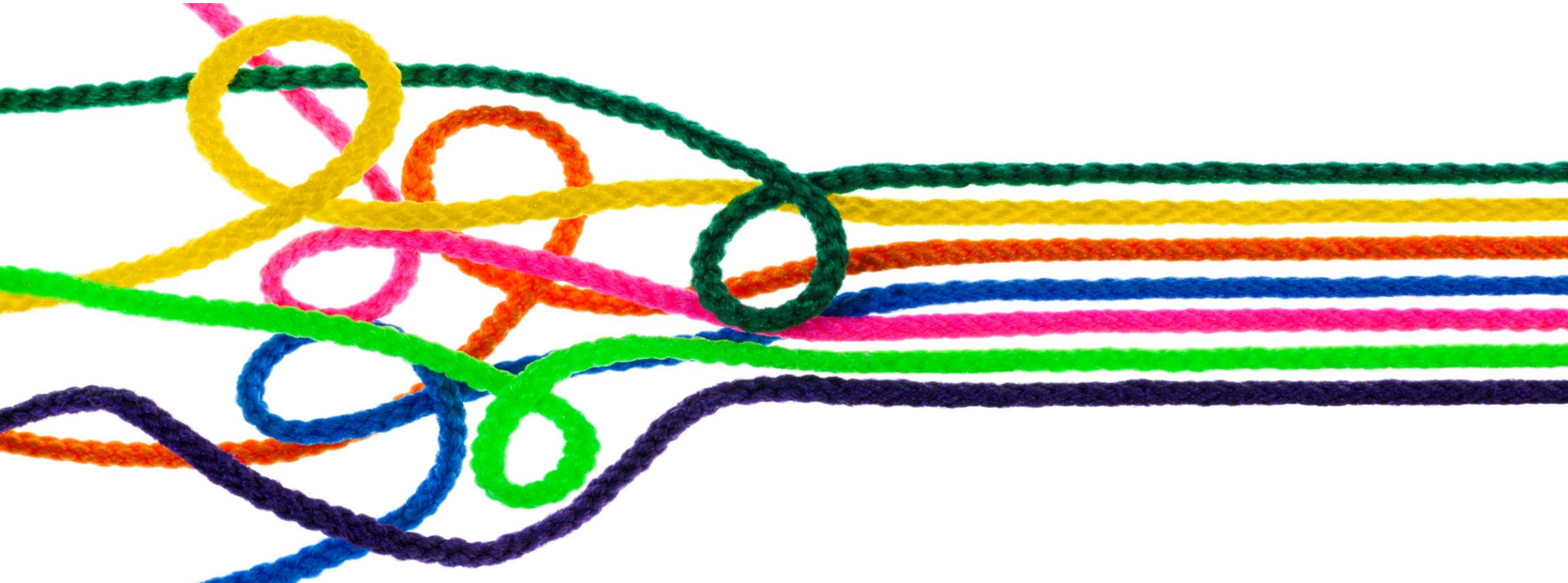


Sustainability Reporting Harmonization: What's Ahead


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The Whys and Hows of Harmonization

Why harmonization?



Reporting landscape has become hugely complex and cumbersome to navigate



No consensus on comprehensiveness, consistency, comparability, and materiality of sustainability data/information

What can be harmonized?

- 
- Nomenclature and unit definitions
 - Application of standards
 - Stakeholder interaction
 - Link between financial and non-financial information
 - Materiality methodology
 - Timing and format of reporting

Important considerations

Practical, company standpoint:

- Harmonized standards enhance efficiency and effectiveness of measurement and reporting.
- Disclosure of robust, harmonized sustainability data strengthens confidence in decisions taken by company leadership and investors.

Global, systemic standpoint:

- Delays in aligning standards and methodologies are making it difficult to inform, motivate, and align capital markets to a coherent global sustainability agenda.

Standardization bears the risk of homogenization

- Sustainability issues necessarily vary by geography, industry, individual company, and stakeholder group. The issue of materiality remains unresolved.



Who Is Doing What and to What End?

Established sustainability reporting standard setters

GRI, SASB, IIRC, CDP, CDSB

Actors also increasingly moving into the standard setting space

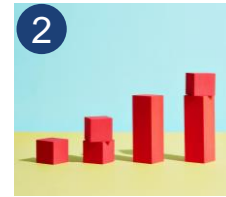
Business coalitions, NGOs, financial reporting standard setters, regional governments



1

Aligning voluntary sustainability reporting standards and concepts

Develop common reference terms and guidance instructions that explain similarities and differences of standards and frameworks to enable complementary or concurrent use.



2

Developing new sustainability reporting standards

Develop new, common, regionally, or globally accepted sustainability reporting standards.



3

Integrating corporate reporting of financial and non-financial information

Improve the conceptualization and standardization of the overall corporate reporting landscape, mainly through the integration of financial and non-financial disclosure or the integration of sustainability and mainstream financial reporting.



4

Developing standardized approaches for estimating the financial costs and benefits of sustainability initiatives

Develop standardized methodologies and disclosure rules for the monetary valuation of sustainability impacts.



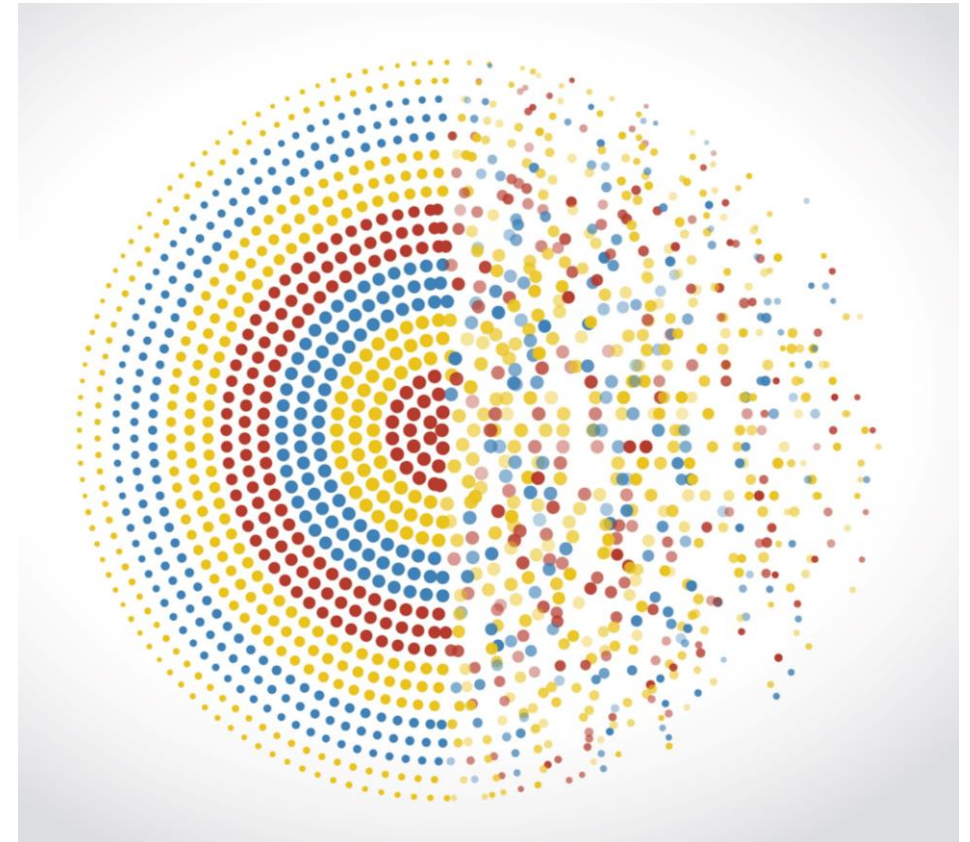
Overview of Reporting Standards Harmonization Initiatives

	Better Alignment Project	GRI and SASB's Collaboration	CDP and CDSB's Collaboration	Value Reporting Foundation (Merger of SASB and IIRC)	Shared Commitment by Five Major Standard Setters	Measuring Stakeholder Capitalism	Value Balancing Alliance	The Transparent Project	IFRS Foundation Sustainability Standard	EU Sustainability Reporting Requirements
Participants	Corporate Reporting Dialogue, CDP, CDSB, GRI, IIRC, SASB Supported by IFRS, FASB, ISO	GRI, SASB Supported by the Impact Management Project, PwC	CDP, CDSB	SASB, IIRC	CDP, CDSB, GRI, IIRC, and SASB Supported by The Impact Management Project, WEF, Deloitte	International Business Council of the WEF Supported by Deloitte, EY, KPMG, and PwC	15 companies (Anglo American, BASF, BMW, Bosch, Deutsche Bank, DPdHL, Kering, LafargeHolcim, Mitsubishi Chemical, Otto, Porsche, Novartis, SAP, Schaeffler, SK) Supported by Deloitte, EY, KPMG and PwC, European Commission, OECD	Value Balancing Alliance, The Capitals Coalition, WBCSD Funded by the European Commission	IFRS Supported by IFAC and IOSCO	European Commission, EFRAG
Type of Key Participants	Independent sustainability reporting standard setters	Independent sustainability reporting standard setters	Independent sustainability reporting standard setters	Independent sustainability reporting standard setters	Independent sustainability reporting standard setters	Business coalition	Business coalition	Business coalition, environmental NGOs	Financial standard setters	Regional government
Stated Goal	Improve alignment among existing sustainability reporting standards	Deliver materials on how to use both standards concurrently	Closer collaboration to offer a complete system for climate disclosure and elements of environmental and natural capital disclosure	Merge SASB and IIRC into a unified organization	Support the development of a globally accepted comprehensive corporate reporting system (financial and non-financial)	Develop a set of small, universal, material ESG metrics, which can consistently be used in mainstream annual reports of companies across sectors and regions	Develop a global impact measurement and valuation standard for monetizing and disclosing positive and negative impacts of corporate activity	Develop standardized natural capital accounting and valuation principles for business in line with the ambition of the European Green Deal	Develop a global set of sustainability reporting standards, initially focused on climate-related risks	EU uniform and mandatory corporate sustainability reporting requirements to support the objectives of the European Green Deal via a range of disclosure instruments
Status	Discontinued. A report assessing alignment on climate-related reporting was released in Sep 2019. Project closed in Nov 2020.	Completed. A practice guide on sustainability reporting using GRI and SASB standards was released in April 2021.	Ongoing. A report explaining how to utilize both standards to fulfill TCFD reporting requirements was released in May 2020.	Ongoing. Announcement to merge was made in Nov 2020; formalization of merger announced in June 2021.	Early stages, outcome unclear. A report proposing a prototype climate-related financial disclosure standard was released in Dec 2020.	Completed and ready to use. The " Stakeholder Capitalism Metrics " were launched in Sep 2020.	Under development. Draft methodology papers on environmental impacts, socio-economy impacts, input-output modeling, and a pilot study were released between Feb and May 2021. Plan to have methodology, metrics, and guidance ready for use by 2022.	Under development. An initial report was released in April 2021. A full methodology or standard is expected by 2022.	Early stages, but likely to happen. Released consultation paper , launched working group , and proposed amendments to IFRS foundation constitution. Final decision to be made by Nov 2021.	Under development, some aspects already in effect. CSRD (1, 2) ready by 2023/24, SFDR (1, 2) in effect since Mar 2021 (some aspects not in full force until 2022 and after), EU Taxonomy (1, 2) will apply from Jan 2022 for climate change mitigation and adaptation objectives, and from Jan 2023 for the remaining four objectives.
Likely Impact	LOW	LOW	LIMITED	UNCLEAR	UNCLEAR	UNCLEAR	SIGNIFICANT	SIGNIFICANT	HIGH	HIGH



Where Are We at, and Where Might We Be Headed

- Going through a phase that further “muddies the waters”
- Reporting is becoming increasingly complex, fairly little progress so far on harmonization or consolidation – no silver bullet for companies in sight yet
- Developments around the IFRS and EU standards are major gamechangers and could ultimately upend and replace some voluntary reporting standards – but this is a long-term outlook
- Increasing importance of mandatory reporting – but not with any global consensus, MNCs need to carefully monitor across all relevant jurisdictions; new EU standards will have major impact on resource requirements for corporate sustainability disclosure
- Big push towards more data and method transparency in reporting overall, and specifically the development of standardized methodologies to calculate and present relevant data – credible quantitative methodologies and robust data are key performance requirements



Discussion

