RECENT AND FUTURE TRENDS IN SUSTAINABILITY REPORTING

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Abstract: *Few non-mandatory standards on sustainability reporting have been developed in the last two decades as a result of few global initiatives, including the Global Reporting Initiative, the International Integrated Reporting Council, the Taskforce for Climate-Related Financial Disclosures, etc. In April 2021, the European Union updated its Non-Financial Reporting Directive. Moreover, the World Economic Forum issued its new standards on common metrics and consistent reporting for sustainable value creation. These and few other initiatives and standards currently shape the sustainability reporting landscape. But the need for harmonization of non-financial reporting is on its way to change it. The lack of one single global set of standards is challenging the standard setters, policymakers, and other stakeholders and some have already started to cooperate. In early November 2021, the International Financial Reporting Standards (IFRS) Foundation Trustees announced the establishment of a new standard-setting board – the International Sustainability Standards Board, to meet the demand of high quality, transparent, reliable, and comparable reporting by companies on climate and other environment, social and governance (ESG) matters. Inspired by the urgency of more holistic and comprehensive corporate reporting encompassing company's ESG metrics and disclosures, this paper aims at collecting discussions on the future of sustainability reporting through the lens of the recently identified trends in its development.*

Key words: *non-financial reporting, ESG metrics, convergence and consolidation, sustainability disclosure standards, future development*

Introduction

Few non-mandatory standards on sustainability reporting have been developed in the last two decades as a result of several global initiatives. The purpose of the Global Reporting Initiative is to provide organizations with standards that will guide them how to report their sustainability impact in all of the three dimensions – environmental, social and governance (ESG). Further, the Taskforce for Climate-Related Financial Disclosures, created in 2015 by the Financial Stability Board, aims at developing a framework for *consistent climate-related financial disclosures taking into account the financial implications* of the climate risk that should be considered as part of the business, investment and strategic planning decisions. Additionally, in June 2021, the financial ministers of G7 embraced the idea to make corporate reporting on climate-related financial risk compulsory. In April 2021, the European Union (EU) updated its Non-Financial Reporting Directive. Moreover, the World Economic Forum issued its new standards on common metrics and consistent reporting for sustainable value creation. On 3 November 2021, the IFRS Foundation Trustees announced the creation of a new standard-setting board – the International Sustainability Standards Board, to meet the demand of high quality, transparent, reliable, *and comparable reporting by companies on climate and other ESG matters. A new initiative*, the Taskforce for Nature-Related Financial Disclosures, is on its way to contribute to sustainability reporting by addressing the global biodiversity crises. These and few other initiatives and standards currently shape the sustainability reporting landscape. But the need for harmonization of non-financial reporting is on its way to change it. The lack of one single global set of standards is challenging the standard setters, policymakers, and other stakeholders and some have already announced their intentions to cooperate.

Aim of the paper and implied research methodology

Inspired by the urgency of more holistic and comprehensive corporate reporting encompassing ESG metrics and disclosures, this paper aims at collecting discussions on the recent challenges and development trends of sustainability reporting.

The interpretive and critical scientific research methods are applied in the study, combined with other methods such as the systematic approach, the historical method, the comparative method, and the method of analysis and synthesis. The periodization of the sustainability reporting development, presented in the joint publication of the Institute of Management Accountants (IMA) and the Association of Chartered Certified Accountants (ACCA) [1] is used as a focal point for the performed historical analysis. The paper contributes to the extant literature by enhancing periodization and building it upon with two new phases that reflect the recent and future trends in the development of sustainability reporting.

Providing background to the current state of sustainability reporting

The increased demand for disclosing non-financial information by companies is considered one of the drivers for enhancing corporate disclosures and moving towards sustainability reporting as “...financial accounting … limits the reporting entity's accountability to financial information, and third-wave entities1 have external accountabilities that go beyond financial information“ [2, p. 74]. According to [3], the development of non-financial reporting began in US and might be traced back to 1980s with a focus on the impact of organization activities on the environment at that time, although [1] argue that its roots might be traced back to 1960s, when the volume and variety of environmental and social information included in corporate publications began to increase. In 1975, the Accounting Standards Steering Committee (ASSC) of the Institute of Chartered Accountants in England and Wales (ICAEW), in association with 10 major UK and Irish accountancy bodies, published „The Corporate Report”, a discussion paper, considered to be a starting point for a major review of users, purposes and methods of financial reporting. The document concluded that distributable profit is no longer the premier indicator of performance in the corporate reporting due to the recognized multiple responsibilities of the business entities. A new trend towards recognition of the rights to information of employees and the public was identified. Further, the demand for additional indicators of performance was manifested as well as the necessity for further studies on methods of social accounting [4]. The discussion paper is also associated with the origin of the integrated reporting according to the timeline, presented in the publication of [1], although the first integrated reports of Novozymes, Natura and Novo Nordisk were published at the start of the next century, in 2022, 2003 and 2004 respectively.

In 1981, Freer Spreckley introduced the „Triple Bottom Line” concept in his work „Social Audit – A Management Tool for Co-operative Working” [5], although the concept

[1] companies in the information era

was more fully expressed by John Elkington in 1997. Spreckley argued that reporting on social wealth creation and environmental responsibility should complement the reporting on company's financial performance. It was the World Commission on Environment and Development (WCED), also known as the Brundtland Commission, that defined the term „sustainable development" in its report „Our Common Future", published in 1987, as „development that meets the needs of the present without compromising the ability of future generations to meet their own needs" [6]. The initiative aimed at starting the transformation in governments, organizations and individuals thinking. Despite those efforts, organizations were still resistant to change their strategies and operate „sustainable" in the long run and used the term in respect to their profits and growth rather to address their impact on community assets and resources. In the context of the main phases of environmental, social, and governance reporting identified in the publication of [1], we might conclude that till the end of 1990s the produced sustainability reports lack the focus on the sustainability impacts that were relevant to the business and of most importance to the stakeholders. This trend was also affirmed by [7]. Those early attempts for enhancing companies' disclosure beyond the limited environmental issues have numerous disadvantages, few of them listed on table 1.

Table 1 Main phases of development of corporate reporting

Phase	Period	Characteristic features
Phase 1: Emergence of social and environmental information	1960-1990	• Advertisements and annual-report sections (environmental-oriented) • No link to corporate performance • Few isolated corporate efforts • The Corporate Report (1975) • Start of quality and environmental management systems • Introduction of the „Triple Bottom Line" concept • French Bilan Social Law (1979) • Toxic Releases Inventory (1987) expanded by the Pollution Prevention Act of 1990
Phase 2: Sustainability reporting initiation phase	1990-2000	• First stakeholders report produced by Ben & Jerry's Homemade Inc. • Global Reporting Initiative (GRI) (1997) • GRI Guidelines (G1) (2000) • UN Global Compact (2000) • AccountAbility's AA1000 Framework • Still dominated by environmental reports
Phase 3: Sustainability reporting going mainstream	2000-Present	• Third-party certification of the reports • Increase in nonfinancial reports • The first corporate integrated reports (2002) • GRI's Sustainability Reporting Guidelines G2 (2002) and G3 (2006) • Accounting for Sustainability project (A4S) (2004) • A4S „Connected Reporting Framework" (2007) • GRI's Sustainability Reporting Guidelines G4 (2013)

Phase 4: Reporting on material issues	2010-Present	• International Integrated Reporting Council (IIRC) (2010) • IIRC Integrated Reporting framework (2013); one revised version (2021) • The United Nations 2030 Agenda for Sustainable Development (2015) • The Taskforce for Climate-Related Financial Disclosures (TCFD) (2015) • Guidance for Corporate Reporting on SDGs (2017)
Phase 5: Standardization of sustainability reporting	2010-Present	*At the international level:* • The Sustainability Accounting Standards Board (SASB) (2011) • GRI's Sustainability Reporting Guidelines G4 transitioned into GRI Standards (2016) • Global Sustainability Standards Board (GSSB) (2016) • The white paper of the World Economic Forum defining 21 core metrics (2020) • International Sustainability Standards Board of IFRS Foundation (ISSB) (3 November 2021) • The ISSB's first published exposure drafts (March 2022)
	2014 - Present	*At the European level:* • Directive 2014/95/EU on non-financial reporting • A proposal for a Corporate Sustainability Reporting Directive (CSRD) (21 April 2021) • Sustainability Reporting Technical Expert Group of EFRAG Sustainability Reporting Board (EFRAG SR TEG) (April 2022) • The first set of exposure drafts of the EU Sustainability Reporting Standards (ESRS) (published on 27 April 2022)
Phase 6: The convergence and consolidation trend	2014 - Present	*The convergence of corporate reporting frameworks:* • Corporate Reporting Dialogue (CRD) Initiative (June 2014) • The Corporate Reporting Landscape Map (2015) • The Better Alignment Project of CRD (2017) • The Statement of Intent of GRI, SASB, IIRC, CDSB & CDP (September 2020)
	2020 - Present	*The consolidation of initiatives:* • The IIRC merged with the SASB to form the Value Reporting Foundation (June 2021) • The Climate Disclosure Standards Board (CDSB) was consolidated into the IFRS Foundation to support the work of the ISSB (31 January 2022) • Value Reporting Foundation is consolidating into the IFRS Foundation to help establish the ISSB (to be completed till the end of June 2022)

Source: author, based on: [1], p. 11; [8].

The completion of sustainability reporting initiation phase took a span of 10 years, starting in early 1990s. One of the most significant events is the launch of the Global Reporting Initiative (GRI), founded in Boston, USA in 1997 as an independent, international, network-based organization, committed to improve sustainability reporting worldwide [7]. Few years later, in 2000, the first version of GRI's Sustainability Reporting Guidelines, called the GRI Guidelines (G1) was published, providing the first global framework for sustainability reporting[2]. Some researchers [9], [10] argue that the principles of the GRI framework are both report content and report quality principles. Few authors [11], [9], [12] claim that GRI frameworks enhance comparability of company's sustainability performance. Furthermore, [9] and [10] advocate that they improve the assurance level of sustainability reports and increase confidence in the capital markets and among investors, a statement also supported in the work of [13]. Another initiative that is worth mentioning is the AA1000 AccountAbility Principles, first version issued in 1999 and the last revision published in 2018. The principles represent a framework, based on the principles of inclusivity, materiality, responsiveness, and impact, that help organizations to identify, prioritize, and respond to sustainability challenges, with the goal of improving long-term performance[3]. According to [13], one potential benefit of the standards is their holistic nature that helps the reporting entity do address its environmental, economic, and social performance. Inspired by the GRI, two more initiatives were launched in 2001 – the Value Reporting initiative of Pricewaterhouse Coopers and the Better Reporting initiative of KPMG.

The launching of the United Nations (UN) Global Compact in 2000 by Secretary-General Kofi Annan[4] mark the transition to the third phase in the development of sustainability reporting. The UN Global Compact introduced ten principles related to human rights, labor force, environment, and anti-corruption [14], aiming at commitment at the CEO-level by businesses. It was initiated to start a global corporate sustainability movement, involving companies, business associations, labor organizations and civil societies. Currently, more than 10,000 companies participate in the Global Compact. They uphold the ten principles and follow the UN 17 global goals in the context of 2030 Agenda. Despite the increasing number of initiatives and principle-based frameworks, the corporate reporting is still dominated by environmental information disclosures in the second phase.

The turn of the century is characterized with a twist towards sustainability reporting becoming the mainstream corporate reporting. In 2002, 45% of the Global Fortune 250 companies increased their nonfinancial reporting. GRI's Sustainability Reporting Guidelines continued to enhance with their G2, G3 and G4 revised and improved versions published in 2002, 2006 and 2013 respectively. In 2004, the Accounting for Sustainability project (A4S) was set up by the Prince of Wales to contribute to the development of practical guidance and tools for better connecting organizations' environmental and social performance with their strategy and financial performance[5]. The initiative is focused on inspiring finance leaders to introduce sustainable and resilient business models in their organizations and to follow an integrated approach in their decision-making process, reflecting the risks and opportunities posed by environmental and social issues. To enable the collaboration with the global finance and accounting community, a step towards meeting these goals, A4S established the Accounting Bodies Network that currently represents over 2.5 million

[2] https://www.globalreporting.org/about-gri/mission-history/
[3] https://www.accountability.org/standards/aa1000-accountability-principles/
[4] https://www.unglobalcompact.org/take-action/20th-anniversary-campaign
[5] https://www.accountingforsustainability.org/en/index.html

professional accountants and students across 179 countries, two thirds of the world's accountants[6]. A4S published its first guideline „Connected Reporting Framework" in 2007, which was adopted by a range of companies, including Aviva, BT Group, EDF Energy, HSBC Bank, Hammerson, and Northern Foods, which were trying to improve the reporting of their business activities by reflecting corporate strategy and management in a connected way [1]. A4S is the precursor of the integrated reporting movement. Another significant trend that labels this period is the certification of sustainability reports by third parties.

The next phase is marked by extensive development and expansion of the integrated reporting. The beginning of the period is associated with the foundation of the International Integrated Reporting Council (IIRC), previously the International Integrated Reporting Committee, that currently leads the integrated reporting movement. It was established in August 2010 by the Prince of Wales's A4S, GRI and the International Federation of Accountants. Its aim is to develop a globally accepted framework that helps companies to communicate with the stakeholders their value creation over time. IIRC published its first Integrated Reporting (IR) framework in December 2013 to accelerate the adoption of integrated reporting worldwide. One of its targets is to enable the more efficient and productive allocation of capital by improving the quality of information available to providers of financial capital. Further, the framework pushes companies towards more cohesive and efficient approach to report the full range of factors that materially affect their ability to create value over time. In addition, it introduces the enhanced base of capitals - financial, manufactured, intellectual, human, social and relationship, and natural and promote understanding of their independencies. Moreover, the IR framework leads towards integrated thinking, decision-making and actions with organization's focus on the value creation over the short, medium, and long term. The first and only revisions to the framework were published in January 2021 with the intent to enhance the decision-usefulness of the corporate reporting. [7] The fourth phase in the development of corporate reporting is also marked by the UN 2030 Agenda for Sustainable Development, published in October 2015. It announced the17 Sustainable Development Goals (SDGs) and 169 targets. The ESG focus was further emphasized by the Guidance for Corporate Reporting on SDGs, launched two years later in collaboration between GRI and UN Global Compact, to help companies incorporate SDGs reporting into their existing processes. In 2015, the Financial Stability Board created the Taskforce for Climate-Related Financial Disclosures (TCFD) to support all market participants in their business and investment decisions by providing guidance on how the information on financial implications of climate-related risks and opportunities should be disclosed[8]. At that time, the financial risks inherent in the climate change have been underreported. TCFD shifted the focus and changed the attitude to climate change highlighting its impact on company's current and future financial performance [15].

Throughout the afore-presented phases of corporate reporting, integrated reporting concept emerged and evolved over time. The voluntary reporting frameworks and initiatives on integrated reporting contribute for pushing forward the evolution of sustainability reporting at the turn of the century. Despite their voluntary implementation by companies, those IR frameworks and initiatives improved the harmonization and enhanced the volume of sustainability reports. Furthermore, companies' disclosures became

[6] https://www.accountingforsustainability.org/en/about-us/our-networks/abn.html
[7] https://www.integratedreporting.org/resource/international-ir-framework/
[8] https://www.fsb.org/work-of-the-fsb/financial-innovation-and-structural-change/climate-related-risks/

more structured and focused on more material social and environmental issues due to the shift to the materiality concept. With the integrated reporting coming on the scene, there was a transition from the creation of share value to the generation of shared value [1]. Integrated reporting is an evolutionary rather than a revolutionary stage of sustainable reporting development. As shared by Kevin Kwok, a Council member of the Singapore Institute of Directors, there is a variety of regulatory reports, but a lot of them do not tie up together and it is the integrated reporting that meets the "…need to put them together in a logical, comprehensive and structured way". Moreover, integrated reporting pushes organizations to "…look at their own business models, to better weigh the value of their capital, better measure the risk aspects of their businesses and to tie that in with what they are doing, what they plan to do, how they are going to do it and over a defined time-frame"). Further, Kwok characterized it as "..a very 'live' form of reporting" [16, p. 7]. Nowadays a whole host of companies publish their integrated reports to provide insight into their strategic thinking, encompassing their strategy, governance, performance, and prospects in the context of global environment and to communicate their sustainability value creation with the stakeholders.

Following the recent trends in the development of corporate reporting, we expanded the periodization proposed by [1] and identified a subsequent period, the fifth phase, by referring to the prevailing standardization of sustainability reporting in the late 2010s. Intending to shed light on the standardization processes in EU, we further divided the period into two subperiods to distinguish initiatives undertaken at the European level from those, happening in the rest of the world. One of the driving factors was the lack of harmonized standards for non-financial reporting that was challenging investors and reporting businesses at that time. The standardization period started with the establishment of the Sustainability Accounting Standards Board (SASB), founded as a nonprofit organization in 2011 with the purpose to develop industry-specific sustainability disclosure standards for listed companies in the United States and to fill in the sustainability landscape in the country. Those disclosures were meant to become mandatory 10-K or 20-F SEC fillings complementing the company's financial data presented to investors with material sustainability information [17]. The standards issued by SASB comprise of qualitative information and industry-specific performance metrics[9].

Another significant event that marked this period is the transition of G4 Sustainability Reporting Guidelines into GRI Standards in 2016 thus becoming the first global standards for sustainability reporting. In the same year, the Global Sustainability Standards Board (GSSB) was established to develop and approve the GRI Standards – the first globally accepted and world's most widely used standards for sustainability reporting. The GRI Standards are updated and evolve on a continuous basis. Two new Topic Standards were issued in a two years span - on Tax in 2019 and on Waste in 2020. The first GRI Sector Standards on Oli and Gas were launched in 2021 and a substantial revision of GRI Universal standards[10] was undertaken in the same year.[11] As a response to the GRI support of the UN SDGs, the latter were linked to the GRI Standards with the last update in May 2022 [18]. In 2021 it was announced that the GRI is participating in the development of the sustainability reporting standards for the European Corporate Sustainability Reporting

[9] https://www.sasb.org/about/

[10] Currently there are three GRI Universal Standards that apply to all organizations. The G4 sector disclosures would be replaced by 40 sector standards with the first one focused on the oil and gas sector. [19]

[11] https://www.globalreporting.org/about-gri/mission-history/

Directive alongside the European Financial Reporting Advisory Group thus contributing to the sustainability reporting standardization at the European level [19]. The World Economic Forum (WEF) contributes to the standardization of sustainability reporting by its white paper on common metrics and consistent reporting for sustainable value creation, issued in September 2020[12], aiming to align companies' ESG indicators against their mainstream reporting on performance and to enable the consistent tracking of their contributions towards the SDGs. The set of „Stakeholder Capitalism Metrics" comprises of 21 core metrics. They are based on existing standards and their objective is to speed up the convergence among the standards setters as well as to improve comparability and consistency of the ESG reporting [20]. As at May 2022, more than 70 companies have implemented the ESG reporting metrics and their number continues to increase[13]. Another notable event that is related to the period is the establishment of the International Sustainability Standards Board of IFRS Foundation (ISSB) on 3 November 2021. It was a response for the increasing demand of high quality, transparent, reliable, and comparable reporting by companies on climate and other ESG matters. The ISSB is considered an important step towards developing a comprehensive global baseline of investor-focused sustainability disclosure, pushing ahead its standardization across markets. ISSB published its first exposure drafts in March 2022 - IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Disclosure and IFRS S2 Climate-related Disclosures[14]. The establishment of ISSB required consolidation of standards and framework-setters thus providing a background for e new trend that was captured by the next phase in the sustainable reporting development.

Parallel to the international standardization of sustainability reporting, similar processes took place in EU. EU launched its rules on non-financial reporting via Directive 2014/95/EU thus requiring certain large companies to disclose information on the way they operate and manage social and environmental challenges, including the treatment of employees, human rights, anti-corruption and bribery, and diversity on company boards in terms of age, gender, educational and professional background. Furthermore, the European Commission (EC) published two set of accompanying guidelines – the first one in June 2017 to help companies disclose environmental and social information and two years later, the second one on reporting climate-related information. Currently, approximately 11,700 large companies and groups across EU comply with the requirements on non-financial reporting. A significant step towards standardization of sustainability reporting in the member states is the proposal for a Corporate Sustainability Reporting Directive, adopted by the EC on 21 April 2021. It would amend the existing reporting requirements of Directive 2014/95/EU. The proposal extends the scope of the companies that should adopt the rules. Further, it requires the reported information to be audited. The proposal envisages the adoption of mandatory EU sustainability reporting standards that would be developed by the Sustainability Reporting Board of the European Financial Reporting Advisory Group (EFRAG)[15]. The standards will be in accordance with EU policies and contribute to international standardization initiatives. The EFRAG Sustainability Reporting Technical Expert Group (EFRAG SR TEG) was formed as a permanent structure of the EFRAG

[12] https://www.weforum.org/reports/measuring-stakeholder-capitalism-towards-common-metrics-and-consistent-reporting-of-sustainable-value-creation
[13] https://www.weforum.org/impact/stakeholder-capitalism-50-companies-adopt-esg-reporting-metrics/
[14] https://www.ifrs.org/groups/international-sustainability-standards-board/
[15] https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_bg

Sustainability Reporting Board[16] in April 2022 to provide technical support on the draft EU Sustainability Reporting Standards (ESRS). This was the last step of integrating the EFRAG Sustainability Reporting Pillar in the structure of EFRAG [21]. The first set of exposure drafts of the ESRS was published for public consultation on 27 April 2022. The EFRAG SR TEG is expected to cooperate with the EFRAG Financial Reporting Technical Expert Group to guarantee connectivity between financial and sustainability reporting in EU.

Recent and future trends in the sustainability reporting

[17] performed a review of the existing sustainability reporting frameworks at that time and outlined few challenges. The researchers claimed that few reporting initiatives have a narrow focus on single issues which are not being adequately addressed in the sustainability reports such as the Carbon Disclosure Project. Moreover, the provided sustainability data still lacks comparability as companies might choose what indicators to report and the format of reporting. A decade later, the lack of consistency in measuring and reporting the sustainable value created by companies is still a challenge [22]. The existence of a variety of initiatives, guidelines, frameworks, and standards, addressing the reporting of non-financial information by companies in the ESG context is among the most important factors for reshaping the sustainability reporting landscape. These factors might be considered prerequisites for the convergence and merger processes that began with the Corporate Reporting Dialogue (CRD) initiative of IIRC[17], announced in June 2014. These recent trends are captured by the sixth phase of sustainability reporting (table 1). [8] argue that the convergence of corporate reporting frameworks might be distinguished from other trends at the time of their publication as it marked an evolutionary step in the development of sustainability reporting. We further expand this phase to reflect the recent consolidations of standard-setting bodies and initiatives. The CRD aimed at bringing together the major financial and non-financial standard setters as the applicable corporate reporting frameworks, standards and related requirements lack consistency and comparability. In 2015, it published The Corporate Reporting Landscape Map to demonstrate how the frameworks, standards and other related documents are seen from the perspective of integrated reporting. The map has three levels: purpose, scope, and content. The first level provides description of the purpose of all included frameworks and standards. The scope, being the second level, provides explanation on how each reporting initiative relates to the six capitals of integrated reporting. Further information on how each reporting initiative relates to the content elements of integrated reporting is provided on the third level of the map[18]. The performed comparative analysis showed that neighter of the standards and reporting frameworks under review could achieve comprehensive integrated reporting. Few years later the CRD launched the Better Alignment Project that brought together major global standard-setters and framework providers[19]. The project is focused on assessing the alignment of the existing standards and frameworks of sustainability reporting with other

[16] As part of the EFRAG's governance reform, the Sustainability Reporting Board was launched in March 2022. https://efrag.org/About/Governance/40/EFRAG-Sustainability-Reporting-Board

[17] Other organizations, involved in the CRD: the Carbon Disclosure Project (CDP), the Climate Disclosure Standards Board (CDSB), the Financial Accounting Standards Board (FASB), the GRI, the International Accounting Standards Board (IASB), the International Organization for Standardization (ISO), and the Sustainability Accounting Standards Board (SASB)

[18] https://www.iasplus.com/en/news/2015/05/crd-landscape-map

[19] https://www.weforum.org/agenda/2019/09/how-to-simplify-corporate-reporting/

frameworks that encourage further integration between non-financial and financial reporting.[20] The first project's results comprising a technical mapping with the TCFD recommendations were delivered in 2019 [15]. The empirical findings demonstrated strong alignment between the participants' frameworks and the TCFD recommendations. But inconsistencies in metrics for climate change reporting still exist as shared by Ian Mackintosh, the Chairman of the CRD. In addition, the frameworks use a variety of definitions of materiality which brings confusion to businesses and investors[21]. The convergence of frameworks trend is marked by another significant event – the cooperation between the Carbon Disclosure Project (CDP), the Climate Disclosure Standards Board (CDSB), GRI, IIRC & SASB. In September 2020, the five major non-financial reporting organizations GRI, SASB, IIRC, CDSB and CDP, have published their statement of intent to work jointly and in cooperation with the key actors, including the International Organization of Securities Commissions (IOSCO) and IASB, EC and the WEF's International Business Council, towards comprehensive corporate reporting [23]. The five organizations share a common vision about financial accounting and sustainability disclosure that are connected via integrated reporting[22].

The new consolidation trend emerged with the establishment of ISSB. The IFRS Foundation Trustees announced its formation on the 26th UN Climate Change Conference that took place in November 2021 in Glasgow[23]. Further, the Trustees declared the commitment of the leading investor-focused sustainability disclosure organizations to consolidate into the new board and to share and combine their technical expertise and accomplishments.[24] The first step was the establishment of the Value Reporting Foundation (VRF)[25] in June 2021, after the merger of IIRC and the SASB[26]. Further, VRF and CDSB will be consolidated into the IFRS Foundation till the end of June 2022 to support the work of the newly established ISSB. The preparatory work for ISSB was undertaken by the Technical Readiness Working Group (TRWG) that was specially-formed by the Trustees to develop prototype climate and general disclosure requirements. The latter are the result of six months cooperative work performed by CDSB, IASB, the Financial Stability Board's TCFD, VRF and the WEF, supported by IOSCO and its Technical Expert Group of securities regulators.[27] The TRWG managed to consolidate the essential aspects of the content of these organizations into a unified set of recommendations to be considered by ISSB. Due to those efforts, ISSB published the first exposure drafts in March 2022 thus forcing the standardization of sustainability reporting.

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20 https://www.integratedreporting.org/corporate-reporting-dialogue/

21 https://www.weforum.org/agenda/2019/09/how-to-simplify-corporate-reporting

22 https://www.integratedreporting.org/resource/statement-of-intent-to-work-together-towards-comprehensive-corporate-reporting/

23 https://ukcop26.org/the-conference/

24 https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/

25 The Value Reporting Foundation offers resources aimed at supporting businesses and investors to develop a shared understanding of enterprise value: the Integrated Thinking Principles that guide board and management planning and decision making, the IR Framework that provides principles-based, multi-capital guidance for comprehensive corporate reporting, and SASB Standards.
https://www.valuereportingfoundation.org/resources/resources-overview/;
https://www.sasb.org/about/

26 The intention for the merger was announced in November 2020; https://www.sasb.org/about/

27 https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/

Conclusion

In recent years, there are many positive developments in sustainability reporting, marked by the coalescence of the major non-financial reporting standards and initiatives towards a global corporate reporting system. This trend is expected to accelerate in the forthcoming years driven by the stakeholders' needs for a common set of harmonized high-quality standards for non-financial reporting. The newly formed ISSB will play a significant part in the standardization process as it managed to gain the support and expertise of the main bodies that currently shape the sustainability reporting landscape. The timely development of ISSB's Sustainability Disclosure Standards and their worldwide acceptance will meet the capital markets demand of comprehensive information embedding the ESG metrics that demonstrate companies' contribution to sustainable development. Moreover, ISSB will work in close collaboration with IASB thus ensuring connectivity and compatibility with the International Financial Reporting Standards.

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