information about the ABN members and access to their extensive resources can be found on [page 27](#).



As professional accountants, the chief stewards of business information, we have both an important responsibility and a transformative opportunity to engage in and lead on upcoming changes in corporate reporting, and improving the quality of sustainability information.

KEVIN DANCEY, CHIEF EXECUTIVE OFFICER,
INTERNATIONAL FEDERATION OF
ACCOUNTANTS (IFAC)



Whilst Europe is currently in the lead, sustainability is undeniably a global issue, the ISSB's Standards and the IAASB's new Assurance Standard will provide a sound basis for us to upskill our members in both sustainability reporting and assurance. Our profession already has the most experience in Audit and Assurance of corporate reporting.

KLAUS-PETER NAUMANN, CHIEF EXECUTIVE
OFFICER, IDW

MANDATORY REPORTING REQUIREMENTS

To tackle rising inequality and the twin climate and nature crises, businesses and investors need to make informed decisions. However, without global mandatory reporting standards on par with and connected to those for financial reporting, the quality and comparability of the information they receive may be poor and limited. As a consequence so will be any related action. This makes informed decision making difficult for investors and other stakeholders, and increases the risk of greenwashing.

The increasing interest in, and need for, disclosure of sustainability information has led to new mandatory disclosure requirements being introduced in various jurisdictions. A recent assessment of the regulatory landscape identified 614 sustainability reporting requirements from over 80 countries.³

614

sustainability reporting requirements across

84

countries

3. Carrots and Sticks, [Sustainability reporting Policy: Global trends in disclosure as the ESG agenda goes mainstream \(2020\)](#)



KEY SUSTAINABILITY REPORTING STANDARDS

Standards have an important role to play in making sure that information is presented in a comparable and consistent way by different organizations, reducing the risk of greenwashing or the failure to report performance in a transparent way.

Moreover, as companies are part of global supply chains and investors are part of global capital markets, consistency across jurisdictions is key to the efficient allocation of capital to shift us towards a sustainable economy.

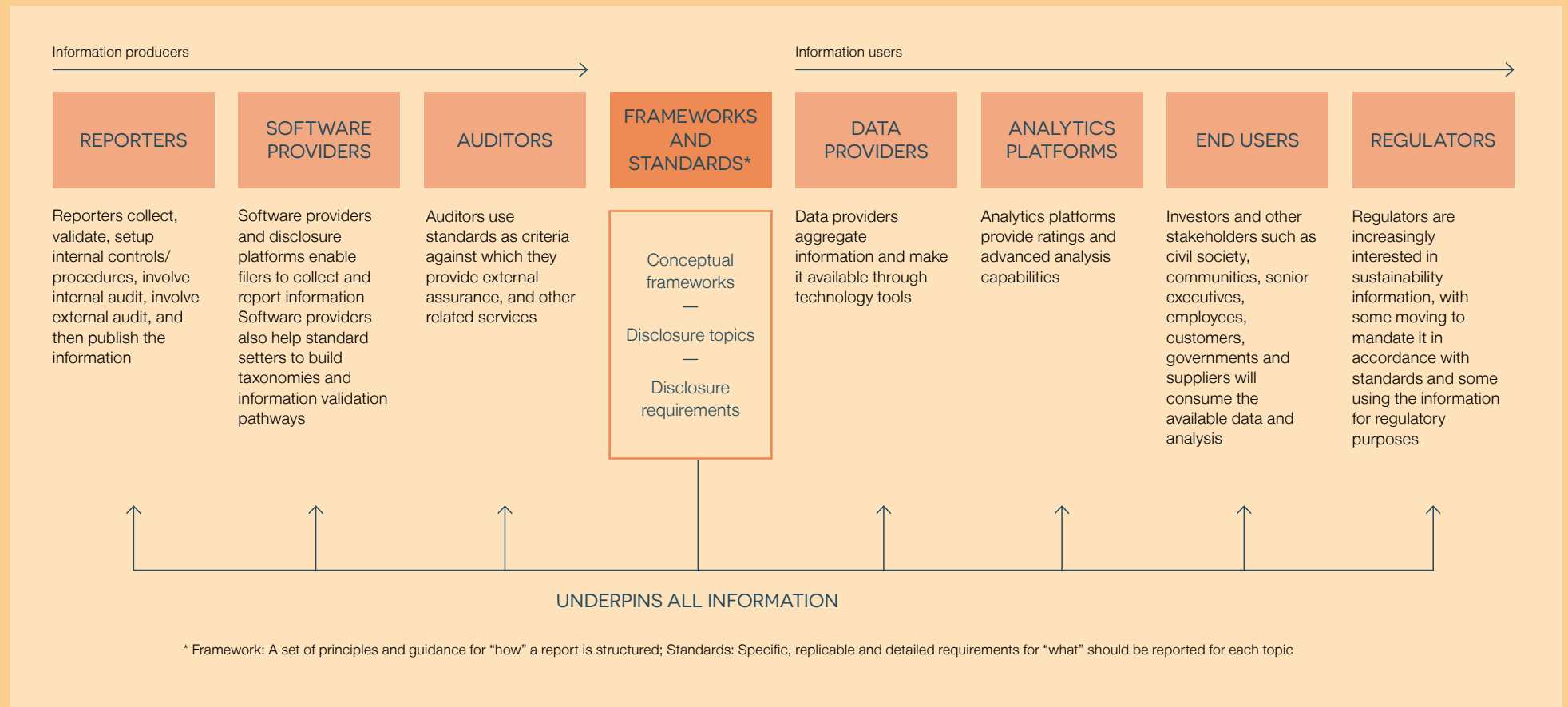
The Statement of Intent to Work Together Towards Comprehensive Corporate Reporting

states that “Together, disclosure standards and frameworks help create a foundational layer of high-quality, company-reported information, which the rest of the ecosystem can rely on to support more efficient markets and more effective decision-making.” This is summarized below.

The key sustainability reporting standards summarized in this section are:

- The IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2)
- The Global Reporting Initiative’s (GRI) Standards
- The EU’s Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS)

FIGURE 1



Source: Impact Management Project, World Economic Forum and Deloitte, [Statement of Intent to Work Together Towards Comprehensive Corporate Reporting](#)



IFRS FOUNDATION AND THE INTERNATIONAL SUSTAINABILITY STANDARDS BOARD (ISSB)

BACKGROUND

In November 2021, during COP26, the International Financial Reporting Standards (IFRS) Foundation announced the establishment of the International Sustainability Standards Board (ISSB). This followed calls for the IFRS Foundation to play a role in improving the consistency, comparability and availability of sustainability information (in particular what is provided to investors and other capital markets participants). The ISSB was set up as a sister board to act alongside the International Accounting Standards Board (IASB). Its aim is to develop and maintain a global set of sustainability-related reporting standards focused on the needs of investors and the financial markets. The ISSB is also tasked with reducing complexity and working towards harmonization of standards and frameworks. The ISSB consolidated pre-existing investor-focused work from the Value Reporting Foundation (which included Sustainability Accounting Standards Board (SASB) and the Integrated Reporting Framework), and the Climate Disclosure Standards Board (CDSB) (see [appendix](#) for more details on these bodies). The content, staff, technical expertise and other resources of these organizations were consolidated into the IFRS Foundation. In addition, the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD) were largely used in the development of the ISSB standards, resulting in the disbanding of the taskforce in 2023.

A GLOBAL BASELINE OF MANDATORY STANDARDS

Following public consultation, in June 2023, the ISSB launched their first two investor-focused Sustainability Disclosure Standards, [IFRS S1](#) and [IFRS S2](#), ready to be adopted for reporting years as early as 2024. The standards are available for voluntary adoption, but it is expected that many jurisdictions globally will endorse them for mandatory reporting (see next page for more details on the standards).

The International Organization of Securities Commissions (IOSCO), bringing together the world's securities regulators, is a key and influential player in the regulation of companies and global capital markets. It acts as the high-level link between new sustainability-related reporting standards and their translation into binding requirements by securities regulators around the world. In July 2023, IOSCO [publicly endorsed the ISSB's Standards, IFRS S1 and IFRS S2](#). It has determined that the ISSB Standards "are appropriate to serve as a global framework for capital markets to develop the use of sustainability-related information in both capital raising and trading and for the purpose of helping globally integrated financial markets accurately assess relevant sustainability risks and opportunities." In its endorsement of the ISSB Standards, IOSCO called on its 130 member jurisdictions to consider how they may adopt the Standards with many immediately announcing their intention to do so in the interest of establishing the global baseline.⁴

ISSB'S NEXT STEPS

Following the ISSB's Consultation on Agenda Priorities, in mid-2023, it is currently determining its next steps from the following areas:

- a. beginning new research and standard-setting projects;
- b. supporting the implementation of IFRS Sustainability Disclosure Standards;
- c. researching targeted enhancements to the ISSB Standards;
- d. enhancing the SASB Standards (which are likely to form the basis for sector-specific disclosure standards);
- e. ensuring connectivity between the ISSB's and IASB's respective requirements;
- f. ensuring interoperability of the ISSB Standards with other sustainability standards; and
- g. engaging with stakeholders.

4. [IOSCO endorses the ISSB's Sustainability-related Financial Disclosures Standards](#)



IFRS FOUNDATION AND THE INTERNATIONAL SUSTAINABILITY STANDARDS BOARD (ISSB)



The ISSB Standards have been designed to help companies tell their sustainability story in a robust, comparable and verifiable manner. We have consulted closely with the market to ensure the Standards are proportionate and will result in disclosures that are relevant for investment decision-making

Emmanuel Faber, Chair, ISSB

THE WORK OF IASB

IASB's IFRS Accounting Standards already require companies to consider climate-related matters in their financial statements when the effect of those matters is material information for investors, as highlighted in IASB's educational material '[Effects of climate-related matters on financial statements](#)' (November 2020) and article '[IFRS Standards and climate-related disclosures](#)' (November 2019). The IASB indicates how potential financial implications arising from climate-related and other emerging risks could include asset impairment, changes in the useful life of assets, and effects on impairment calculations among other examples. The articles provide some helpful tips for how existing requirements in IFRS Standards may cover climate-related and other emerging risks when making materiality judgements about what to recognise in financial statements. More details are set out in the [ABN's Statement of Support](#), which reflects on developments in addressing climate and other emerging risks. More recently, the IASB has started a [project to explore whether and how companies' financial statements can provide better information about climate-related risks](#).

In addition, in 2021 the IASB consulted on its [Practice Statement on Management Commentary Exposure Draft](#) – a new framework which could impact management commentary content regarding intangible resources and sustainability matters affecting the company. It is worth noting that in 2023, the ISSB's Consultation on Agenda Priorities included a potential project on integration in reporting, asking whether that project should be undertaken jointly with the IASB and build on concepts from the Exposure Draft Management Commentary.

The two boards will review feedback and agree steps in the near future. Considerations will be given to the role of the Integrated Reporting Framework as a tool for better connectivity and integration between financial and sustainability-related disclosures.

A CLOSER LOOK: ISSB'S STANDARDS

ISSB's first two Sustainability Disclosure Standards released in June 2023 are:

- [IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#), which sets out the overall requirements for an entity to disclose sustainability-related financial information about its sustainability-related risks and opportunities
- [IFRS S2 Climate-related Disclosures](#), which requires an entity to provide material information about its significant climate-related risks and opportunities

The two standards underwent public consultation in 2022 during which they received extensive feedback. They are built on the TCFD recommendations and address all sustainability-related topics relevant to enterprise value, with additional detail provided on climate-related disclosures. They are designed to work alongside the IFRS Standards issued by IASB, using the same terminology and definitions, including reference to materiality .

The standards underline the need for organizations to consider and disclose information along the whole value chain.



GLOBAL REPORTING INITIATIVE (GRI)



At GRI, we advocate for a comprehensive reporting system, which combines financial and impact materiality for sustainability reporting. This is the only way to achieve the comparable and effective reporting needed to drive corporate accountability. We are confident that, with goodwill and cooperation, we can deliver improved reporting that fulfils both applications of materiality and meets the transparency needs of multiple stakeholders.”

EELCO VAN DER ENDEN, CHIEF EXECUTIVE OFFICER,
GRI

The Global Reporting Initiative (GRI) produces the GRI Standards, which are designed to be used by organizations to report on their positive and negative impacts on the economy, the environment and society. They help organizations prepare a sustainability report based on the GRI Reporting Principles. These include Reporting Principles for defining report content (stakeholder inclusiveness, sustainability context, materiality and completeness) and Reporting Principles for defining report quality (accuracy, balance, clarity, comparability, reliability and timeliness). A sustainability report using the GRI Standards will focus on material topics and are intended for a multi-stakeholder audience. GRI define material topics as those that “represent the organization’s most significant impacts on the economy, environment and people, including impacts on their human rights.” and as such the GRI Standards focus on the impact perspective of double materiality.

The GRI Standards are developed through an extensive, global multi-stakeholder process and can be used by any organization. More than 10,000 preparers in over 100 countries report in line with GRI Standards, including 78% of the world’s largest 250 companies.⁷ The use of GRI Standards is currently explicitly required for selected types of organizations in Egypt, Jordan, Morocco, Singapore, Sweden, Taiwan and Zimbabwe. India’s and European Union’s requirements are strongly aligned to GRI Standards

The GRI Standards are relevant to companies, accountants, investors, capital markets and policymakers. To help achieve greater alignment for the benefit of sustainability report users and preparers, the GRI collaborates with both the IFRS and the EU standard setters. In addition to the [collaboration agreement](#) signed with the IFRS Foundation in March 2022, the GRI signed a [Statement of Cooperation](#) in July 2021 with the European Reporting Advisory Group (EFRAG). This

enabled the GRI and EFRAG to share their technical expertise and work together to co-construct the European Sustainability Reporting Standards (ESRS) ([see page 11](#)). This cooperation has resulted in their recent [Joint Statement of Interoperability](#) released in September 2023, which highlights the close alignment between the two sets of standards, and how current GRI reporters can prepare for the new mandatory requirements of the ESRS.

In November 2023, the GRI established the Sustainability Innovation Lab (SIL) in Singapore, in partnership with the IFRS Foundation, to enable companies to meet evolving sustainability disclosure requirements. The goal is to support stakeholders with disclosures while promoting harmonization of the reporting landscape at a global level.

7. GRI, [The GRI Standards](#)



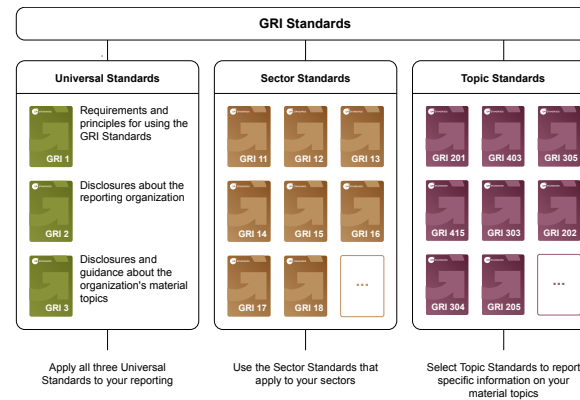
GLOBAL REPORTING INITIATIVE (GRI)

The GRI Standards are modular and interconnected, and consist of three types:

Universal Standards – These need to be used by all organizations in order to comply with the GRI Standard

Sector Standards – These Standards list the likely material topics per sector and their relevant disclosures

Topic Standards – The 31 topics (covering environmental, social and governance issues) include disclosures to report



Source: [A Short Introduction to the GRI Standards](#)

A CLOSER LOOK

The GRI is an independent, international organization that provides the world's most widely used standards for sustainability reporting. It enables organizations to be transparent and accountable, and enhances global comparability in disclosures. The GRI Standards created a global common language for organizations to report their impacts in a consistent and credible way, enabling informed dialogue and decision making. By better understanding, managing and disclosing their impacts, companies using the GRI Standards can enhance strategic decision making, reduce risks, identify business opportunities and strengthen stakeholder relationships.

The GRI Standards have been developed to provide a coherent basis for the preparation by companies of information on sustainability matters. The GRI has become a global reference point for high quality sustainability reporting. Adoption is voluntary, however, the Standards help companies to comply with mandatory reporting requirements where they apply. The GRI provides support to governments and market regulators in the development of sustainability reporting policies and regulations to stimulate corporate transparency and accountability. Around the world, more than 160 policies in over 60 countries and regions reference or require GRI for reporting.⁸ The Standards allow companies to report on impact in a consistent way and thus helps investors and other stakeholders to compare and contrast companies' sustainability performance regardless of location.

8. [KPMG Survey of Sustainability Reporting 2022](#)



EUROPEAN UNION (EU)



The standards we have adopted are ambitious and are an important tool underpinning the EU's sustainable finance agenda. They strike the right balance between limiting the burden on reporting companies while at the same time enabling companies to show the efforts they are making to meet the green deal agenda, and accordingly have access to sustainable finance.

Mairead McGuinness, Commissioner for Financial Services, Financial Stability and Capital Markets Union

The European Union (EU) introduced a Non-Financial Reporting Directive (NFRD) in 2014 which applies to almost 12,000 large companies across the EU. It requires them to publish specified information on sustainability matters (environment, social and employee matters, human rights, anti-corruption and bribery issues) 'to the extent necessary for an understanding of the development, performance, position and impact of the company's activities.' It underwent a comprehensive review of the effectiveness of the legislation in 2020, including addressing the two factors of standardization and assurance.

In April 2021, the Commission published a proposal for a new [Corporate Sustainability Reporting Directive \(CSRD\)](#), which would amend and extend the scope and requirements of the NFRD, and ultimately replace it. The new Directive falls under the wider EU Sustainable Finance Package Plan, which aims to improve the flow of money towards sustainable activities across the EU. The ambition of the CSRD will also contribute towards the EU's 2050 climate neutral target.

The CSRD entered into force in January 2023. It aims to ensure that sustainability and financial reporting are considered with equal importance, in addition to improving the consistency and comparability of sustainability reporting. The regulation will result in nearly 50,000 companies reporting sustainability matters, including*:

- Large companies
- Listed SMEs
- EU subsidiaries of non-EU companies operating in the internal EU market
- Non-EU companies listed on EU markets possessing financial assets

*For full criteria and adoption dates see [Article 5 of CSRD](#)

Organizations will have to disclose sustainability information in line with the requirements of the [European Sustainability Reporting Standards \(ESRS\)](#). Its application will take place in three stages*:

- 1 January 2024 for companies already subject to the non-financial reporting directive (reporting in 2025)
- 1 January 2025 for large companies that are not presently subject to the non-financial reporting directive (reporting in 2026)
- 1 January 2026 for listed SMEs, small and non-complex credit institutions and captive insurance undertakings (reporting in 2027)
- 1 January 2028 for non-EU parent companies (reporting in 2029)

The rules of the NFRD remain in force until reporting entities are required to apply the new rules of the CSRD. The CSRD also requires mandatory assurance over sustainability information, starting from limited assurance (see [section on assurance](#)). In addition, the CSRD requires all future reporting to include the percentage of turnover, capital expenditure and operational expenditure that is considered green under the [EU Taxonomy](#).



EUROPEAN UNION (EU)

A CLOSER LOOK: THE EUROPEAN SUSTAINABILITY REPORTING STANDARDS

A key element of CSRD is the multi-stakeholder focus, so organizations will have to report sustainability information using the double materiality concept, which considers both the impact and financial materiality dimensions of interest to both investors and other stakeholders (see [page 18](#)).

The European Financial Reporting Advisory Group (EFRAG), an independent, multi-stakeholder advisory body, was tasked by the European Commission to prepare the ESRS. After public consultation the EU adopted the [first set of ESRS via delegated acts in July 2023](#).

The first set consists of twelve standards, of which two are cross-cutting and apply to all companies, covering issues such as general principles to be applied when reporting and identifying what is critical to disclose irrespective of which sustainability issue is being considered. The remaining ten standards cover specific sustainability issues, including: climate, biodiversity and ecosystems, water and marine resources, own workforce, workers in the value chain and business conduct.*

Organizations are required to provide disclosures, among other information, on:

- Strategy, targets and governance
- Climate transition plans aligned to the Paris Agreement goal of 1.5 degrees limit to global warming
- Material impacts, risks and opportunities through business relationships with the whole value chain for all sustainability-related issues

Although a large number of data points are required by the standards, a number of large reporters that have been reporting under GRI will be well prepared to report under the new requirements, in light of the [high level of interoperability](#) (see the [GRI-ESRS interoperability index](#)).

EFRAG will publish further ESRSs in due course, including sector-specific standards and standards for specific types of companies such as non-EU parent companies and SMEs.

* ESRS 1 General requirements; ESRS 2 General disclosures; ESRS E1 Climate change; ESRS E2 Pollution; ESRS E3 Water and marine resources; ESRS E4 Biodiversity and ecosystems; ESRS E5 Resource use and circular economy; ESRS S1 Own workforce; ESRS S2 Workers in the value chain; ESRS S3 Affected communities; ESRS S4 Consumers and end-users; ESRS G1 Business conduct.

OTHER SUSTAINABILITY REPORTING REQUIREMENTS AND RECOMMENDATIONS

In addition to key sustainability reporting standards, other important sustainability reporting frameworks and recommendations exist. These have been developed in response to the significant investor and broader stakeholder interest in covering all sustainability-related areas. They aim to provide guidance to aid the understanding of company performance, by helping companies measure, compile and report on these matters.

As with financial reporting standards, sustainability reporting frameworks and recommendations require the measurement and reporting of information in standardized ways, often following fundamental accounting concepts such as consistency, materiality and comparability. The technical skills that professional accountants possess, therefore, make them well equipped to help prepare these disclosures.



TASKFORCE ON NATURE-RELATED FINANCIAL DISCLOSURES



Nature loss is accelerating, and businesses today are inadequately accounting for nature-related dependencies, impacts, risks, and opportunities. Nature-risk is sitting in company cash flows and capital portfolios today. The costs of inaction are mounting quickly. Businesses and financial institutions now have the tools they need to take action. The adoption of the TNFD Recommendations represent a step-change in the momentum and capacity for business and finance to identify, assess and disclose their exposure to nature-related issues in a manner consistent with climate-related reporting.

DAVID CRAIG, CO-CHAIR OF THE TNFD⁹

The [Taskforce on Nature-related Financial Disclosures \(TNFD\)](#) is a global, market-led, science-based initiative established in 2021. It seeks to:

- Develop and deliver a risk management and disclosure framework for organizations to report and act on evolving nature-related risks and opportunities.
- Balance the need for transparency and comparability for investors with simplicity and flexibility for report preparers.
- Support a shift in global financial flows away from nature-negative outcomes and towards nature-positive outcomes.

While the TNFD recommendations are currently voluntary, this framework for nature-related disclosures has strong backing from governments and, given the broad consultation process followed in its development, is likely to inform regulatory adoption.

The TNFD framework draws from, and feeds into, pre-existing frameworks, including the new standards from the IFRS's ISSB and the GRI Standards. The disclosures are structured around governance, strategy, risk and impact management, and metrics and targets, which aligns with the ISSB's Standards. By using pre-existing tools, definitions and metrics, TNFD aims to avoid duplication, and to support the creation of a coherent global framework for nature-related risk management and disclosure.

9. [Econometria](#)

A CLOSER LOOK

The TNFD framework consists of three elements:

1. A summary of concepts and definitions
2. Guidance for corporates and financial institutions on the process of assessing nature-related issues and incorporating them into strategy and risk management
3. Recommended disclosures

TNFD has sought to identify metrics that are science-based but are also practical for preparers and can be independently assured at a reasonable cost. To provide maximum user flexibility, there are two main categories of core disclosure metrics:

- Core global metrics are relevant to organizations across sectors and are reflected in global policy priorities.
- Core sector metrics are sector-specific, enabling capital providers to make comparable assessments of businesses within a sector. These are currently open for consultation.

TNFD also recommends additional disclosure metrics, which an organization may choose to use where these metrics are particularly relevant to their business model and nature-related issues. Disclosures should then be broken down, where relevant, into direct operations, upstream and downstream value chains.

TNFD also provides a range of supporting guidance, which includes guidance on sectors, biomes, target setting, scenario analysis and transition plans, along with case studies.



SECURITIES AND EXCHANGE COMMISSION (SEC)



Today, investors representing literally tens of trillions of dollars support climate-related disclosures because they recognize that climate risks can pose significant financial risks to companies, and investors need reliable information about climate risks to make informed investment decisions.

Gary Gensler, Chair, SEC⁵

The [Securities and Exchange Commission](#) (SEC) is the federal agency responsible for regulating securities markets in the United States.

In 2010, the Commission released interpretative guidance on [climate change disclosure](#), which clarified that existing SEC disclosure rules may require publicly traded companies to describe key climate change-related information. The 2010 Guidance identified four areas relating to climate change that should be considered by publicly traded companies when they are preparing their filings under existing SEC disclosure requirements. These are:

1. Impact of legislation and regulation
2. International accords
3. Indirect consequences of regulation or business trends
4. Physical impacts of climate change.

In November 2020, it amended its rules on [human capital management](#) to require disclosure of material information relating to those human capital measures and objectives that are considered key to the reporter's business as part of the SEC's broader project to modernize Regulation S-K.

5. SEC, [Statement on Proposed Mandatory Climate Risk Disclosures](#)

A CLOSER LOOK: HOW HAS THE SEC HASTENED ITS PROGRESS ON ESG DISCLOSURES?

The SEC's movement towards a greater focus on the importance of sustainability disclosures has accelerated since 2019, including the creation of a new role of [Senior Policy Advisor for Climate and ESG](#) in 2021 to advise the agency on ESG matters. In the same year, the SEC also formed the Climate and ESG Task Force, whose remit is to develop initiatives proactively to identify ESG-related misconduct, and to advise generally on the relevance of ESG issues to market regulation. In addition, calls for new disclosure requirements on ESG matters have emerged from the SEC's corporate finance division.

In March 2022, the SEC released proposed rules to enhance and standardize climate-related disclosures for investors. The rules proposed disclosure of specific climate-related metrics in notes to the audited financial statements, Scope 1, 2 and 3 emissions, and the disclosure of any board member with climate-related expertise, alongside other requirements. The proposed rules underwent public consultation throughout 2022.

On the launch of these proposed rules, Gary Gensler, Chair, SEC, stated, "Companies and investors alike would benefit from the clear rules of the road proposed in this release. I believe the SEC has a role to play when there's this level of demand for consistent and comparable information that may affect financial performance. Today's proposal thus is driven by the needs of investors and issuers."

The rules were expected to be released in April 2023, with disclosures beginning in 2024. However, as of the date of this publication, the final climate disclosure rules have not been released.

In addition, in September 2023, the SEC's Investor Advisory Committee (IAC) unanimously voted to recommend the commission write a rule that requires publicly traded companies to provide more relevant information about its workforce, including the total cost of the company's labour, broken down into major components of compensation.



SDG DISCLOSURE RECOMMENDATIONS



Communicating how value is being created and protected for all stakeholders and how an organization contributes to sustainable development has become the basis for public trust and social license to operate. Without enhanced reporting, the corporate world will increasingly be seen as out of step with the needs of society.¹¹

ELIZABETH BOGGS-DAVIDSEN, DIRECTOR, UNDP

HELEN BRAND, OBE, CHIEF EXECUTIVE, ACCA

J BRUCE CARTWRIGHT, CHIEF EXECUTIVE, ICAS

KEVIN DANCEY, CHIEF EXECUTIVE OFFICER, IFAC

RICK ELLIS, FORMER CHIEF EXECUTIVE OFFICER, CHARTERED ACCOUNTANTS ANZ

GERBRAND HAVERKAMP, EXECUTIVE DIRECTOR, WBA

CHARLES TILLEY, OBE, CHIEF EXECUTIVE OFFICER, IIRC

The [Sustainable Development Goals Disclosure \(SDGD\) Recommendations](#) attempt to establish a best practice for corporate reporting on the SDGs and enable more effective and standardized reporting and transparency on climate change, social and other environmental impacts. The SDGD Recommendations offer a new approach for businesses and other organizations to address sustainable development issues aligned to the three most influential and popular reporting frameworks (GRI, the Integrated Reporting Framework and TCFD).¹⁰ They attempt to establish a best practice for corporate reporting on the SDGs and enable more effective and standardized reporting and transparency on climate change, social and other environmental impacts.

The SDGD Recommendations call on organizations to consider sustainable development risks and opportunities relevant to their long-term value creation strategy and communicate the actual or potential impacts on achievement of the SDGs. This will require relevant and material disclosures about the factors that influence long term value creation (or destruction) for both the organization and society, or that have an impact (positive or negative) on the achievement of the SDGs in the annual report.

¹⁰. As described by [IFAC](#)

¹¹. Foreword, [Sustainable Development Goals Disclosure \(SDGD\) Recommendations](#)

A CLOSER LOOK

The SDGD recommendations are grouped into four themes:

- **Governance** – the board’s governance around sustainable development risks and opportunities and oversight of processes to integrate sustainable development considerations into the organization’s processes.
- **Strategy** – changing what business is done and how business is done to maximize long term value creation for the organization and society and positive impact on the achievement of the SDGs.
- **Management approach** – management’s approach to integrating consideration of sustainable development risks and opportunities into all aspects of the organization.
- **Performance and targets** – qualitative and quantitative approaches to communicating performance and targets.

The recommended disclosures should be included in summary form in the annual report, annual integrated report, strategic report or equivalent. Additional detailed disclosures can be referenced and provided elsewhere.

KEY REPORTING COMPONENTS

During the course of development (and now convergence) of the different reporting frameworks and standards, there has been a growing focus placed on specific reporting components considered to be pivotal in making information understandable and useful to users: materiality and assurance.

MATERIALITY

When the term ‘materiality’ is used in financial reporting, it generally means information, and a level of detail, that is likely to make a difference to the users’ economic decision making in relation to a set of financial statements.

Several different definitions of financial materiality have been published by standard setters. Although what will be material will differ depending on individual preparers, the general rule is that information will be material if omitting, misstating or obscuring it is likely to affect the economic decision making of primary users. In the case of financial reporting, these users are typically defined as investors, lenders and other creditors – current or potential – who have to rely on general purpose financial statements for much of their information requirements.

The ISSB’s definition of materiality is aligned to this. Both of their standards (IFRS S1 and IFRS S2) are designed to work along the IFRS standards issued by IASB, using the same terminology and definition, including with regards to materiality, which is:

“An entity shall disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s prospects. In the context of sustainability-related financial disclosures, information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity.”

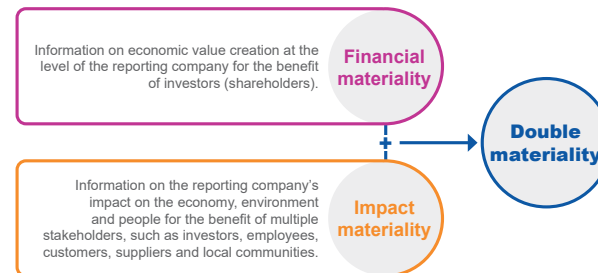
In the case of sustainability reporting, the question of what is material is complicated by the fact that there are likely to be a wider range of users, each with their own reasons for being interested. Therefore, in some cases, materiality judgements, are likely to differ for sustainability reporting in three ways:

- The scope of issues broadening to include consideration of the organization’s impacts on the environment and society.
- The inclusion of multiple and wide-ranging stakeholder groups.
- The lengthening of the time frame over which business impacts are considered material.

Some reporting frameworks specifically require organizations to consider information on the company’s impacts on the economy, environment and society as material, as well as sustainability-related risks and opportunities that affect the enterprise value (so called ‘double materiality’). Thousands of companies across Europe and beyond in scope of CSRD will need to disclose information on this basis to their stakeholders.

The EU materiality definition aligns with reporting using the GRI Standards. GRI states that financial materiality and impact materiality together under the umbrella of ‘double materiality’ are the only relevant forms of materiality, with both perspectives needed in a two-pillar structure - for financial and sustainability reporting - with a core set of common disclosures and each pillar on an equal footing.

FIGURE 2



Source: GRI, [The materiality madness: why definitions matter](#)

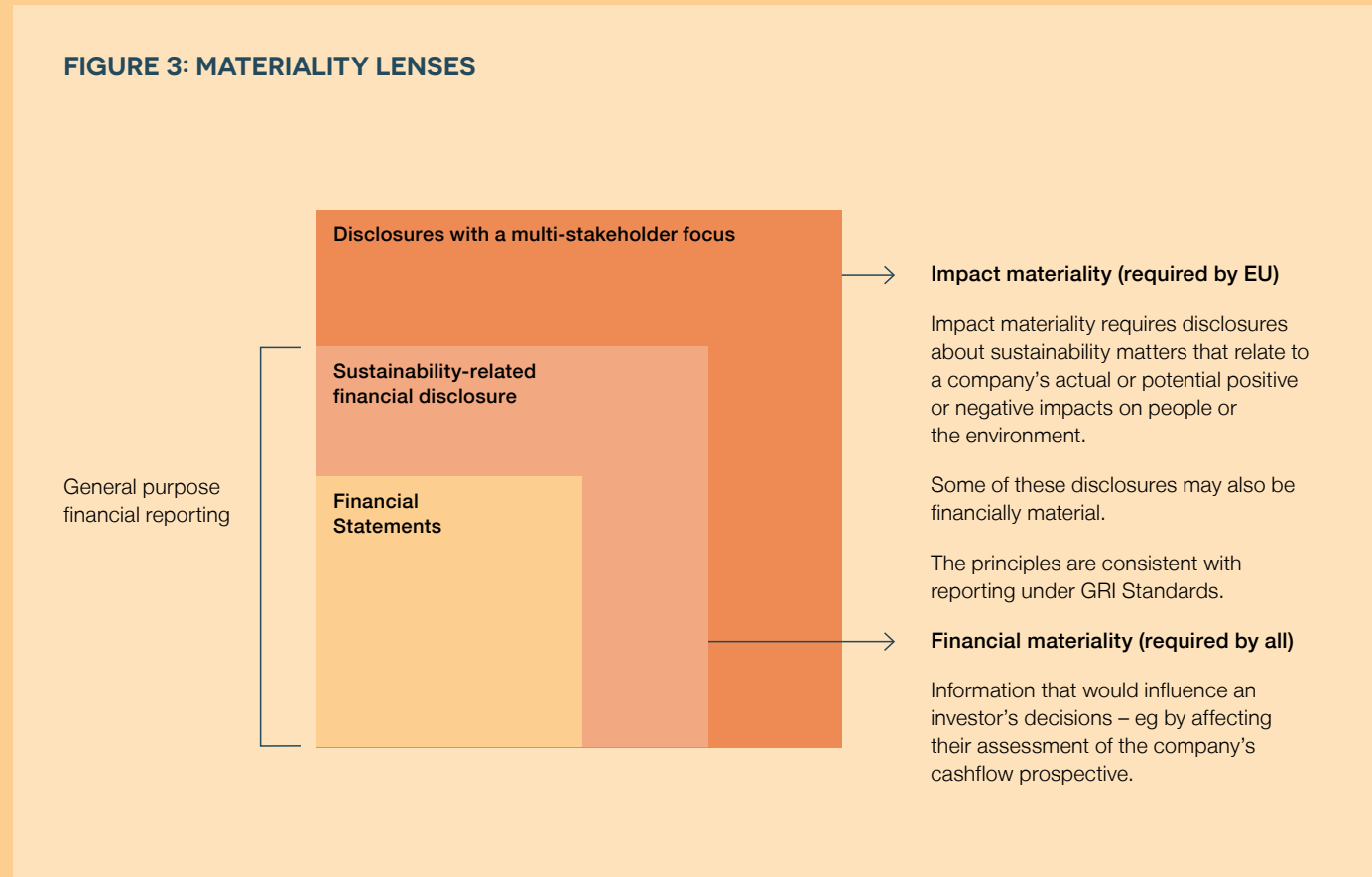
A CLOSER LOOK

Organizations often find it challenging to determine what sustainability information should be included in their reporting. Materiality determinations are highly subjective and require significant professional judgment, assessment of qualitative and quantitative considerations and consultation with a variety of stakeholders. In the context of determining the materiality of sustainability issues for financial reporting, considering the organization’s business model and unique circumstances, relevant ESG factors identified should be assessed for their likelihood of occurrence and potential impact on company value over the short, medium, and long terms. To the extent possible, the approach for assessing ESG risks and opportunities should be consistent with how other financially material business risks and opportunities are identified and assessed by the organization. When looking at sustainability reporting, the impact of issues on the environment, people and the economy also need to be factored in.

Immediately prior to the formation of the ISSB in November 2021, [work](#) carried out jointly by CDP, CDSB, GRI, the International Integrated Reporting Council (IIRC) and SASB, discuss ‘dynamic materiality’, a concept discussed in the World Economic Forum’s [“Embracing the New Age of Materiality”](#) paper. The five organizations argued that materiality in this wider context needs to be seen as a dynamic concept. This concept highlights that different groups of stakeholders will have different views on what information is material, which can change over time. The image overleaf sets out this concept, underlining that what is deemed material information can move between three ‘lenses’.

MATERIALITY CONTINUED

FIGURE 3: MATERIALITY LENSES



There is no doubt that standardizing sustainability reporting throws up real technical challenges, for preparers and assurance providers alike. Materiality is possibly the most difficult of them. The word 'material' refers to something that is relevant or significant, but, for sustainability reporting, that poses the question of what is 'relevant' and 'significant' to whom and for what purpose?

PAUL DRUCKMAN, CHAIRMAN, WORLD BENCHMARKING ALLIANCE



In order for a company's risk profile to be fully understood, it is essential that it addresses all material issues – not just those driven by the context of financial reporting standards. Investors need to be able to analyse where a company stands now and how resilient it will be going forward, in the light of all foreseeable challenges

RUSSELL PICOT, CHAIR, HSBC BANK (UK) PENSION SCHEME

Source: Adapted from KPMG, [Comparing Sustainability reporting requirements](#)

ASSURANCE

As reporting frameworks and standards are under development, there has also been increasing focus placed on the assurance process. Assurance is considered to be pivotal in making information reliable and is therefore essential for users. Assurance over sustainability-related reporting is in fact a core element of an effective reporting system. Robust and reliable assurance standards and processes are key to ensure credibility in the system.

As is the case with financial statements, users of sustainability-related disclosures are likely to see them as having more credibility if they have been reviewed by an appropriately qualified independent assurance provider and meet the required standard of preparation. The well-established technical and professional procedures for auditing financial statements, in addition to the auditing profession's ethical code and quality management requirements, offer a robust template for assurance over sustainability and other non-financial information. The skills and procedures of external audit are, therefore, transferable to assurance over to sustainability information and reports. As assurance of sustainability-related reporting continues to develop, auditors will need specialized guidance on applying assurance procedures to this different set of information, and will need to develop, or call on, specialist sustainability knowledge and expertise.

With 63% of the world's largest 250 companies already obtaining third-party assurance on their sustainability reports, how is this area developing and impacting the profession?¹²

12. [KPMG, The KPMG Survey of Sustainability Reporting 2022](#)

A CLOSER LOOK

There are a number of initiatives that are helping to shape the future of sustainability assurance and respond to calls from various parties, including investors, for reliable sustainability information. These include:

- The EU's [CSRD](#) requires mandatory external assurance across all disclosed sustainability information. Limited assurance is required initially, with a goal to move to reasonable assurance in the future.
- The [IFRS Sustainability Disclosure Standards S1 and S2](#) have been designed to make the reported information assurable. In addition, the ISSB anticipates jurisdictional regulators will require that the information disclosed under S1 and S2 will be subject to some level of assurance.
- The proposed [SEC rules](#) require assurance on scope 1 and scope 2 emissions.
- In March 2023, IOSCO published its [Report on International Work to Develop a Global Assurance Framework for Sustainability-related Corporate Reporting](#), which set out “key considerations for promoting an effective global assurance framework for sustainability-related corporate reporting”. It was a result of significant engagement with stakeholders, who strongly supported IOSCO to play a key role in promoting global consistency in assurance.



We also believe sustainability-related financial information should be subject to external assurance given the growing reliance on this information by stakeholders in capital markets.

MAARIKA PAUL, EXECUTIVE VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER, CDPQ

Both users and preparers of sustainability reports need robust and consistent assurance standards to meet the emerging mandatory reporting requirements and evolving environment.

The [International Auditing and Assurance Standards Board \(IAASB\)](#) is an independent standard-setting body. It has developed a new overarching standard for sustainability assurance engagements, with a goal of “enhancing the trust and confidence investors, regulators and other stakeholders have in sustainability information”. In April 2021, the IAASB issued [new guidance](#) 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. The proposed International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements, is now under consultation until December 2023, with the final standard due to be issued before the end of 2024.

In addition, the IAASB has issued guidance on how auditors should consider climate-related risks in their audit of financial statements. In October 2020, IAASB published a Staff Practice Note – [The Consideration of Climate-Related Risks in an Audit of Financial Statement](#) – which assists auditors in understanding what already exists in the International Standards on Auditing today and how it relates to auditors’ considerations of climate-related risks in an audit of financial statements. This guidance explains how climate-related events or conditions may contribute to the possibility of financial statements containing misstatement of certain amounts and disclosures, and thereby have implications for the auditor’s opinion. The guidance discusses how climate-related information may impact on the auditor’s specific responsibilities under the IAASB standards, including those dealing with the assessment and identification of risks of material misstatement, materiality and going concern.

A CLOSER LOOK: THE NEW ISSA 5000 STANDARD

The proposed ISSA 5000 Standard is principles-based, enabling the assurance practitioner to use their professional judgement. It can also apply to all sustainability areas (for example, climate, biodiversity and labour practices) as well as different aspects of these areas (for example, governance, risk management and targets). The proposed standard can be applied to information that has been prepared in accordance with any sustainability reporting framework or standard, including IFRS S1 and IFRS S2, GRI and the EU’s ESRs. In addition to being reporting standard agnostic, the proposed ISSA 5000 is also profession agnostic, meaning both professional accountants and non-accountant assurance practitioners can use it.

As the proposed standard is to be profession agnostic, it is crucial that every assurance practitioner, professional accountant or not, adheres to the highest levels of ethical standards. In that regard, all assurance practitioners need to comply with relevant ethical and quality management requirements that are at least as demanding as the [International Code of Ethics for Professional Accountants](#), published by the International Ethics Standards Board for Accountants (IESBA) and the [International Standard on Quality Management 1 \(ISQM 1\)](#) issued by the International Auditing and Assurance Standards Board (IAASB).

The proposed ISSA 5000 applies to both limited and reasonable assurance engagements. It can also be used for any entity irrespective of size and sector.



Corporate reporting, whether financial or sustainability focused, is more trusted when it receives external and independent assurance based upon globally accepted standards independently developed in the public interest.

TOM SEIDENSTEIN, IAASB CHAIR¹¹



The global community is looking for timely actions to put in place standards for independent assurance of sustainability-related disclosures. Momentum has been building for decisive actions. We are pleased that the IAASB and IESBA intend to have their framework ready for end-2024 disclosures and encourage them to deliver on this timeline.

JEAN-PAUL SERVAIS, IOSCO BOARD CHAIRMAN¹²

11. [IAASB, IAASB Launches public consultation on landmark proposed global sustainability assurance standard](#)
12. [IOSCO, IOSCO sets out key considerations to promote an effective global assurance framework for sustainability-related corporate reporting](#)

OTHER KEY ASSURANCE STANDARDS

<p><u>ISAE 3000</u> ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information</p>	<p>An IAASB standard that deals with assurance on information other than historical financial information. This standard is currently used for sustainability assurance engagements.</p>
<p><u>ISAE 3410</u> International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements</p>	<p>An IAASB standard that deals with assurance engagements on greenhouse gas statements.</p>
<p><u>ISO14064</u> ISO 14064-3:2019 Greenhouse gases Part 3: Specification with guidance for the verification and validation of greenhouse gas statements</p>	<p>ISO 14064 is an ISO standard that sets out principles and requirements and provides guidance for verifying and validating greenhouse gas (GHG) statement.</p>
<p><u>AA1000AS</u> AA1000 Assurance Standard</p>	<p>The AA1000 Assurance Standard (AA1000AS v3) is a standard developed to assess the nature and extent to which an organization adheres to the AccountAbility Principles of Inclusivity, Materiality, Responsiveness, and Impact. The standard and principles are proprietary concepts developed by sustainability advisor AccountAbility, which prioritize the user experience to be easy to read, simple to use, and clear in its objectives.</p>

GLOSSARY

GLOBAL PROFESSIONAL ORGANIZATIONS AND WHAT THEY DO

<u>IAASB</u>	<p>The International Audit and Assurance Board (IAASB) is the recognised global standard setter for audit and assurance. It acts as an independent body under the auspices of the International Federation of Accountants (IFAC) and its standards have traditionally focused solely on the technical elements of auditing. Now, however, with the increasingly apparent implications of climate change for corporate reporting, and conceivably for business viability too, the process of audit is no longer immune to these historically external issues.</p>
<u>IESBA</u>	<p>The International Ethics Standards Board for Accountants (IESBA) is an independent global standard-setting board. The IESBA's mission is to serve the public interest by setting ethics (including independence) standards as a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.</p> <p>The board also supports the global adoption and implementation of its standards, promotes good ethical practices globally, builds and strengthens working relationships with stakeholders, and fosters international debate on ethical issues.</p>
<u>IFAC</u>	<p>The International Federation of Accountants (IFAC) is the representative body for the global accountancy profession. Although it does not set technical standards itself and so is not directly involved in the various processes of devising accounting, audit or sustainability standards, it has assumed a leading role in ensuring that corporate reporting continues to provide valuable and reliable information for stakeholders.</p>
<u>IFRS FOUNDATION</u>	<p>The International Financial Reporting Standards Foundation (IFRS) is a public interest organization established to develop a single set of high-quality, understandable, enforceable and globally accepted accounting standards – IFRS Standards – and to promote and facilitate adoption of the standards. The IFRS Foundation Trustees are responsible for the governance and oversight of the IFRS Foundation and the IASB and ISSB Boards.</p> <ul style="list-style-type: none"> • The International Accounting Standards Board (IASB) is an independent, international group of experts with a mix of recent practical experience in setting accounting standards, in preparing, auditing or using financial reports, and in accounting education. The Board is responsible for the development and publication of IFRS Standards, including the IFRS for SMEs Standard. The Board is also responsible for approving interpretations of IFRS Standards, as developed by the IFRS Interpretations Committee. • The International Sustainability Standards Board (ISSB) develops—in the public interest—standards that will result in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets. It comprises of members from across the world with a mix of professional perspectives, including former investors and preparers. <p>The ISSB works in close cooperation with the IASB, ensuring connections between IFRS Accounting Standards and IFRS Sustainability Disclosure Standards. Each board is independent, and their standards complement each other to provide investors and other capital market participants with comprehensive information to meet their needs. The staff of the IASB and the ISSB work in coordination at all times to ensure their standards are compatible.</p>
<u>IPSASB</u>	<p>The International Public Sector Standards Board (IPSASB) operates as part of the IFAC structure and specializes in the development of accounting standards (IPSAS) and supplementary guidance for use by public sector entities. It established a Sustainability Steering Committee in January 2023 and in June 2023 decided to move forward with the development of a public sector specific Climate-Related Disclosures standard (by end of 2025). It has published a Climate- Related Disclosures project brief. To support immediate application of sustainability reporting, the IPSASB has issued Reporting Sustainability Program Information—Amendments to RPGs 1 and 3: Additional Non-Authoritative Guidance.</p>

GLOSSARY

OTHER ACRONYMS

<u>CDSB:</u>	Climate Disclosure Standards Board
<u>CRD:</u>	Corporate Reporting Dialogue
<u>CSRD:</u>	Corporate Sustainability Reporting Directive
<u>EFRAG:</u>	The European Financial Reporting Advisory Group
<u>ESRS</u>	European Sustainability Reporting Standards
<u>EU</u>	European Union
<u>GRI:</u>	Global Reporting Initiative
<u>IIRC:</u>	International Integrated Reporting Council
<u>IOSCO</u>	The International Organization of Securities Commissions
<u>NFRD:</u>	Non-Financial Reporting Directive
<u>SASB:</u>	Sustainability Accounting Standards Board
<u>SDG:</u>	Sustainable Development Goals
<u>SEC:</u>	US Securities and Exchange Commission
<u>SME</u>	Small and Medium Sized Enterprise
<u>SSEI:</u>	Sustainable Stock Exchange Initiative
<u>TCFD:</u>	Task Force on Climate-Related Financial Disclosures
<u>TNFD</u>	Task Force on Nature-related Financial Disclosures
<u>WEF:</u>	World Economic Forum


GLOSSARY

DEFINITIONS

<u>CLIMATE-RELATED REPORTING:</u>	With the increasing focus on climate change and the expectations of a wide range of stakeholders to see relevant disclosures in the accounts, financial markets need clear, comprehensive, high-quality information on the impacts of climate change. This includes the risks presented by rising temperatures, climate-related policy, and emerging technologies in our changing world, as well as the opportunities from providing solutions. These expectations are only set to increase for all companies.
<u>DEPENDENCIES:</u>	Where an organization relies upon natural, social or human capital as an input, eg water.
<u>ESG:</u>	Environmental, Social and Governance. Investors are increasingly applying these factors as part of their analysis process to identify material risks and growth opportunities. ESG metrics are not commonly part of mandatory financial reporting, though companies are increasingly making disclosures in their annual report or in a standalone sustainability report (as defined by the CFA Institute).
<u>EXTENDED EXTERNAL REPORTING (EER):</u>	Extended external reporting encapsulates many different forms of reporting, including, but not limited to, sustainability or environmental, social and governance (ESG) reporting, integrated reporting, reporting on corporate social responsibility, greenhouse gas statements, and service performance reporting in the public sector. These kinds of extended reporting are growing in frequency and importance, and address matters that are becoming increasingly critical to decision making by investors and other users (as defined by IAASB).
<u>EU TAXONOMY:</u>	The action plan on financing sustainable growth called for the creation of a common classification system for sustainable economic activities, or an “EU taxonomy”. The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities.
<u>FRAMEWORKS & STANDARDS:</u>	Frameworks provide principles-based guidance on how information is structured, how it is prepared, and what broad topics are covered. Standards provide specific, detailed, and replicable requirements for what should be reported for each topic, including metrics. Standards make frameworks actionable, ensuring comparable, consistent, and reliable disclosure. Frameworks and standards are complementary and are designed to be used together (as defined by SASB).
<u>IMPACTS:</u>	Any environmental, economic or social change, positive or negative, caused by an organization through their activities.
<u>INTEGRATED REPORTING:</u>	A process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation. An integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term.
<u>MULTICAPITAL:</u>	Capitals are stocks of value on which an organization’s business model depends as inputs, and which are increased, decreased or transformed through its business activities and outputs. The capitals are categorized in the <IR> Framework as financial, manufactured, intellectual, human, social and relationship, and natural.
<u>NON-FINANCIAL REPORTING:</u>	Typically, non-financial reporting is all the information outside of the general-purpose financial statements that are prepared in accordance with generally accepted accounting practice. The key element of this broader reporting is the reporting on sustainability issues. This brings together a range of environmental, social and governance (ESG) factors considered essential for the comprehensive understanding of business performance to a wide group of stakeholders.
<u>STAKEHOLDER:</u>	A party that can either affect or be affected by an organization. Stakeholders can be internal or external. Internal stakeholders are those who have a direct relationship with an organization, such as employment; external stakeholders are those who relate to the actions and outcomes of the organization, such as customers, suppliers, investors or governments.


APPENDIX: REPORTING INITIATIVES BUILT UPON BY THE ISSB

The ISSB builds on the work of market-led investor-focused reporting initiatives—including the Climate Disclosure Standards Board (CDSB), the Task Force on Climate-related Financial Disclosures (TCFD), the Value Reporting Foundation’s Integrated Reporting Framework and industry-based SASB Standards, as well as the World Economic Forum’s Stakeholder Capitalism Metrics. Although these reporting frameworks and standards are now being absorbed into the work of the ISSB and the IASB, they remain useful sources of guidance. They are likely to remain relevant for at least a few years while the ISSB develops its standards to cover matters beyond climate, to cover sector-specific requirements, and connectivity and integration within corporate reporting. While CDSB, IIRC and SASB are now fully merged within the ISSB, the TCFD was disbanded in 2023 with the IFRS Foundation monitoring the progress on climate-related disclosures.




CDSB

The Climate Disclosures Standards Board (CDSB) offers companies a framework for reporting environmental and climate change information in mainstream reports with the same rigour as financial information. In turn this helps companies to provide investors with environmental information that is useful when making decisions via the mainstream corporate report, enhancing the efficient allocation of capital. Regulators also benefit from compliance-ready materials.




TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) recommendations are widely adoptable and applicable to organizations across sectors and jurisdictions. They are designed to solicit information that can be included in mainstream financial filings. They are designed to help companies provide better information to support informed capital allocation and can assist investors in determining if climate risk is appropriately priced into the valuation of the entity.



INTEGRATED REPORTING FRAMEWORK

The Integrated Reporting Framework (<IR> Framework) provides a holistic view of the value creation process through ‘multicapital’ governance and business model disclosure. It provides principles-based guidance for organizations to prepare an integrated report. By taking into account the connectivity and interdependencies between the range of factors that affect an organization’s ability to create value over time, it helps to improve the quality of information available to providers of financial capital.



SASB STANDARDS

The SASB Standards enable businesses around the world to identify, manage and communicate financially-material sustainability information to their investors. They provide investors with consistent, comparable and reliable ESG data. The 77 Industry Standards identify the minimal set of financially material sustainability topics and their associated metrics for the typical company in an industry, and can be used in core communications with investors, including annual reports to shareholders and financial filings.

STAKEHOLDER CAPITALISM METRICS

The World Economic Forum (WEF) published a set of common metrics and disclosures, Measuring Stakeholder Capitalism, to help companies begin reporting in a consistent and more comparable way on key dimensions of sustainable value.

ABOUT THE A4S ACCOUNTING BODIES NETWORK

The A4S Accounting Bodies Network (ABN) is a collaboration between A4S and professional bodies across the globe. Click on the logos to access a wide range of research, reports and surveys published by each ABN member.

Accounting bodies are vital in equipping their members with the knowledge and skills they need to implement sustainable finance practices. The Network provides an open, cross-border platform. Members share knowledge, collaborate to overcome common barriers and champion the need for change within the accounting community.



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CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND (CA ANZ)



CHARTERED ACCOUNTANTS IRELAND



CONSIGLIO NAZIONALE DEI DOTTORI COMMERCIALISTI E DEGLI ESPERTI CONTABILI (CNDCEC)



CPA AUSTRALIA



CHARTERED PROFESSIONAL ACCOUNTANTS OF CANADA



GLOBAL ACCOUNTING ALLIANCE (GAA)



HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (HKICPA)



INSTITUT DER WIRTSCHAFTSPRÜFER (IDW)



INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND (ICAS)



JAPANESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (JICPA)



REGNSKAP NORGE



SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS (SAICA)



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