

# UNPRECEDENTED DYNAMICS in sustainability reporting frameworks

The landscape of voluntary sustainability reporting standards and frameworks is evolving rapidly. New players are consistently entering the playing field and existing organizations collaborate or merge. Meanwhile, regulators often define their own reporting frameworks and thus add additional complexity. This article provides a brief overview of the dynamic and complex landscape of sustainability reporting standards and frameworks while also reflecting the call for a single sustainability reporting standard.

By Mark Veser and Tobias Stalder

## Increasing fragmentation

For many years, a few organizations have been dominating the landscape for sustainability reporting standards, most notably the Global Reporting Initiative (GRI). However, recently various other players have entered the playing field. In 2015, the Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) which published the TCFD recommendations. These are adopted by regulators around the globe, including Switzerland as announced by the Federal Council in August 2021 as well as FINMA some months earlier. In early 2020, the World Economic Forum (WEF) in collaboration with the Big4 released the WEF IBC framework which aims to contribute to convergence of existing sustainability reporting standards by providing a set of common metrics for corporate sustainability reporting. Later in 2020, the Sustainability Accounting Standards Board (SASB), which originated in the US, and the International Integrated Reporting Council (IIRC) declared their intent to merge into the Value Reporting Foundation. Finally, the IFRS Foundation has recently announced the creation of an International Sustainability Standards Board (ISSB) with the declared goal to establish IFRS sustainability standards, expected to address climate related disclosures in a first step.

## Differing approaches among regulators

Meanwhile, in context of the renewal of the EU Non-Financial Reporting Directive (NFRD) – which will be renamed into Corporate Sustainability Reporting Directive (CSRD) – the European Commission requested that the European Financial Reporting Advisory Group (EFRAG) establishes EU non-financial reporting standards. In this context, EFRAG recently announced a collaboration with GRI for the development of its standards.

Besides the CSRD, the European Commission is also establishing various other sustainability-related disclosure obligations such as the Sustainable Finance Disclosure Regulation (SFDR) requiring financial institutions to report specific information on products and on corporate level or the EU Taxonomy to report “green” revenues, Capex and Opex. While in its current version, the EU Taxonomy is focused on climate change, it will evolve over time to cover other environmental aspects and subsequently also social topics.

In Switzerland, the counterproposal to the Responsible Business Initiative does not provide specific guidance on the application of sustainability reporting frameworks but is largely aligned to the NFRD in regard to topics to be covered. In order to cover the respective reporting requirements, a combination of several frameworks including GRI, the International Integrated Reporting Framework (<IR>) and the UN Guiding Principles Reporting Framework are expected to provide fitting guidance. In the US, up until June 2021, the SEC collected feedback from various stakeholders on its input on climate change disclosures. In this context, substantial announcements by the SEC are expected before the end of 2021.

## Call for convergence

Considering the developments discussed above, pressures from various stakeholders such as reporting companies and investors on standard-setting organizations to converge is increasing. In this context, several influential organizations including GRI, IIRC and SASB published a statement of intent to collaborate on establishing a “comprehensive corporate reporting system” in 2020. Yet, it remains to be seen as to what degree such a comprehensive sustainability reporting system can be established any time soon considering the dynamics, fragmentation as well as the broad range of stakeholder interests in corporate sustainability reporting which are difficult to cover in a single framework. What is certain is that a collective effort of all players involved in and affected by sustainability reporting standards and frameworks is necessary in order to move towards such convergence.



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Scope of Reporting	Comprehensive	<ul style="list-style-type: none"> <li>GRI Standards*</li> <li>SASB Standards</li> <li>Integrated Reporting Framework (&lt;IR&gt;)</li> <li>WEF IBC framework</li> </ul> <p style="border: 1px dashed black; padding: 2px; display: inline-block;">will merge into the Value Reporting Foundation</p>	<ul style="list-style-type: none"> <li>Counterproposal to the Responsible Business Initiative</li> <li>EU Non-financial Reporting Directive (NFRD)/ Corporate Sustainability Reporting Directive (CSRD)/ to use EFRAG reporting standard*</li> <li>Sustainable Finance Disclosure Regulation (SFDR)</li> </ul>	* statement of cooperation signed between EFRAG and GRI
	Topic-focused	<ul style="list-style-type: none"> <li>Task force on Climate-related Financial Disclosures (TCFD) →</li> <li>CDP (Carbon Disclosure Project)</li> <li>ISO 14064 (GHG Inventory)</li> <li>UN Guiding Principles Reporting Framework (Human rights)</li> </ul>	<ul style="list-style-type: none"> <li>EU Taxonomy</li> <li>Modern Slavery Act (UK)</li> <li>The Equality Act (Gender Pay Gap Information Regulations (UK))</li> <li>Supply Chain Law (Germany)</li> </ul>	
		Voluntary reporting	Mandatory requirements	
Type of specifications				