CORPORATE SUSTAINABILITY REPORTING

June 2024

G2Z

G2Z is a sustainable consulting firm partnering with companies in a variety of sectors to tackle their upcoming challenges and unlock opportunities regarding sustainable practices. Our services allow companies to understand their environmental impacts and provide solutions for improvement in order to make the world better every day.

We strive to simplify the intricacies of decarbonization within a business. Whether clients are struggling to understand the complexities of measuring, communicating and reducing their greenhouse gas emissions, G2Z is well equip to guide them to the right path. By providing all encompassing bespoke solutions we help please stakeholders, gain new customers, access bank financing, and much more.

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About This Report

This comprehensive report delves into the realm of sustainability reporting frameworks, highlighting key frameworks. The report offers insights into the history, focus, scope, and alignment of each framework, emphasizing their significance in guiding companies on disclosing environmental, social, and governance (ESG) information effectively. By understanding the nuances of these frameworks, organizations can make informed decisions to enhance transparency, accountability, and sustainability performance in their reporting practices.

The report do not necessarily encompass all of the reporting standards and frameworks in existence, however it picks on what is believed by many to be the most important and widely adopted ones.

Executive Summary

Sustainability reporting has become a cornerstone of corporate transparency and accountability, with organizations worldwide recognizing the importance of disclosing their environmental, social, and governance (ESG) performance. Key standards and frameworks play a crucial role in guiding companies on how to report their sustainability efforts effectively. The following frameworks provide a structured approach for companies to report on various ESG aspects, ensuring transparency, comparability, and decision-useful information for investors and stakeholders.

Global Reporting Initiative (GRI) is a pioneer in sustainability reporting, providing a comprehensive framework for organizations to report on their economic, environmental, and social impacts. The GRI Standards offer a globally recognized set of guidelines that help companies disclose their sustainability performance transparently and effectively. GRI's focus on materiality, stakeholder inclusiveness, and sustainability context aligns with the broader goals of enhancing transparency and accountability in corporate reporting.

Carbon Disclosure Project (CDP) is a global environmental disclosure platform that enables companies, cities, states, and regions to measure and manage their environmental impacts. CDP's platform collects data on climate change, water security, and deforestation risks to help organizations understand their environmental performance and risks. By utilizing CDP's expertise and platform, companies can benefit from enhanced guidance on disclosing climate-related risks and opportunities in alignment with global reporting standards.

The Task Force on Climate-related Financial Disclosures (TCFD) recommendations have been integrated into the ISSB standard to enhance reporting on climate-related risks and opportunities. The ISSB's alignment with TCFD principles ensures that companies provide detailed and granular information to support informed decision-making by investors.

The Climate Disclosure Standards Board (CDSB) framework, covering environmental and natural capital disclosures, has been consolidated within the ISSB framework. By incorporating CDSB guidance, companies can effectively address sustainability reporting requirements related to environmental impacts.

Sustainability Accounting Standards Board (SASB) is made up of Industry-specific disclosure standards and has been incorporated into the ISSB framework. These standards offer guidance on disclosing sustainability information tailored to specific sectors, ensuring relevant and comparable reporting across industries.

The International Sustainability Standards Board (ISSB) aims to create a global baseline of sustainability disclosures that provide decision-useful information for the financial markets. It’s Standards can be broken down into the following 2 sections:

- *IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information*: This standard establishes a universal structure for sustainability disclosures, drawing from sector-specific SASB standards and CDSB guidance. Companies are required to disclose material information on significant sustainability-related risks and opportunities, aligning with the concept of materiality used in IFRS Accounting Standards.
- *IFRS S2 - Climate-related Disclosures*: Focused on climate-related risks and opportunities, this standard aligns with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. It requires entities to disclose detailed information on climate-related risks, governance, strategy, risk management, metrics, and targets over different time horizons.

The consolidation into the International Sustainability Standards Board (ISSB) represents a significant step towards simplifying and unifying the complex landscape of ESG initiatives. This consolidation effort not only simplifies reporting practices but also underscores the commitment to developing globally comparable sustainability financial reporting standards. By leveraging expertise from various organizations like CDSB, VRF, TCFD, and others, the ISSB is poised to create a robust set of IFRS Sustainability Disclosure Standards that address companies' impacts on sustainability matters relevant to assessing enterprise value and making investment decisions.

Challenges in the reporting landscape include the need for more reliable and comparable data, addressing sustainability risks effectively, integrating sustainability into core business strategies, and enhancing stakeholder engagement. The future direction of sustainability reporting involves increased focus on ESG factors, advancing towards a more standardized global reporting framework, fostering innovation in reporting technologies, and promoting greater accountability and transparency.

To summarize, the evolution of sustainability reporting standards and frameworks signifies a collective effort to enhance transparency, comparability, and reliability in corporate reporting. By aligning diverse frameworks and expertise, the aim is to streamline reporting practices, address material sustainability issues, and meet the growing demand for ESG information from investors and stakeholders.

Introduction

In the corporate world, sustainability reporting has emerged as a pivotal tool for organizations to communicate their environmental, social, and governance (ESG) performance to stakeholders. Sustainability reporting refers to the disclosure of non-financial information regarding environmental, social, economic, and governance issues. It aims to build consumer confidence, improve corporate reputation through transparency and social responsibility, and provide stakeholders with relevant information.

Importance of Reporting

Sustainability reporting plays a crucial role in enabling companies to transparently disclose their impacts on the environment, society, and economy. It serves as a mechanism for organizations to demonstrate their commitment to sustainable practices, ethical conduct, and long-term value creation. By providing a comprehensive view of their ESG initiatives, companies can build trust with investors, customers, employees, and other stakeholders. Moreover, sustainability reporting helps drive accountability, foster innovation, and mitigate risks associated with environmental and social challenges.

Evolution of Sustainability Reporting

The history of sustainability reporting spans several decades, with its roots tracing back to the 1960s when stakeholders began advocating for the inclusion of non-financial aspects in corporate accounting reports. By the 1980s, sustainability reporting started to emerge in a fragmented manner, reflecting a growing awareness of the ecological crisis and the importance of sustainable development. The early 1990s marked a significant shift towards developing robust frameworks for sustainability reporting, influenced by international summits like the UN Summit on the Environment and Development in Rio de Janeiro (1992) and Johannesburg (2002). In 1994, the concept of the "Triple Bottom Line," focusing on social, environmental, and economic impacts, was introduced by John Elkington, setting a milestone in corporate sustainability reporting.

The establishment of the Global Reporting Initiative (GRI) in 1997 as the first accountability mechanism further solidified companies' adherence to responsible environmental conduct principles. By 2001, Professor J Emil Morhardt noted the increasing number of company sustainability reports and their availability electronically via the Internet. In 2010, the GRI introduced the integrated reporting framework, consolidating economic, environmental, social, and governance information to advance sustainability reporting practices.

These key dates highlight the evolution and progression of sustainability reporting from scattered initiatives to standardized frameworks that are now integral to modern corporate practices. By understanding the importance of sustainability reporting in today's business context and acknowledging its evolutionary journey, organizations can leverage this practice to drive sustainable growth, enhance stakeholder engagement, and contribute to a more resilient and responsible global economy.

Standards vs Frameworks

In the context of ESG reporting, sustainability standards and frameworks serve distinct yet complementary roles. Standards provide specific, detailed, and replicable requirements for reporting on each topic, including metrics, ensuring consistency and comparability in disclosures. On the other hand, frameworks offer principles-based guidance on how information is structured, prepared, and what broad topics are covered.

Frameworks focus on guiding principles and what information should be collected, providing a broad guideline for reporting. While standards give structure and specific metrics for reporting, frameworks set the stage for collecting relevant information in a structured manner. Ultimately, the combination of standards and frameworks ensures that ESG disclosures are not only consistent but also comprehensive and comparable across different organizations and industries

Key Standards & Frameworks

The Global Reporting Initiative (GRI) is an independent, international organization founded in 1997 that provides comprehensive sustainability reporting guidelines for organizations worldwide. The GRI Standards are widely accepted for sustainability reporting, emphasizing stakeholder engagement and materiality assessment.

The Sustainability Accounting Standards Board (SASB) is an independent, non-profit organization that develops industry-specific standards to help companies measure and disclose their material sustainability issues. SASB Standards provide specifications for disclosing financially material sustainability information across 77 industries.

The International Sustainability Standards Board (ISSB) is an independent standard-setting body within the IFRS Foundation, established in response to the growing demand for global sustainability standards. ISSB aims to develop high-quality, comprehensive global sustainability disclosure standards focused on the needs of investors and financial markets.

The Climate Disclosure Standards Board (CDSB) is an organization that assists companies in disclosing important climate-related information. The CDSB framework aims to enhance transparency and accountability by providing guidance on how companies can effectively disclose climate-related risks and opportunities.

Key Standards & Frameworks (Cont.)

The Carbon Disclosure Project (CDP), now known as CDP, is an international non-profit organization, founded in 2000, that assists companies, cities, states, regions, and public authorities in disclosing their environmental impact.

Integrated Reporting, as promoted by the International Integrated Reporting Council (IIRC), is a method for organizations to communicate how they create value over the short, medium, and long term.

The Task Force on Climate-related Financial Disclosures (TCFD) is a global organization established to develop a set of recommended climate-related disclosures for companies, financial shareholders, and the public to enhance transparency regarding climate-related financial risks.

The International Financial Reporting Standards (IFRS) have expanded to include sustainability-related reporting through the development of IFRS Sustainability Standards. These standards aim to enhance the dialogue between investors and companies by providing globally comparable sustainability information.

Key Events & Dates

1 **September 2020**

Statement of intent to work together released; from CDP, CDSB, GRI, IIRC, and SABS.

2 **November 2020**

IIRC and SASB announce intent to merge in major step towards simplifying corporate reporting.

3 **June 2021**

Value Reporting Foundation official announcement of its commencement - merging SASB & IIRC.

4 **October 2021**

GRI releases an updated version of its Universal Standards, effective for reports from 1 Jan 2023.

5 **November 2021**

The establishment of the International Sustainability Standards Board (ISSB) by IFRS Foundation.

6 **January 2022**

IFRS Foundation completes the consolidation of CDSB from CDP.

7 **March 2022**

IFRS Foundation and GRI announce collaboration seeking to coordinate standard-setting.

8 **May 2022**

IFRS Foundation begins to use the Integrated Reporting Framework (<IR>) first published by the IIRC in 2013.

9 **August 2022**

IFRS Foundation completes consolidation of VRF; the holding entity for the SASB and <IR>.

10 **October 2022**

The IFRS Foundation and GRI announce their first joint project between ISSB and GRI.

11 **November 2022**

CDP will incorporate the ISSB's proposed climate-related disclosure standard; IFRS S2.

12 **April 2023**

8 large nations will use the IFRS Sustainability Disclosure Standards (including UK, Canada, Japan, Brazil, etc).

13 **June 2023**

ISSB issues inaugural global sustainability disclosure standards; IFRS S1 and IFRS S2.

14 **July 2023**

FSB asked the ISSB to take over the monitoring of companies disclosing from the TCFD.

15 **July 2023**

The International Organization of Securities Commissions (IOSCO) formally endorsed ISSB.

Global Reporting Initiative

The Global Reporting Initiative (GRI) is an independent, international organization that provides a framework for sustainability reporting, allowing organizations to understand and communicate their impacts on the economy, environment, and people.

History of GRI

GRI was established in 1997 in Boston, USA, in response to the environmental devastation caused by the Exxon Valdez oil spill in 1989. Founded by the Coalition for Environmentally Responsible Economies (CERES), United Nations Environmental Programme (UNEP), and other organizations, GRI released its first guidelines, "The June 2000 Guidelines," in 2000. By 2002, GRI had relocated to Amsterdam, Netherlands, with regional offices in Johannesburb, Singapore, New Yeor and New Delhi.

Over the years, GRI experienced significant growth and development, releasing subsequent versions of its guidelines such as version 2 (2002), G3 (2006), and G4 (2013). In recent times, GRI revised their Universal standards in October 2021 which came into effect of reporting on the first of January 2023.

Recognition of GRI

Over 10,000 companies across various sectors and regions utilize the GRI Standards for reporting, with increasing adoption seen in countries like Saudi Arabia, the UAE, and India. According to the KPMG Survey on Sustainable Reporting (published October 26, 2022) the impact of the GRI includes:

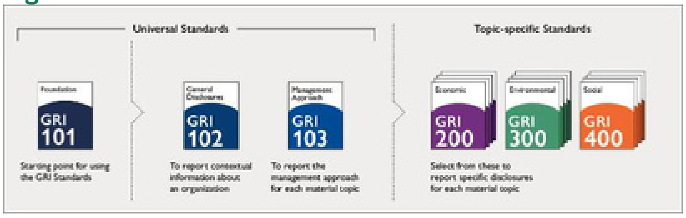
- 78% of the G250
- 68% of the 5,800 N100 Companies
- 63% of the FT Europe 500 companies
- 51,300+ reports registered in the GRI Sutainability Disclosure Database.

The GRI Standards

The GRI Standards, developed over 25 years, cover a wide range of sustainability topics from biodiversity to tax, waste to emissions, diversity and equality to health and safety. These standards enable organizations to demonstrate accountability for their impacts on the environment, economy, and people, fostering transparency and dialogue between companies and stakeholders worldwide.

The GRI Standards are issued by the Global Sustainability Standards Board (GSSB) and consist of Universal Standards covering governance and strategy (most recent major update published in 2021), Sector Standards providing sector-specific guidance, and Topic Standards offering detailed guidance on issues like climate change, human rights, and corruption. This comprehensive system of standards, as seen below, encourages organizations to report on material topics relevant to their operations transparently and responsibly.

Figure 1: Overview of GRI Standrads



Source: GRI

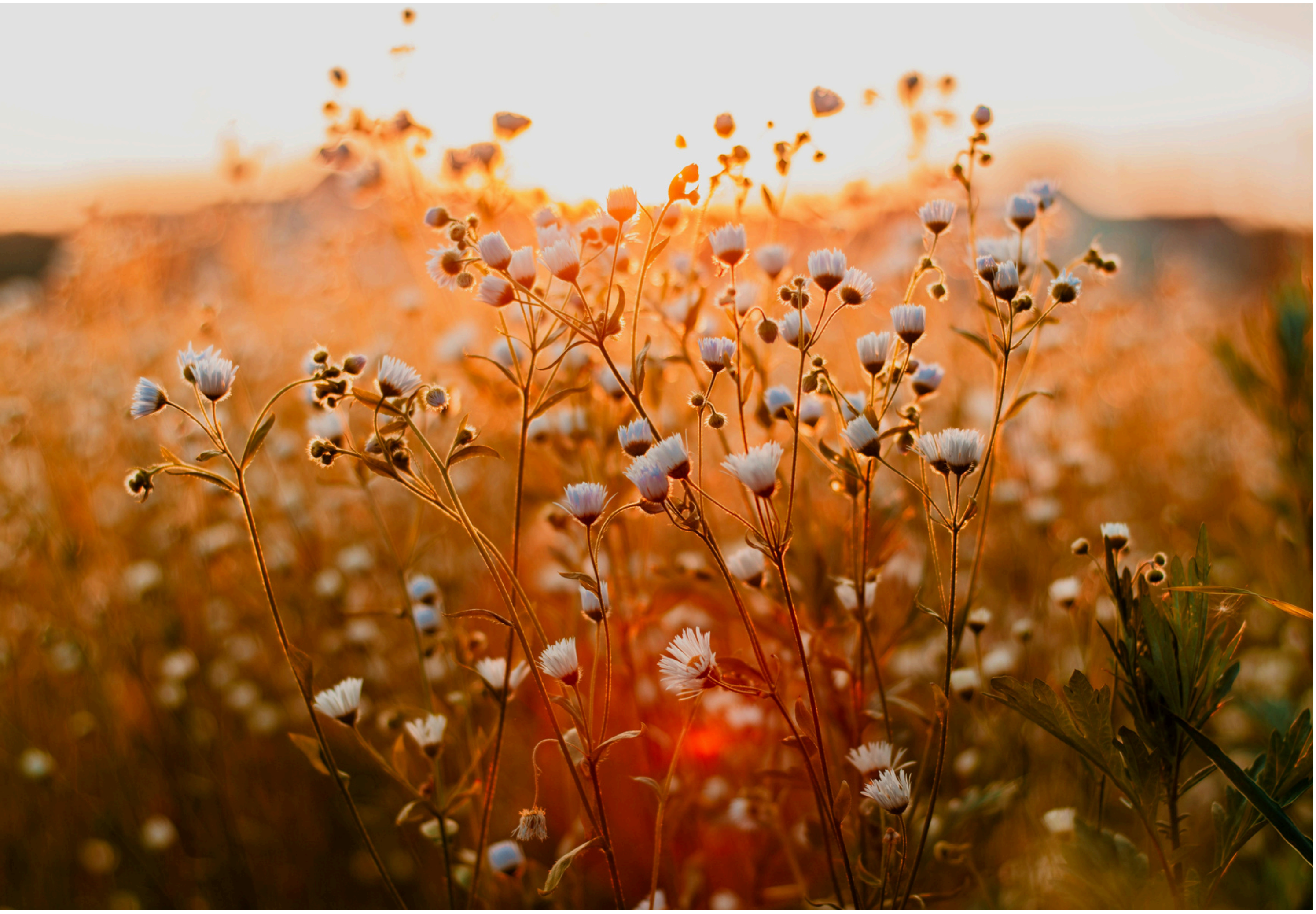
Topic Specific Standards include the following:

GRI 200: Economic
- 201: Economic Performance
- 202: Market Presence
- 203: Indirect Economic Impacts
- 204: Procurement Practices
- 205: Anti-corruption
- 206: Anti-competitive Behavior
- 207: Tax

GRI 300: Environmental:
- 301: Materials
- 302: Energy
- 303: Water and Effluents
- 304: Biodiversity
- 305: Emissions
- 306: Waste
- 307: Environmental Compliance
- 308: Supplier Environmental Assessment

GRI 400: Social
- 401: Employment
- 402: Labor/Management Relations
- 403: Occupational Health and Safety
- 404: Training and Education
- 405: Diversity and Equal Opportunity
- 406: Non-discrimination
- 407: Freedom of Association and Collective Bargaining
- 408: Child Labor
- 409: Forced or Compulsory Labor
- 410: Security Practices
- 411: Rights of Indigenous Peoples
- 412: Human Rights Assessment
- 413: Local Communities
- 414: Supplier Social Assessment
- 415: Public Policy
- 416: Customer Health Safety
- 417: Marketing and Labeling
- 418: Customer Privacy
- 419: Socioeconomic Compliance

Carbon Disclosure Project



The Carbon Disclosure Project, now known as the CDP, is an international non-profit organization based in the United Kingdom, Japan, India, China, Germany, Brazil, and the United States. It assists companies, cities, states, regions, and public authorities in disclosing their environmental impact to make environmental reporting and risk management a standard business practice. The CDP aims to drive disclosure, insight, and action towards a sustainable economy by collecting self-reported data from organizations worldwide.

History of CDP

The Carbon Disclosure Project was founded in 2000 with the goal of transforming capital markets by establishing environmental reporting and risk management as standard business practices. Initially launched with just 35 investors and 245 companies responding to its climate information request in 2002.

Over the years, the CDP expanded its scope beyond climate impact to include water security (created in 2009), deforestation (created in 2012), while broadening its reach to support cities, states, and regions. In 2013, the organization shortened its name to 'CDP' to reflect a wider understanding of environmental impact. By 2020, the CDP celebrated its 20th anniversary, marking two decades of driving environmental reporting and risk management as standard business practices globally.

Recognition of CDP

CDP's reporting system is widely used globally as a sustainability and carbon disclosure rating system that helps investors incorporate environmental, social, and governance (ESG) indicators into their investment portfolios.

As of today:
- more than 23.000 of the world's largest companies, representing two thirds of global market capitalization, disclose information on climate change, deforestation, and water security through CDP.
- This disclosure is made at the request of over 746 financial institutions with assets exceeding US$136 trillion.
- Over 330 major purchasers with a procurement spend exceeding US$6.4 trillion.
- Over 1,100 cities, states and regions disclosed environmental information through CDP.
- Companies, cities, states and regions from over 90 countries disclose to CDP.

CDP Disclosure

Companies can disclose in response to requests from investors, customers, or both, providing transparent data on climate change, forests, and water security impacts. The disclosure process is as follows. Organizations create an account with CDP and submit a disclosure request. They then gather information based on the CDP questionnaire, and submit their response. Following they will be able to review their results and can use them to set ambitious goals, track progress, boost their competitive advantage, identify risks and opportunities, improve their reputation, and access a network of investors and purchasers.

The CDP's framework aligns with initiatives like the Taskforce on Climate-Related Financial Disclosures (TCFD), translating recommendations into disclosure questions to help businesses understand and manage financial risks associated with climate change effectively.

The questions are based on the following points:

- **General Information:**
  - Company details, contact information, and sector classification.
  - Scope 1, 2, and 3 emissions data.
  - Climate change risks and opportunities.
- **Governance:**
  - Board oversight of climate-related issues.
  - Executive responsibility for climate change.
- **Risk Management:**
  - Identification and assessment of climate-related risks.
  - Integration of climate risk into overall risk management processes.
- **Emissions Reduction Targets:**
  - Greenhouse gas emissions reduction targets.
  - Progress towards achieving these targets.
- **Opportunities:**
  - Identification of opportunities arising from climate change.
  - Strategies to capitalize on these opportunities.
- **Water Security:**
  - Water usage data and management practices.
  - Risks related to water scarcity or quality.
- **Supply Chain:**
  - Engagement with suppliers on climate-related issues.
  - Supply chain emissions management.
- **Deforestation:**
  - Policies and practices related to deforestation.
  - Efforts to reduce deforestation in the supply chain.

CDP Scoring

CDP assigns a score to the organization based on their disclosure results and they are ranked based on their scoring system. The scoring methodology consists of four consecutive levels: Disclosure, Awareness, Management, and Leadership (highlighted in figure 2 below). Each level has specific scoring criteria and point allocations detailed in a table format. The scoring routes impact the number of questions presented to a company, with scores calculated as a percentage to normalize the effect of different question routes. Sector-specific scoring is also provided for high-impact sectors to ensure tailored evaluation. The final score is determined by dividing the number of points awarded by the total points available for the selected question routes.

Figure 2: CDP Scoring Breakdown

Source: CDP

To secure a spot on the Climate Change A List, a company is required to have at least 70% of its Scope 1, Scope 2, and Scope 3 emissions verified using a CDP-approved standard. Additionally, achieving an A rating necessitates strong climate governance, effective risk management, verified Scope 1 and 2 emissions, emission reductions throughout the value chain, and established emission targets endorsed by the SBTi, including Scope 3 targets.

This scoring system incentivizes companies to measure and manage their environmental impacts transparently through participation in CDP's disclosure process, guiding them towards becoming leaders in environmental transparency and action. Finally, the scores also show organizations and their stakeholders where they are on the road towards operating in line with a 1.5-degree, deforestation-free and water-secure future. By disclosing over consecutive years, they can understand the trajectory of their environmental journey.

Taskforce on Climate-Related Financial Disclosures

The Task Force on Climate-Related Financial Disclosures (TCFD) is an organization established by the Financial Stability Board (FSB) to coordinate disclosures among companies regarding climate-related financial risks and opportunities. It consists of 32 members selected by the FSB, representing a diverse range of economic sectors and financial markets across the G20 countries. The Task Force aims to help companies disclose information related to climate risks and opportunities, enabling investors, lenders, insurers, and other stakeholders to assess and manage these factors effectively.

The TCFD publishes annual status reports that track progress in climate-related financial disclosures. These reports highlight challenges faced by companies in incorporating climate-related risks into their financial statements. Their work has been instrumental in promoting transparency and enhancing understanding of climate-related financial risks and opportunities for companies and investors globally.

History of TCFD

The TCFD was established in December 2015 by the Financial Stability Board (FSB). In 2017, the TCFD issued a 'Final Report' outlining 11 voluntary recommendations, known as the TCFD framework. As of November 2022, over 4,000 organizations across 101 jurisdictions, with a combined market capital value of USD 27 trillion, supported the TCFD.

The Task Force on Climate-related Financial Disclosures (TCFD) has evolved significantly in recent years, transitioning from voluntary to mandatory in various jurisdictions and gaining substantial support globally. In October 2023, the TCFD fulfilled its remit and disbanded upon the request of the Financial Stability Board (FSB). The IFRS Foundation was tasked with monitoring companies' climate-related disclosures. The TCFD launched its sixth and final report, highlighting ongoing progress in disclosing TCFD-aligned information.

Recognition of TCFD

The TCFD's recommendations have been widely supported by industry leaders and have influenced governments, regulators, and standard setters in developing climate-related financial disclosure requirements and standards. The number of companies disclosing TCFD-aligned information increased by 26% between 2017 and 2020. Following, there was another yearly increase of 25% and 24% in 2021 and 2022 respectively, with over 4,700 organizations supporting it across 101 jurisdictions, totaling a market capital value of USD 32 trillion. Additionally, more than 1,800 financial firms representing $223 trillion in assets under management support these recommendations. The TCFD recommendations have transitioned from voluntary to mandatory in various jurisdictions like the EU, Singapore, Canada, Japan, and South Africa. Notably, the U.S. SEC proposed legislation on climate-related risk disclosures in March 2022

The TCFD Recommendations

The 11 recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD) are broken down into 4 main pillars as follows:

1. **Governance:**
   a. Describe the board's oversight of climate-related risks and opportunities.
   b. Describe management's role in assessing and managing climate-related risks and opportunities.
2. **Strategy:**
   a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
   b. Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.
   c. Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
3. **Risk Management:**
   a. Describe the organization’s processes for identifying and assessing climate-related risks.
   b. Describe the organization’s processes for managing climate-related risks.
   c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.
4. **Metrics and Targets:**
   a. Disclose the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process.
   b. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions and related risks.
   c. Describe the targets used to manage climate-related risks and opportunities and performance against them.

These recommendations provide a comprehensive framework for organizations to disclose information related to climate-related financial risks and opportunities in a standardized manner, enhancing transparency and enabling better decision-making by investors, lenders, insurers, and other stakeholders. Today, the 11 TCFD recommendations have evolved into the IFRS S2 Climate-related Disclosure.

Climate Disclosures Standards Board

The Climate Disclosure Standards Board (CDSB) is a non-profit organization that focuses on providing material information for investors and financial markets. It operates under the premise that investors and financial institutions can make better-informed decisions when companies transparently disclose and analyze the risks and opportunities associated with climate change-related information. The CDSB acts as a forum for collaboration to link financial and climate natural capital, emphasizing the importance of existing standards and practices in reporting environmental information.

Unlike creating new standards, the CDSB references existing standards like the TCFD recommendations and International Financial Reporting Standards, ensuring alignment with regulatory requirements and reflecting best practices in reporting environmental impacts. The CDSB's distinctiveness lies in its approach of referencing standards instead of creating new ones, promoting transparency, consistency, and comparability in environmental reporting across organizations.

History of CDSB

The Climate Disclosure Standards Board (CDSB) was founded in 2007 at the World Economic Forum annual meeting with a mission to promote and advance climate change-related disclosure in mainstream reports. It is a consortium of global business and environmental organizations, including CDP, CERES, The Climate Group, and others. In 2010 they launched their framework for reporting climate information and following in 2012 their published a consistency report to lead the path for harmonization of reporting standards and standard setting organizations. In 2015 the framework was expanded to include environmental information and natural capital - biodiversity and land use, water, and social issues.

Finally, in November 2021, the IFRS Foundation announced the consolidation of CDSB into its newly formed International Sustainability Standards Board (ISSB), aiming to provide globally comparable sustainability information for investors and regulators.

Recognition of CDSB

The CDSB has gained significant global recognition for its efforts in advancing sustainability reporting and aligning the global mainstream corporate reporting model. Some statistics on their reach includes the following:

- 374 companies across 32 countries have used CDSB including BT Group, Nestle, Coca Cola, and NASA (total market capitalization amounting to $5.2 trillion).
- Companies across 10 sectors including energy, finance, healthcare, telecom, and more.
- The Frameworks are referenced in 7 stock exchanges across the world.

Additionally, the CDSB established the TCFD Knowledge Hub in 2018 and added the TCFD E-learning courses in 2019. In their first years they achieved 40,000 and 80,000 unique visitors respectively. By 2020 they had 195,000 unique visitors on the knowledge hub and 13,000 course completions from 137 territories on the e-learning hub.

The CDSB Frameworks

The CDSB Framework provides a structured approach for reporting environmental and social information in mainstream corporate reports, such as annual reports or Form 10-K filings. The framework includes the following:

- **Components:**
  - The framework includes seven guiding principles:
    - Environmental information shall be prepared applying the principles of relevance and materiality
    - Disclosure shall be faithfully represented
    - Connections shall be made between environmental, social and other information in the mainstream report
    - Disclosures shall be consistent and comparable
    - Disclosures shall be verifiable
    - Disclosures shall be forward looking
- **Reporting Requirements:**
  - There are twelve specific reporting requirements:
    - Governance
    - Management's environmental policies, strategy and targets
    - Business risks and opportunities
    - Sources of environmental and social impacts
    - Performance and comparative analysis
    - Outlook
    - Organizational boundaries
    - Reporting policies
    - Reporting period
    - Restatements
    - Conformance
    - Assurance
- **Application Guides:**
  - The CDSB Framework includes four application guides for climate-related disclosures, water-related disclosures, biodiversity-related disclosures, and social guidance.

The CDSB Framework's structured approach and comprehensive guidelines play a crucial role in enhancing transparency and standardization in environmental and social reporting for organizations worldwide. Despite the consolidation of CDSB into the IFRS Foundation, the CDSB Frameworks remain valuable resources for companies seeking to enhance their sustainability reporting. The technical guidance provided by the CDSB Frameworks continues to support companies in disclosing environmental and social information effectively.

Sustainability Accounting Standards Board & International Integrated Reporting Council, Part of the Value Reporting Foundation

SASB

The Sustainability Accounting Standards Board (SASB) is an organization that focuses on developing industry-specific sustainability accounting standards to help companies disclose financially material sustainability information to investors. SASB standards are designed to provide a framework for companies to communicate their performance on material sustainability topics in a clear, consistent, and comparable manner.

SASB was founded in 2011 by Jean Rogers and in 2017, it transitioned to a two-tier governance structure. This structure included a board of directors ("the SASB Foundation Board") and a standards-setting board ("the SASB Standards Board"). The SASB Standards Board developed, issued, and maintained the SASB Standards.

SASB offers 77 unique standards covering 11 sectors and 93 sub-sectors. These standards cover a wide range of industries and are intended to be used in conjunction with financial reporting to provide a more comprehensive view of a company's performance, risks, and opportunities related to environmental, social, and governance (ESG) factors. SASB aims to enhance transparency, accountability, and decision-making by enabling investors to assess the long-term value creation potential of companies based on their sustainability practices.

The following statistics can be found on the recognition of the SASB Standards:

- 170 countires with SASB Standard downloads
- 1.2 Million+ SASB Standards downloaded
- $81 Trillion+ AUM investor support for SASB Standards

IIRC

The International Integrated Reporting Council (IIRC) is a global coalition of leaders from various sectors, including corporate, investment, accounting, securities, regulatory, academic, and standard-setting sectors, as well as civil society. The IIRC was established in 2010 by The Prince of Wales' Accounting for Sustainability Project, the Global Reporting Initiative (GRI), and the International Federation of Accountants. Its primary goal is to develop an internationally accepted integrated reporting framework that enhances existing reporting practices to provide comprehensive information necessary for the global economic model to meet 21st-century challenges.

Integrated Reporting by the IIRC demonstrates the connections between an organization's strategy, governance, financial performance, and its social, environmental, and economic context. This approach helps businesses make more sustainable decisions and enables stakeholders to understand an organization's true performance. The IIRC released its International <IR> Framework on December 9, 2013, following a global consultation process that received significant support for Integrated Reporting. This framework marks a significant milestone in corporate reporting and aims to provide a comprehensive and transparent picture of an organization's performance, resource utilization, and value creation over the long term. It emphasizes the interconnections between an organization's strategy, governance, financial performance, and the broader social, environmental, and economic context in which it operates.

The framework is structured around guiding principles and content elements as follows:

- **Guiding Principles:** These principles underpin the preparation of an integrated report and include strategic focus, stakeholder relationships, materiality, conciseness, reliability, and completeness.
- **Content Elements:** Key categories of information required in an integrated report include organizational overview, governance, business model, risks and opportunities, strategy, performance, outlook, and basis of preparation.

VRF

In 2021, SASB merged with the International Integrated Reporting Council (IIRC) into the Value Reporting Foundation (VRF). The SASB Foundation Board of Directors and the IIRC Board of Directors combined to form the Value Reporting Foundation Board of Directors ("the VRF Board"). A governing board, the VRF Board was responsible for overseeing the strategy, finances, and operations of the organisation and appointing members of the SASB Standards Board.

This consolidation aimed to simplify the corporate reporting landscape and provide resources such as Integrated Thinking Principles, the Integrated Reporting Framework, and SASB Standards to support business and investor decision-making. By aligning the Integrated Reporting Framework and SASB Standards more closely, the VRF aimed to help businesses communicate their long-term strategy effectively and provide a comprehensive view of business performance to investors and other capital providers.

Finally, in August 2022, the Value Reporting Foundation consolidated into the International Financial Reporting Standards (IFRS) Foundation to establish the International Sustainability Standards Board (ISSB). This consolidation incorporated SASB and TCFD into its standards significantly, responding to market demand for simplification of sustainability disclosure frameworks. The ISSB aims to enhance international corporate reporting by aligning with leading framework providers and standard-setters worldwide.

International Sustainability Standards Board (ISSB) by The IFRS Foundation

The International Sustainability Standards Board (ISSB) was established under the IFRS Foundation to address the increasing demand for global sustainability standards. The ISSB is developing high-quality, comprehensive global sustainability disclosure standards focused on the needs of investors and financial markets. It aims to provide a global baseline of sustainability disclosures that are cost-effective, decision-useful, and market-informed. The ISSB collaborates with existing reporting initiatives like CDSB, TCFD, SASB, and others to ensure interoperability and alignment with global sustainability efforts.

History of ISSB

The ISSB was established in November 2021, and issued its first two IFRS Sustainability Disclosure Standards in June 2023, marking a significant milestone in sustainability reporting. he ISSB was announced at COP26 in Glasgow on November 3, 2021, following strong market demand for its formation.

Recognition of ISSB

The ISSB has garnered international support from organizations like the G7, G20, IOSCO, and more than 40 jurisdictions.

IFRS Foundation

The International Financial Reporting Standards (IFRS) Foundation is an independent, public interest organization responsible for the governance and oversight of the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB). The IFRS Foundation's mission is to develop IFRS Standards that enhance transparency, accountability, and efficiency in financial markets globally.

The ISSB Standards

Here is a comprehensive breakdown of the IFRS Sustainability Standards (also known as ISSB Standards):

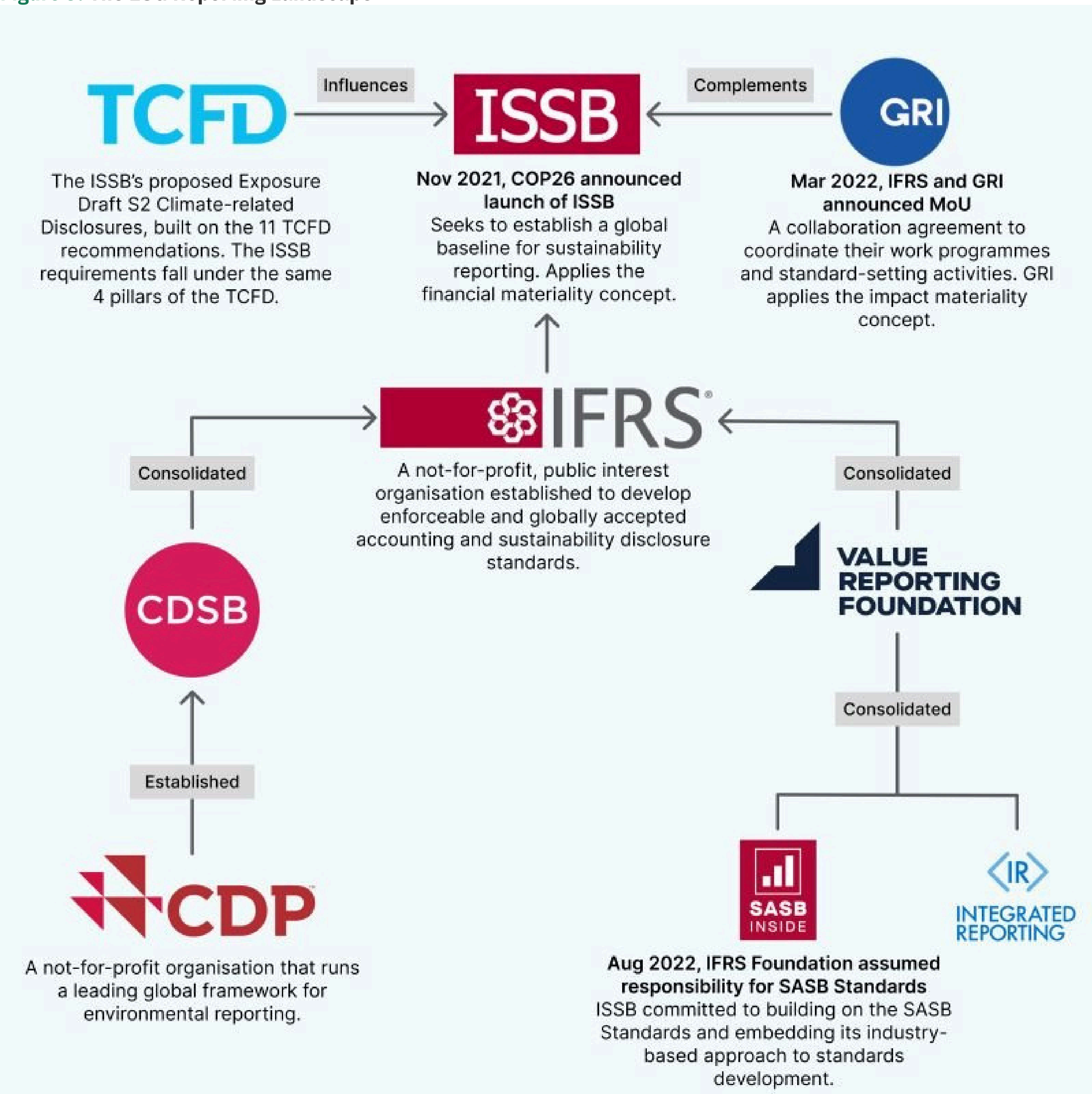
- **Standards Issued:**
  - The two inaugural standards are IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. These standards aim to provide a comprehensive global baseline of sustainability disclosures for capital markets, effective for annual reporting periods beginning on or after January 1, 2024.
- **Core Content:**
  - IFRS S1 requires entities to disclose information about all sustainability-related risks and opportunities that could impact their prospects, including cash flows, access to finance, and cost of capital over the short, medium, or long term. On the other hand, IFRS S2 focuses on an entity's exposure to climate-related risks and opportunities.
- **Transition Option:**
  - A 'climate first' transition option allows entities to provide only climate-related disclosures in their first year of applying IFRS S1 and IFRS S2. This option provides flexibility for entities transitioning to the new sustainability disclosure standards.
- **Implementation Support:**
  - The ISSB will establish a Transition Implementation Group (TIG) to support the implementation of IFRS S1 and S2. The TIG will provide a forum for stakeholders to discuss implementation questions and will assist in addressing any challenges that arise during the implementation process.
- **Global Applicability:**
  - The ISSB's issuance of these standards responds to the global demand for consistent sustainability reporting standards. By creating globally applicable standards, the ISSB aims to enhance transparency, comparability, and decision-usefulness of sustainability-related financial information for investors and other stakeholders.

The introduction of the IFRS Sustainability Disclosure Standards represents a significant step towards harmonizing sustainability reporting practices globally. These standards provide a structured framework for entities to disclose sustainability-related financial information, including risks, opportunities, governance, strategy, risk management, metrics, and targets. By aligning with these standards, organizations can enhance their transparency and accountability regarding sustainability impacts and contribute to more informed decision-making by stakeholders.

Consolidation of Standards & Frameworks

As mentioned throughout the report, many of the key standards and frameworks have collaborated and even consolidated in the past few years. The result is a streamlined global set of standards aimed at supporting the transition of financial flows towards sustainable business and activities. The following image provides a clear breakdown of how each organization has contributed and come together.

Figure 3: The ESG Reporting Landscape



Source: ESG Professionals Network

Challenges & Future Direction

Challenges

The corporate sustainability disclosure landscape is evolving rapidly, with various challenges and future directions to consider. Some of the key challenges include:

- **Complexity and fragmentation:**
  - The variety of reporting frameworks and standards has created difficulties for companies, particularly those operating internationally. Stakeholders have called for greater coherence, consistency, and comparability in content and convergence between the different standards and frameworks
- **Lack of comparability and reliability:**
  - Concerns about confusion and fragmentation continue to be expressed by companies, investor groups, and other stakeholders. Many stakeholders have led calls for greater coherence, consistency, and comparability in content and, overall, for more convergence between the different standards and frameworks.
- **Regulatory requirements:**
  - The increase in non-financial, sustainability, and ESG reporting requirements has created difficulties for businesses, especially those operating in multiple jurisdictions. Companies need to navigate a complex web of laws and reporting provisions that can affect the way they disclose sustainability matters.

Future Direction

Future directions for the corporate sustainability disclosure landscape include:

- **Convergence and alignment:**
  - Several standard setters and framework providers are working together to align their frameworks and complement financial reporting's generally accepted accounting principles (GAAP). For example, the International Financial Reporting Standards (IFRS) Foundation established a technical readiness working group to accelerate convergence in global sustainability standards focused on enterprise value.
- **Integration of standards:**
  - Organizations like GRI, SASB, CDP, and CDSB are collaborating to create a more coherent global set of reporting standards. They aim to contribute to a more sustainable economic, social, and environmental system by offering companies a framework for reporting environmental and climate information with the same rigor as financial information.
- **Investor needs:**
  - As investors become more interested in sustainability and financial impacts, reporting has evolved to meet their needs for comparable, consistent, and reliable data. Companies are using standards like GRI and SASB to cross-reference areas with broader disclosures, making non-financial information more useful and comparable
- **Holistic reporting:**
  - Using GRI and SASB Standards together provides a holistic picture of company performance, bringing sustainability and financial information more closely together. This approach helps reporters meet the changing expectations of their stakeholders and paint a full picture of their organization's performance

Conclusion

The corporate sustainability reporting landscape has evolved significantly, with various standards and frameworks playing crucial roles in enhancing transparency and accountability. Organizations like the Global Reporting Initiative (GRI), Carbon Disclosure Project (CDP), Task Force on Climate-related Financial Disclosures (TCFD), Climate Disclosure Standards Board (CDSB), Sustainability Accounting Standards Board (SASB), International Integrated Reporting Council (IIRC), and the International Sustainability Standards Board (ISSB) have been instrumental in shaping sustainability reporting practices.

These organizations have worked towards harmonizing reporting practices, providing a common language for sustainability reporting, and ensuring that companies disclose material ESG information effectively. The integration of different standards like GRI and SASB has been highlighted as a way to provide a holistic view of company performance by combining financial and sustainability information. The trend towards convergence and alignment among these frameworks reflects the growing importance of sustainability disclosures in decision-making processes for investors, stakeholders, and businesses.

The formation of the Value Reporting Foundation (VRF) aimed to streamline reporting efforts by merging IIRC and SASB into a unified body. This consolidation marked a significant step towards simplifying the reporting landscape and providing comprehensive resources for sustainable reporting. Furthermore, the transition of VRF and CDSB into the ISSB under the IFRS Foundation underscores the commitment to establishing global sustainability standards that align with financial reporting, enhancing transparency and comparability in corporate disclosures.

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