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Focusing on sustainable value
Actions to help support globally consistent, decision-useful sustainability reporting

November 2024

Executive summary

Sustainability matters are key drivers of risk and value for organizations today. Consistent and comparable reporting on these can support capital allocation decisions that enable long-term and resilient businesses. This article sets out actions necessary for a global corporate reporting system that enables the flow of decision-useful sustainability information and underpins corporate transparency and accountability in respect of climate and sustainability priorities. Relevant, comparable, verifiable, and faithfully represented sustainability information can enhance investor confidence and help unlock capital to support the transition to a lower-carbon economy and sustainable development more broadly.

Global policy conferences—Conferences of the Parties to the Convention on Biological Diversity (COP 16) and climate change (COP 29)—continue to place the spotlight on urgent sustainability challenges, including:

- the need to finance the transition to a lower-carbon economy, and the role of private capital in supporting both the Paris Agreement[1] and the Sustainable Development Goals—for example, a Deloitte Global report identified that while climate finance can power a just energy transition, it will likely require an annual global investment in the energy sector ranging from US$5 trillion to more than US$7 trillion—yet less than US$2 trillion is currently being invested on a yearly basis[2]

- the interconnections between climate change, nature and biodiversity loss, and social considerations, such as a just transition[3].

Many organizations recognize these challenges. Deloitte's recent 2024 CxO Sustainability Report, highlights that organizations are increasingly addressing material sustainability matters more effectively while also identifying opportunities for value creation. In the survey of ~2100 CxOs from 27 countries, 60% acknowledged a moderate to significant pressure from government or regulators to enhance their efforts to address climate change. And 55% now consider climate equity and promoting a just transition as extremely important to their sustainability efforts—an increase of 9 percentage points from last year's survey.

CxOs also recognize the business benefits of sustainability-related investments in innovation and technology, products and services, and resilient operations and supply chains. Indeed, 92% of CxOs believe their organization can continue to grow while reducing greenhouse gas emissions. However, Deloitte Global's report identifies an uneven landscape of climate action, in which a large group of organizations that are neither leaders nor laggards are taking a 'go-slow' approach that risks competitive disadvantage over time. By taking additional needle-moving actions instead, these 'moderate middle' organizations could catalyze rapid change in the corporate response to sustainability challenges.

Corporate reporting can play an important role in moving the dial. Transparency on and accountability for actions organizations are taking to adapt their strategies in response to the effects of climate change, energy transition, and other sustainability-related matters, as well as the progress made towards meeting organizations' sustainability commitments, can help investors assess organizations' resilience and their ability to create value over the long-term.

A system that enables consistent and comparable reported sustainability information helps to provide decision-useful information to users and brings confidence that helps to unlock capital to finance the transition. When supported by robust governance, internal controls, and assurance, such a system can help enhance trust and confidence in reported information and reduce the risk of misallocation of capital and greenwashing.

Progress toward the global baseline

The International Sustainability Standards Board (ISSB), established at COP 26 in 2021, was formed with the ambition to develop sustainability standards that are used to form a global baseline of consistent and comparable information. There has been significant progress in a short period of time. The ISSB issued its first set of standards in 2023.[4] The International Organization of Securities Commissions (IOSCO) has called on its member regulators to 'adopt, apply, or otherwise be informed by the ISSB Standards', and the Financial Stability Board (FSB) has recognized that the ISSB Standards should serve as a global framework for sustainability disclosures. To date, more than 20 jurisdictions—representing nearly 55% of GDP, 40% of global market capitalization, and more than half of all greenhouse gas emissions—have announced steps to use or fully align their local standards to the ISSB Standards[5]. In the European Union (EU) a high degree of interoperability has been achieved with the European Sustainability Reporting Standards.

The ISSB and other key actors continue to pursue further consolidation, strategic partnerships, and collaboration. This includes the CDP[6] making the ISSB's climate standard the foundational baseline for the climate disclosure in its questionnaire[7] (building on the Taskforce on Climate-related Financial Disclosures (TCFD)[8] principles that it has historically aligned around), the transfer of the materials of the Transition Plan Taskforce (TPT) to the IFRS Foundation, plans for deeper collaboration between the ISSB and the Global Reporting Initiative (GRI)[9], and the ISSB working more formally with the Greenhouse Gas Protocol[7].

However, the journey to a global baseline for sustainability disclosures is far from complete. The ISSB is embarking on its workplan[7] which includes research in collaboration with the Task Force on Nature-related Financial Disclosures (TNFD) to progress its next topical standards: biodiversity, ecosystems, and ecosystem services (BEES)[10], and human capital (including some aspects of human rights)[11], in addition to continuing to develop guidance on existing standards and updating industry-specific content. The ISSB has acknowledged the key role industry-based disclosure will play in its work, recognizing that sustainability-related risks and opportunities often differ by industry and that investors value this information. This is reflected in the ISSB's decision to enhance the Sustainability Accounting Standards Board (SASB) Standards and use them as a helpful starting point when developing new standards and content. Several standards-setters are working concurrently on industry-specific content, including the GRI and EFRAG[17] in Europe, which brings the need and opportunity for collaboration to align the requirements for the same industries as far as possible.

Recognizing an important role mandatory sustainability reporting can play, jurisdictions around the world are increasingly introducing disclosure regulations and standards aligned with their policy priorities and local circumstances. These moves towards mandatory sustainability reporting present an opportunity for jurisdictions to adopt the ISSB Standards into their local reporting frameworks, as a consistent global baseline, with further disclosure requirements added to reflect local policy priorities. This approach could enhance global comparability and pave the way to future equivalence agreements[12].

A fragmented approach to regulation, under which multi-national organizations have to comply with multiple reporting obligations arising from jurisdictional requirements with extra-territorial reach, could be complex and costly, detracting from decision-useful information overseen by the board and undermining trust in corporate performance. While 74% of CxOs in Deloitte's survey recognized that the changing regulatory environment would increase sustainability actions, 16% identified the lack of or competing regulatory reporting requirements as an obstacle and 32% believe the lack of clarity or uniformity across reporting requirements is a challenge.

Sustainability matters as business matters

Sustainability matters are increasingly core drivers of risk and value for organizations today—including their intangible value, such as reputation, license to operate, and innovation. They may affect organizations' prospects—their cash flows, access to finance, and cost of capital over the short, medium and long term, including their long-term resilience and potentially even their viability. They should, therefore, frequently be treated as material[13] business matters—for example, reliance on natural resources that are becoming scarce; well-being and safety for workers that is essential to productivity and to maintaining a license to operate; human rights abuses in the supply chain that affect the reputation of an organization with customers and businesses; or the environmental impacts of an organization's activities that could lead to costs for remediation or adaptation, or affect the long-term ability of the organization to operate.

Organizations' broader impacts on people, the planet, and prosperity for society—for example, impacts on nature and biodiversity—may also affect their ability to create value and their prospects for success over time. And, as noted earlier, the sustainability matters that are relevant to an organization are frequently interconnected and require holistic consideration.

Reporting decision-useful information

Material sustainability risks and opportunities should be measured, monitored, and managed by an organization, and overseen by the board, supporting strategic decision-making, capital allocation, and performance measurement. Reporting high-quality, consistent, and comparable information about these matters supports transparency and accountability, evidencing sound governance, and allowing users to assess the credibility of commitments made and actions taken in support of long-term resilience and sustainable development. This approach is consistent with the intent of the ISSB Standards, which have been designed to facilitate the disclosure of decision-useful information about sustainability-related risks and opportunities, presented as a holistic narrative alongside other information contained in a management or integrated report, and connected to related financial information.

However, organizations may find it challenging to strategically communicate performance on material sustainability matters in the context of the extensive reporting requirements rapidly taking shape across multiple jurisdictions around the world, each of which may have different objectives, prescribed disclosures, and specific approaches to measurement. And the complex and varied requirements could lead organizations to approach their disclosures as compliance statements rather than as a communication about the sustainability drivers of risk and value and an organization's response to climate change and sustainable development more broadly. As a result, rather than helping users to make informed decisions, reporting could confuse them.

Actions to support a coherent global system of reporting on decision-useful sustainability matters

As stakeholders—policy makers, regulators, and businesses convene to consider policies and initiatives that can support the goals of the Paris Agreement[1] and the Global Biodiversity Framework (GBF)[14], an important question to address is what actions can be taken to enable reporting of decision-useful sustainability information? And what steps can organizations take to make sense of complexity, allowing them to communicate clearly on the sustainability matters that are important to the decisions of intended users?

Actions by standards-setters and regulators

There continues to be considerable support for the objective of the global baseline of sustainability reporting requirements based on the ISSB standards, including from G7 and G20 countries, IOSCO, and the FSB. However, as set out above, there is a risk that jurisdictional approaches (including ones that lead to significant modifications to the ISSB Standards, or the introduction of separate frameworks) could undermine this objective. The following actions could further the globally-consistent framework for transparency on sustainability matters:

- Adoption of the ISSB Standards by jurisdictions, without modifications, as the baseline to enable globally-consistent and comparable information relevant to providers of financial capital about sustainability-related risks and opportunities. Further local requirements can be added to this baseline as needed, following a 'building blocks' model[11]. This serves to promote global consistency and comparability of information while allowing jurisdictions to reflect particular policy objectives and local circumstances in their disclosure requirements.

- Introduction of the principle of 'equivalence' of reporting requirements by jurisdictions that have established their own regulations and standards for sustainability disclosure. Policy makers and market regulators could allow organizations based outside their jurisdictions to meet local requirements by applying the ISSB Standards, with additional requirements when needed —for example, in jurisdictions that have adopted a double materiality approach. Such an approach would build on the principle of 'equivalence' historically utilized for financial reporting. For example, in the US, foreign filers are permitted to apply IFRS Accounting Standards rather than US GAAP[15]. In the context of sustainability reporting, legal equivalence agreements could facilitate the flow of capital to sustainable business across borders and reduce reporting complexity for organizations that are in the scope of multiple mandatory jurisdictional disclosure requirements. It would also permit jurisdictions to continue to require additional jurisdictional disclosures to support local policy priorities.

- Adoption of the ISSB's new standard on BEES[10], once it becomes available, to support Target 15 of the GBF[14] and facilitate the flow of critical information on the material nature-related risks and opportunities. In this regard, the commitment by the ISSB to collaborate with the TNFD[7], should help inform and accelerate the standard-setting process building on the work of the TNFD and learning from the experience of the organizations that piloted its proposals.

- Collaboration between sustainability standards-setters to develop a system in which standards and regulatory requirements complement rather than contradict, each other and minimize duplication of effort by organizations, to accelerate the global baseline in important areas:

  - on human capital - collaboration between the ISSB, GRI, and the newly formed Taskforce on Inequality and Social-related Financial Disclosures (TISFD)[16])

  - on sector-based disclosures - collaboration between sustainability reporting requirements (the ISSB, the GRI, and EFRAG[17]).

  - on seamless global approach - collaboration between the ISSB and GRI to demonstrate how different standards can be applied together to support organizations reporting sustainability information that is relevant to investors and other providers of financial capital and information on impacts on the economy, the environment, and people, relevant to broader stakeholders.

Actions by organizations and policy makers to implement assurance

Just as audit has given confidence to the capital markets in respect to reporting of financial information[18]; assurance of sustainability information is a critical step to advancing a capital markets system that benefits from trust and confidence in sustainability reporting. Assurance establish the reliability of information and also helps evidence that organizations have implemented rigorous internal measurement policies, processes, monitoring and controls, and governance to produce credible sustainability information[19]. A systems approach is needed to deliver assurance outcomes of consistent quality and should include standards, ethics, and professional education. Under this system, sustainability assurance providers should be expected to follow a professional framework including competence, independence, a system of quality management, and be subject to oversight and professional liability mechanisms.

The work of the International Auditing and Assurance Standards Board (IAASB) in finalizing its dedicated international standard on sustainability assurance ISSA 5000 can support a common approach by assurance providers if appropriately incorporated within jurisdictional regulatory frameworks. The International Ethics Standards Board for Accountants (IESBA) is reviewing its ethics and independence standards to address the ethical considerations professional accountants might face while providing sustainability-related professional services and extending its code to be relevant to any assurance providers (i.e., non-accountants). Standards-setters also have a role to play in educating the users of assurance reports—for example, explaining the difference between limited and reasonable assurance, or the reasons why an assurance opinion may be modified and what this means for the corresponding audit report.

Actions by organizations to get ready for mandatory sustainability reporting

Organizations can be advocates for a global system of sustainability reporting. As they face multiple sustainability reporting requirements, organizations should focus on enhancing quality and transparency of the material decision-useful sustainability information, clearly explaining how their climate and sustainability strategies, commitments, and actions contribute to their long-term success and business resilience.

High-quality sustainability reporting should be an outcome of organizations taking a holistic approach that integrates consideration of people, the planet, and prosperity for society into their day-to-day decision-making, into their governance, strategy, risk management, and metrics and targets. Such an integrated approach – integrated thinking - can enhance an organization's resilience in the face of new dynamic risks and opportunities and help support the resilience of an organization's business model over time.

Many organizations are already in scope of mandatory sustainability reporting requirements around the world or will be affected in coming years. Organizations can leverage efforts to prepare sustainability information for disclosure under mandatory reporting requirements to support more robust identification, measurement and management of business risks and value drivers. The following actions are offered as practical examples.

- Sustainability standards and requirements frequently reference the value chain, requiring organizations to identify and report on sustainability matters connected with the full range of interactions, resources, and relationships related to their business model and the external environment in which they operate, including products or services from design to delivery, consumption, and end-of-life. If organizations have not yet mapped their value chain, this would be an important precursor to identifying sustainability matters comprehensively. Organizations may use the outputs of their analysis of value chains to inform enterprise thinking on risks and value drivers.

- ISSB Standards use a common structure for content, addressing governance, strategy, risk management, and metrics and targets. Organizations could use this as a framework for developing integrated thinking and addressing gaps in the oversight and management of sustainability-related risks and value drivers, for example:

  - Is there appropriate oversight of each of the matters identified?

  - To what extent are those matters reflected in the strategy and in the assessment of the resilience of the organization's business model?

  - Has the finance team evaluated the financial effects of sustainability-related matters and determined how this information connects with information published in the financial statements?

  - Are the matters addressed in enterprise risk management processes? And are they appropriately reflected in key performance indicators (KPIs) and targets, including in executive remuneration policies?

  - Is the internal controls framework designed and operating effectively to deliver high quality sustainability information, including the robustness of assumptions and estimation, to help translate business objectives into measurable performance?

- The experience of preparers can provide invaluable insight into practical considerations for the development and implementation of sustainability standards and requirements, helping standards-setters and regulators to understand the impact of proposed requirements and anticipate unintended consequences. Therefore, it is important that organizations consider responding to global and jurisdictional consultations or participating in outreach events.

In conclusion

To produce high-quality sustainability information, organizations are expected to put in place rigorous governance, internal policies, processes, systems, and monitoring, including over data points. The top challenge identified by 42% of respondents to the Deloitte CxO survey is readiness of systems and processes for gathering and reporting sustainability data, including aspects such as lack of data and data quality or accuracy. In view of the significant level of judgment and estimation involved in measuring many sustainability metrics, sustainability reporting standards also emphasize the need for transparency on how metrics and targets are developed, including measurement, use of estimates, assumptions and proxy data, and comparatives with prior year or a base year. Such governance and discipline over the reporting process can support better decisions in the organization and enhance the confidence of investors that the estimates used by management to prepare disclosures are not influenced by hidden changes in methodology, bias, or unrealistic assumptions, helping them to mitigate risks in their analysis and investment decisions.

This rigor of approach is also essential for organizations to get ready for assurance of their sustainability disclosures. This means thinking ahead and building systems and controls for this future state, which may involve reasonable assurance, not just the minimum level needed for compliance today. Restating disclosures due to poor controls, or weak calculation methodologies can undermine confidence in the reporting of sustainability information and the reporting of the organization as a whole.

- Organizations need to consider their corporate reporting strategy in navigating the constantly evolving sustainability reporting regulatory landscape. While each law or regulation needs to be carefully implemented to prepare for compliance, consideration should also be given to how the organization continues to communicate clearly to investors and other stakeholders without obscuring material information about sustainability-related risks and opportunities that could reasonably be expected to affect the organization’s prospects. Further, organizations should consider other aspects, such as the extent to which jurisdictional requirements necessitate a group-wide approach for a multinational company, or whether they permit reporting on specific entities within a group. When there is a choice, organizations may consider what approach is best suited to them in terms of reporting infrastructure and capabilities at global versus local levels, and other factors such as the timing and location of the required disclosures, their ability to cross-reference to other reports, and the overall objective of concise reporting that is relevant to the information needs of primary users of the reporting.

- To facilitate efficient and effective implementation of multiple mandatory requirements, there are likely to be opportunities to leverage data processes strategically. Mandatory sustainability reporting will likely require investment in data systems and processes, including information from the value chain. For example, to leverage its investment in global systems, organizations could identify data points that are common to jurisdictional sustainability reporting requirements they must apply or are variations of KPIs already used and seek to manage them through enterprise systems. These investments in data and controls for sustainability reporting should not be done in isolation. There are synergies from having a holistic view and reporting architecture that considers financial and non-financial reporting together and enhances both to give a complete picture to management and more meaningful reporting to stakeholders.

Authors

Patrick Shelley
Deloitte Global A&A Sustainability Business Sponsor and interim Global Assurance Leader
pjshelley@deloitte.ch

Kristen Sullivan
Deloitte Global A&A Sustainability Clients & Markets Leader
ksullivan@deloitte.com

Veronica Poole
Deloitte Global IFRS and Corporate Reporting Leader
vepoole@deloitte.co.uk

Acknowledgements

Neil Stevenson
Deloitte Global IFRS and Corporate Reporting
Director

Richard Bailey
Deloitte Global Strategy, Innovation, and Public Policy
Director

Designed by CoRe Creative Services. RITM1871996

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