ACCOUNTING FOR
SUSTAINABILITY

NAVIGATING THE REPORTING LANDSCAPE

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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 new editions to reflect the latest developments.

As sustainability is a key business issue, accountants will play a crucial role in the transition to a net zero future primarily through the measurement and analysis of financial and sustainability information, and in preparing and executing transition plans. They are also instrumental in holding organisations to account through audit and assurance services. The ABN aims to support the accounting profession in harnessing sustainability knowledge to apply these skills

ALAN VALLANCE, CHIEF EXECUTIVE OFFICER,
THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES (ICAEW)

Professional accountants are well-positioned to make a difference. They can leverage their acknowledged expertise and capabilities to actively engage in the public interest, particularly by contributing to developing and evolving a credible sustainability disclosure and assurance system.

TETSUYA MOGI, CHAIRMAN AND PRESIDENT,
JAPANESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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 30.

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 investors[1], 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.

Connectivity between financial and sustainability reporting will be critical to achieve a global and comprehensive corporate reporting system and avoid reporting fragmentation.

AINSLIE VAN ONSELEN, CHIEF EXECUTIVE OFFICER, CA ANZ

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 Finks's 2022 letter to CEOs
2. KPMG, The move to mandatory reporting: Survey of sustainability reporting 2024

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. Some progress on interoperability has recently been made, with collaboration commitments from different standard setters, and the release of specific guidance and mapping, for example:

- The interoperability guidance published by IFRS Foundation and EFRAG which describes the alignment of their respective disclosure standards in particular with regards to climate-related matters.
- The interoperability mapping document between the GRI Standards and the TNFD Disclosure Recommendations.
- The agreement between GSSB and ISSB to identify and align common disclosure standards, in addition to IFRS Foundation and GRI publishing interoperability considerations for GHG emissions.

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

> **We are in the midst of a significant global transformation as businesses seek opportunities and ways to respond to sustainability-related challenges. Professional accountants are absolutely crucial in this transformation, and have an important public interest role to play. Our profession has a mature competency in analyzing and interpreting data, and the ability to use it to successfully innovate and introduce new business models.**[3]
>
> LEE WHITE, CHIEF EXECUTIVE OFFICER, IFAC

3. IFAC, Human Capital

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.

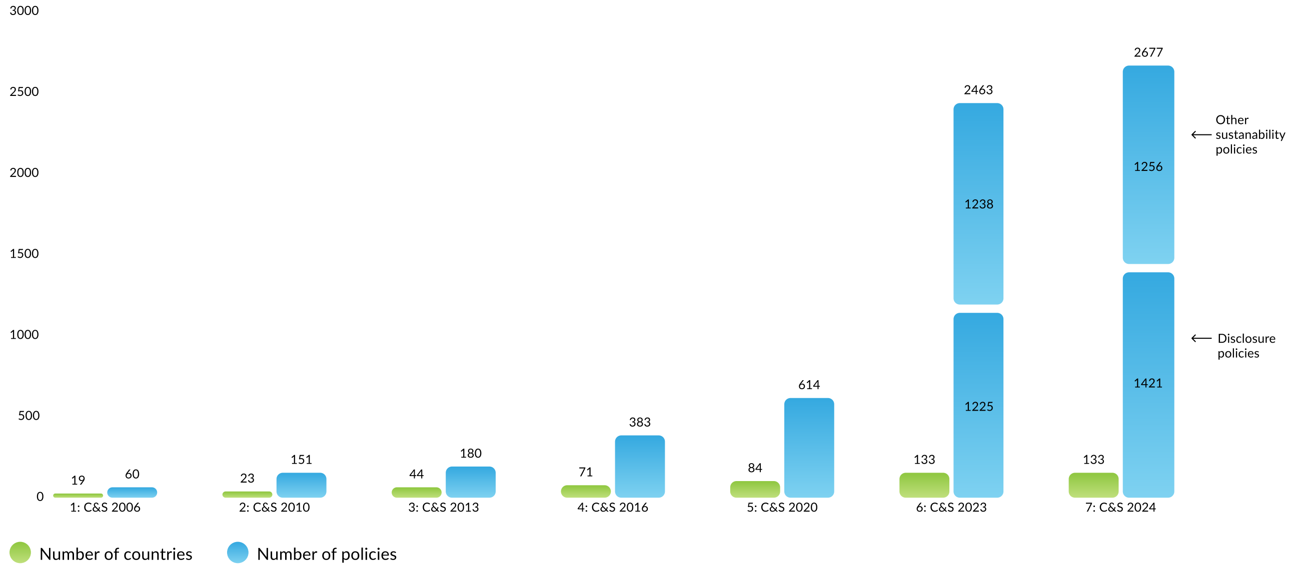
The increasing interest in, and need for, disclosure of sustainability information has led to new mandatory disclosure requirements being introduced in various jurisdictions. Research conducted by the Carrots and Sticks initiative, which analyses a database of mandatory and voluntary policies across 133 countries, shows that 1,421 disclosure policies exist.[4] This 16% increase from 2023 is summarized in the following graph.

1421

disclosure policies

62

countries (+8 international organizations and 4 regional organizations)



Source: Carrots and Sticks, Recognising the role of transparency to accelerate the SDGs - Annual Report 2024

4. Carrots and Sticks, Beyond Disclosure in ESG and Sustainability Policy, 2024

Several countries around the world, such as Australia, have introduced requirements for companies to publish a statement setting out what they are doing to combat modern slavery in their business and in their supply chains. There is also growing emphasis on the mandatory disclosure by companies of their strategic planning and risk management in relation to climate risk and other environmental and social issues.

Individual securities exchanges impose their own disclosure requirements on their registered companies. An increasing number of exchanges, such as those in Hong Kong, Singapore and South Africa have expanded their requirements to include ESG disclosures. The expectation across market regulators is that these disclosure requirements will expand and extend further. At the global level, a move towards greater coordination of sustainability disclosure requirements has been prioritized by the International Organization of Securities Commissions (IOSCO). The Sustainable Stock Exchange Initiative (SSEI)[5] has identified 38 exchanges (covering 24,703 companies) requiring ESG reporting as a listing rule.

In some jurisdictions, such as the UK, the framework of legal responsibilities for company directors has been amended (or clarified) to oblige directors to consider their company's impacts on the environment and people. Where this applies, boards are required to take these additional issues into account in all their management and decision-making processes. This additional measurement, governance and disclosure of ESG information becomes not only helpful to a wider group of stakeholders but is a key element of corporate accountability.

A full list of mandatory and voluntary instruments that either require or encourage organizations to report sustainability-related information can be found on the Carrots and Sticks website, a collaboration between GRI, the United Nations Environment Programme, the University of Stellenbosch Business School, the University of Edinburgh and King's College London.

"The requirement for companies to provide reliable and transparent information on their environmental, social and governance (ESG) metrics has increased exponentially as stakeholders including investors, shareholders and regulators demand it. Information is now required at a more granular level and ESG information has moved from traditional metrics to also include more forward-looking information".

BARRY DEMPSEY, CHIEF EXECUTIVE OFFICER, CHARTERED ACCOUNTANTS IRELAND

Beyond compliance, companies choose to disclose their sustainability practices as they recognise that sustainability reporting can drive revenue growth and profitability whilst curbing the consumption of finite resources. It provides a framework for monitoring performance improvements over time and propels operational excellence

RUNE AALE-HANSEN, CHIEF EXECUTIVE OFFICER, ACCOUNTING NORWAY

5. The SSEI aims to build the capacity of stock exchanges and securities market regulators to promote responsible investment in sustainable development and to advance corporate performance on ESG issues.

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.

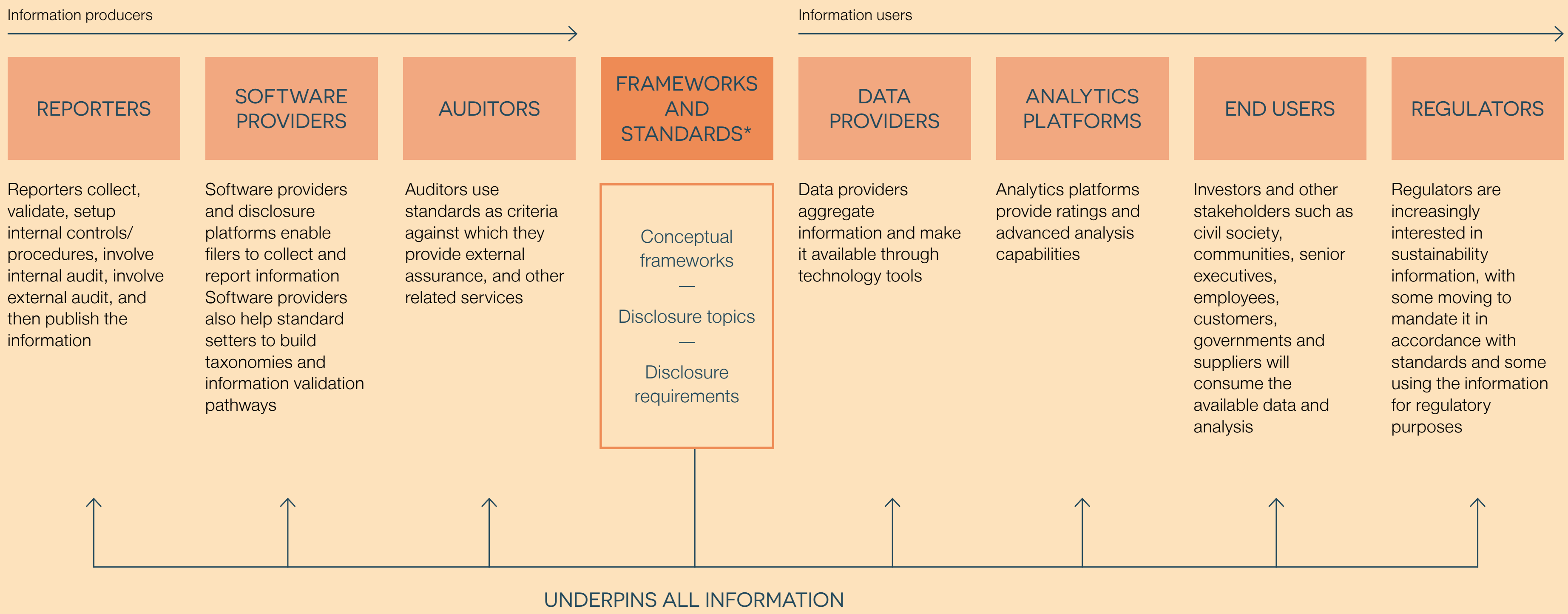
The Statement of Intent to Work Together Towards Comprehensive Corporate Reporting states that “Together, disclosure standards and frameworks help create a foundational layer of high-quality, company-reported information, which the rest of the ecosystem can rely on to support more efficient markets and 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)

> **As the number of global organizations making sustainability commitments grows it is important to have a global baseline of sustainability disclosure standards. It is encouraging that progress on interoperability continues between the IFRS Foundation, the EU and the GRI to enable seamless sustainability reporting. These efforts help to reduce duplication and complexity for preparers and provide investors with globally comparable information.**
>
> PAMELA STEER, PRESIDENT & CEO OF CPA CANADA

FIGURE 1



* Framework: A set of principles and guidance for "how" a report is structured; Standards: Specific, replicable and detailed requirements for "what" should be reported for each topic

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)

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

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.

The IFRS Foundation is also responsible for the Transition Plan Taskforce's disclosure-specific materials. These resources will help companies disclose information about their transition plans when applying the standards.

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. The standards are available for voluntary adoption, but it is expected that many jurisdictions will endorse them for mandatory reporting. A list of jurisdictional sustainability consultations on sustainability-related disclosures, at both national and supra-national level, is provided by IFRS Foundation.

The International Organization of Securities Commissions (IOSCO), which brings 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.

ISSB'S WORK PLAN 2024-2026

The IFRS Foundation has summarised the ISSB's 2024-2026 workplan as follows[6]:

- supporting implementation of IFRS S1 and IFRS S2, the ISSB's highest-priority activity
- enhancing the SASB Standards
- beginning new research and standard-setting projects about risks and opportunities related to biodiversity, ecosystems and ecosystem services and human capital
- reserving some capacity to address emerging issues
- pursuing three activities integral to all the ISSB's work:
  - interoperability with other standard-setting initiatives
  - connectivity with the International Accounting Standards Board
  - stakeholder engagement

6. IFRS, Webcast: Overview of the ISSB's two-year work plan

IFRS FOUNDATION AND THE INTERNATIONAL SUSTAINABILITY STANDARDS BOARD (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 their Practice Statement on Management Commentary Exposure Draft – a framework which could impact management commentary content regarding intangible resources, and sustainability matters affecting the company. Following on from ISSB's decision in April 2024, not to include a project on integration in reporting in its work plan, in June 2024 the IASB decided to finalize the project by making targeted refinements to the 2021 Exposure Draft. The IASB will collaborate with the ISSB and the revised Practice Statement, to be issued in the first half of 2025, which will aim to provide a step towards greater integration in reporting in the future.

The IASB has also an ongoing project on Climate-related and other uncertainties in the financial statements, looking to set out guidance and examples on how entities should apply the requirements of the IFRS accounting standards, to report the effects of such uncertainties in the financial statements.

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)

I am thrilled and honored to be joining GRI at such an important moment, when people and organizations everywhere are focused on how to achieve a sustainable future. GRI's sustainability standards are unique in enabling meaningful reporting on the impact of these efforts. I look forward to working across the GRI community, and together with partners, to ensure that sustainability reporting drives a thriving, inclusive economy for all.

DR ROBIN HODESS, INCOMING CEO (FEBRUARY 2025), 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 – some 14,000 organizations in over 100 countries use the GRI Standards. GRI is the most widely used by companies across all regions: Asia-Pacific (75%), Europe (71%), Americas (70%), and Middle East & Africa (64%), and including 77% 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 ESRS. This cooperation resulted in their 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 further cooperation between GRI and EFRAG, the Interoperability Index of the GRI Standards and ESRS was published in November 2024 to outline how the two sets of standards align.

The GRI Sector Program will develop standards for 40 sectors, describing the sustainability context for a sector, outlining organizations' likely material topics based on the sector's most significant impacts, and listing disclosures that are relevant for the sector to report on. The Sector Standards for Oil and Gas, Coal, Agriculture, Aquaculture and Fishing, and Mining are available for public use, with Financial Services and Textiles and Apparel standards due in 2026.[8]

In January 2024, GRI published their revised Topic Standard on Biodiversity, which helps organizations to better understand which decisions and business practices lead to biodiversity loss, where in their value chain impacts occur, and how they can be managed. It is aligned with the goals and targets of the Kunming-Montreal Global Biodiversity Framework.

7. KPMG, The move to mandatory reporting: Survey of Sustainability Reporting 2024
8. GRI, Sector programme

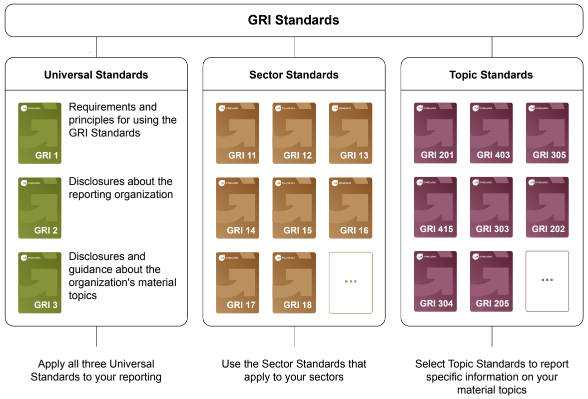
GLOBAL REPORTING INITIATIVE (GRI)

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, 477 policies (18%) have been found to reference the GRI Standards (either mandating, encouraging or mentioning them).[9] 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.

9. Carrot and Sticks

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 requires almost 12,000 large companies across the EU to publish specified sustainability information. In April 2021, the Commission published a proposal for a new Corporate Sustainability Reporting Directive (CSRD) which would ultimately replace the NFRD. The CSRD falls under the wider EU Sustainable Finance Package Plan, which was intended to improve the flow of money towards sustainable activities across the EU. The ambition of the CSRD was also to contribute towards the EU's 2050 climate neutral target. It entered into force in January 2023 with an intention to ensure that sustainability and financial reporting are considered with equal importance, in addition to improving the consistency and comparability of sustainability reporting. Under the CSRD, organizations are currently required to disclose sustainability information in line with the requirements of the European Sustainability Reporting Standards (ESRS).

In its current iteration, the regulation is expected to result in nearly 50,000 companies reporting on sustainability. The regulation sets out four stages of application:

- 1 January 2024 for companies already subject to the non-financial reporting directive (reporting in 2025)
- 1 January 2025 (wave 2) for large companies that are not presently subject to the non-financial reporting directive (reporting in 2026)
- 1 January 2026 (wave 3) for listed SMEs, small and non-complex credit institutions and captive insurance undertakings (reporting in 2027)
- 1 January 2028 (wave 4) for non-EU parent companies (reporting in 2029).

The current CSRD also requires mandatory assurance over sustainability information, starting from limited assurance (see section on assurance). The rules of the NFRD remain in force until reporting entities are required to apply the CSRD. In addition, all future reporting must include the percentage of turnover, capital expenditure and operational expenditure for activities that are considered sustainable in line with the EU Taxonomy regulation.

In January 2025, the EU launched the Competitiveness Compass to drive sustainable prosperity and committed to a 25% reduction in reporting obligations. In response, the following month the EU Commission published its first two Omnibus Simplification Packages which propose to change key laws on sustainability reporting, trade and due diligence and aims to simplify sustainability reporting requirements. The first two packages propose a significant revision of the scope and amending the requirements of the CSRD, the Corporate Sustainability Due Diligence Directive (CSDDD), the EU Taxonomy regulation and the Carbon Border Adjustment Mechanism (CBAM) rules.

The main proposed changes to the CSRD include[10]:

- Reducing the scope of reporting companies (by about 80%)
- Introducing a value chain cap (voluntary reporting for companies up to 1,000 employees)
- Revising the first set of ESRSs (including reducing the number of data points substantially) and the exclusion of sector-specific reporting requirements
- Removing the reasonable assurance standard (and remaining at limited assurance)
- Postponing reporting requirements for two years (for wave 2 and 3 companies only).

As of March 2025, these proposals have not yet been approved nor are they in law. They will be presented to the European Parliament and the Council for review, debate and approval, with more updates expected throughout 2025.

10. European Commission, Questions and answers on simplification omnibus I and II

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).

To support the implementation of the first set of standards, EFRAG launched the ESRS Q&A platform in October 2023 which aims to collect and answer unresolved technical questions.

In May 2024, EFRAG published their ESRS implementation guidance on the following issues, to support those preparing their first statement according to the ESRSs for the first time: Materiality Assessment, Value Chain, and Detailed ESRS Datapoints. EFRAG has also been working on implementation guidance for transition planning.

The effects of the changes brought by the Omnibus Simplification Packages are yet not fully known as they are still at a proposal stage. As a result, it is possible that the first set of standards and voluntary standards for SMEs will be revisited and it is unclear whether new standards will be released in the near future.

* 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 is now firmly and widely recognised as a strategic risk management issue for business and finance – no longer just a corporate social responsibility one. This shift in mindset since the climate COP in Glasgow in 2021 to today is significant. Investors and corporate leaders are increasingly appreciative of the reality that the resilience of their cashflows depends on the resilience of nature – the flow of inputs into their business models from soil nutrients for our food system to the water relied on to manufacture semiconductor chips. Nature resilience is everyone's business

DAVID CRAIG, CO-CHAIR OF THE TNFD[11]

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.

Since June 2024, TNFD has released additional guidance by sector. More sectors guidance is due for release.

11. TNFD, TNFD marks continued global momentum and new capability-building initiatives one year after release of disclosure recommendations

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.

DISCLOSURE REQUIREMENTS IN CALIFORNIA

Together with the Legislature, California is taking the most aggressive action on climate our nation has ever seen. We're cleaning the air we breathe, holding the big polluters accountable, and ushering in a new era for clean energy.

GOVERNOR GAVIN NEWSOM[12]

The state of California, USA, enacted new laws in October 2023 that will require corporations to disclose climate risks and greenhouse gas emissions. California was the first state to introduce mandatory climate-related reporting bills, covering both operational and supply chain emissions. These are:

1. **The Senate Bill (SB) 253 'Climate Corporate Data Accountability Act'**. This requires entities 'doing business in California' with annual revenues of over $1billion to disclose their scope 1 and scope 2 greenhouse gas emissions annually in financial years starting in 2025, and scope 3 emissions from financial year starting 2026. There is a requirement for the measurement and reporting of emissions to align with the Greenhouse Gas Protocol, and an element of mandatory assurance will be required.

2. **The SB 261 'Greenhouse gases: climate-related financial risk' Bill**. This requires entities with annual revenues of over $500 million to disclose climate-related financial risks and their mitigation strategies by the beginning of January 2026, with reporting then taking place biennially.

In September 2024, SB 219 amended the bills to provide the California Air Resources Board (CARB) with a six-month extension (July 2025) to adopt the implementing regulations. CARB is seeking feedback on implementation in early 2025 and has announced it will not take enforcement action for incomplete emissions reporting in the initial year as long as companies demonstrate good faith efforts.

12. Governor Gavin Newsom, Governor Newsom Signs Sweeping Climate Measures, Ushering in New Era of World-Leading Climate Action
13. Greenhouse Gas Protocol, STATEMENT: California's Climate Corporate Data Accountability Act Requires Companies to Disclose Greenhouse Gas Emissions by 2026

"It is very significant that the fifth largest economy in the world – the state of California – now requires large corporations to publicly disclose greenhouse gas emissions across their entire value chain. This landmark legislation will have ripple effects far beyond California's borders and can serve as a model for national and subnational governments to follow."[12]

PANKAJ BHATIA, DIRECTOR, GREENHOUSE GAS PROTOCOL

SUSTAINABLE DEVELOPMENT GOALS

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.[15]

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).[14] 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 of negative) on the achievement of the SDGs in the annual report.

14. As described by IFAC
15. 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."

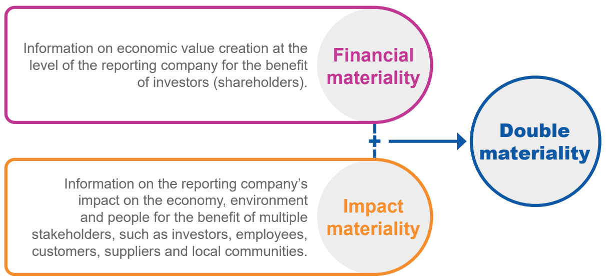
In the case of sustainability reporting, the question of what is material is complicated by the fact that there are likely to be a wider range of users, each with their own reasons for being interested. Therefore, in some cases, materiality judgements, are likely to differ for sustainability reporting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

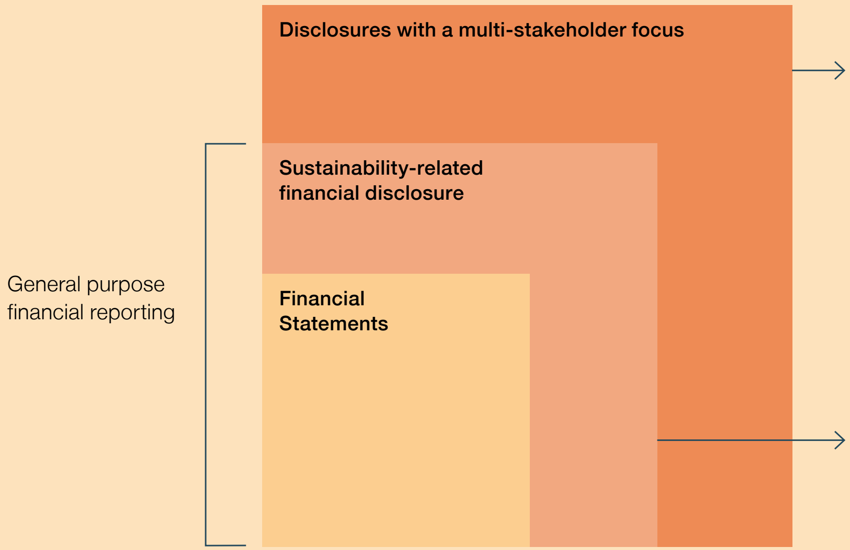
A CLOSER LOOK

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



Impact materiality (required by EU)

Impact materiality requires disclosures about sustainability matters that relate to a company's actual or potential positive or negative impacts on people or the environment.

Some of these disclosures may also be financially material.

The principles are consistent with reporting under GRI Standards.

Financial materiality (required by all)

Information that would influence an investor's decisions – eg by affecting their assessment of the company's cashflow prospective.

> **A materiality assessment that starts with the impacts of an entity on the planet and society and then considers their impacts to an entity's financial prospects will provide more rounded information and robust analysis which is invaluable for informing strategy and investors.**
>
> BRUCE CARTWRIGHT CA,
> CHIEF EXECUTIVE, ICAS

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 69% 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?[16]

16. KPMG, The move to mandatory reporting: Survey of sustainability reporting 2024
17. IESBA, Global Ethics Sustainability Standards: IESBA welcomes certification by PIOB and IOSCO Statement of Support
18. IOSCO, IOSCO Issues Statement of Support on the IAASB's International Standard on Sustainability Assurance (ISSA) 5000

A CLOSER LOOK

There are several 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 from the initial year of reporting.

– 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.

– In November 2024, the International Organization of Securities Commissions (IOSCO), the international body of securities regulators, announced its support for the IAASB's ISSA 5000. In its statement, IOSCO highlights how ISSA 5000 fulfils key IOSCO recommendations to establish a comprehensive global assurance framework for sustainability-related corporate reporting. Critically, ISSA 5000 also requires practitioners to follow a strong ethical framework, a vital component of IOSCO's recommendations. IESBA's new sustainability-related standards will provide practitioners with the ethics framework needed and meet IOSCO's recommendation.[17]

“

The auditing profession is well placed to take on this role, not least because the auditor already has a broad understanding of the company but also the increasing connectivity between financial and sustainability reporting is of significant interest to the majority of users.

MELANIE SACK, CEO, INSTITUT DER WIRTSCHAFTSPRÜFER E.V. (INSTITUTE OF GERMAN PUBLIC AUDITORS)

“

A strong assurance framework for sustainability-related reporting needs to be focused on the public interest and should be profession – and framework – agnostic. I commend the IAASB for delivering sustainability assurance standards well on time with a view to enable the assurance of 2024 corporate disclosure. IOSCO will continue to play a key role in promoting global consistency in the assurance of sustainability-related information.[17]

JEAN-PAUL SERVAIS, CHAIR, IOSCO

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, namely the International Standard on Sustainability Assurance (ISSA) 5000 General Requirements for Sustainability Assurance Engagements, published in November 2024. Assurance of sustainability disclosures has been inconsistent across markets. ISSA 5000 seeks to address this gap by providing a unified, global framework for the assurance of sustainability information, ensuring that reported data is reliable, comparable, and transparent. ISSA 5000 is to be used for sustainability disclosures, as defined in the standard. The standard will be effective from 15 December 2026, with early adoption permitted. Implementation guidance is expected to be issued by the IAASB in early 2025.

In addition, the IAASB issued guidance in October 2020 (Staff Practice Note - The Consideration of Climate-Related Risks in an Audit of Financial Statements) which 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 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 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 ESRSs. In addition to being reporting standard agnostic, the ISSA 5000 is also profession agnostic, meaning both professional accountants and non-accountant assurance practitioners can use it.

The standard is designed to enhance reliability, credibility and transparency of sustainability information reported, addressing the growing need for assured sustainability information among investors, regulators, and stakeholders.[19]

The 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, CHAIR, CIAASB[20]

"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 CHAIRMAN[21]

19. IESBA, Sustainability Reporting and Assurance
20. IAASB, IAASB Launches public consultation on landmark proposed global sustainability assurance standard
21. IOSCO, IOSCO sets out key considerations to promote an effective global assurance framework for sustainability-related corporate reporting

THE INTERNATIONAL ETHICS STANDARDS BOARD FOR AUDITORS

As the ISSA 5000 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, in January 2025 IESBA launched the new Global Ethics Sustainability Standards. This includes the International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and the revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) related to sustainability reporting and to the use of the work of an external expert.

The IESSA and related revisions to the Code, including regarding using the work of an external expert, address critical risks to the integrity, quality and effectiveness of sustainability reporting and assurance such as bias, conflicts of interest, pressure to act unethically, fraud including greenwashing, non-compliance with laws and regulations and threats to independence of the assurance practitioners. These standards provide a robust ethical framework for reporting and assurance sustainability-related information that promotes high quality, reliable information for decision-making by key stakeholders.[22]

The IAASB's ISSA 5000 and the IESBA's IESSA share five common goals:

1. Equipping global markets with a cohesive, comprehensive and interoperable package of standards.
2. Offering a global baseline and levelling the playing field by meeting market demands and regulatory calls and expectations for profession-agnostic global standards.
3. Providing a framework-neutral approach.
4. Promoting informed decision-making based on trust and independently assured sustainability information.
5. Mitigating risks of fraud, including greenwashing, and non-compliance with laws and regulations.

22. IESBA, Final Pronouncement: International Ethics Standards for Sustainability Assurance (including International Independence Standards) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting

> **Ethics is the foundation of trust. With these standards, we are equipping preparers and practitioners with the tools needed to uphold integrity and foster transparency in sustainability reporting. Together, the IAASB and IESBA are setting a global standard for accountability and professionalism.**
>
> GABRIELA FIGUEIREDO DIAS, CHAIR, IESBA

OTHER KEY ASSURANCE STANDARDS

ISAE 3000 ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information	ISSA 5000 is the standard to be used for sustainability disclosures, as defined in the standard, since its issue in November 2024. ISAE 3000 (Revised) will continue to be used for assurance engagements, other than audits or reviews of historical financial information or assurance engagements on sustainability information.
ISAE 3410 International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements	As a result of the IAASB's decision to make ISSA 5000 applicable for all assurance engagements on sustainability information, the IAASB has reassessed the requirements of ISAE 3410 and concluded that they have been appropriately addressed in ISSA 5000. Therefore, the IAASB has agreed that ISAE 3410 will be withdrawn in accordance with due process (i.e. ISAE 3410 be withdrawn once ISSA 5000 becomes effective).
ISO14064 ISO 14064-3:2019 Greenhouse gases Part 3: Specification with guidance for the verification and validation of greenhouse gas statements	ISO 14064 is an ISO standard that sets out principles and requirements and provides guidance for verifying and validating greenhouse gas (GHG) statement.
AA1000AS AA1000 Assurance Standard	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. In October 2024, a new guide was published to help organizations review and verify their greenhouse gas (GHG) emissions, and is a new supplement for the AA1000 Assurance Standard.

GLOSSARY

GLOBAL PROFESSIONAL ORGANIZATIONS AND WHAT THEY DO

IAASB

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.

IESBA

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.

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.

IFAC

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.

IFRS FOUNDATION

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.

- **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.

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.

IPSASB

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.

GLOSSARY

OTHER ACRONYMS

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

GLOSSARY

DEFINITIONS

CLIMATE-RELATED REPORTING:	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.
DEPENDENCIES:	Where an organization relies upon natural, social or human capital as an input, eg water.
ESG:	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).
EXTENDED EXTERNAL REPORTING (EER):	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).
EU TAXONOMY:	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.
FRAMEWORKS & STANDARDS:	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).
IMPACTS:	Any environmental, economic or social change, positive or negative, caused by an organization through their activities.
INTEGRATED REPORTING:	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.
MULTICAPITAL:	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.
NON-FINANCIAL REPORTING:	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.
STAKEHOLDER:	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.

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.

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.

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.

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.

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.

THE ACCOUNTING BODIES NETWORK (ABN)	ASSOCIATION OF ACCOUNTING TECHNICIANS (AAT)	ASSOCIATION OF INTERNATIONAL CERTIFIED PROFESSIONAL ACCOUNTANTS (AICPA & CIMA)	CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND (CA ANZ)	CHARTERED ACCOUNTANTS IRELAND
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)	INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES (ICAEW)

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