

Sustainability Standards: Is This An Improvement?

What is the most common complaint heard about the current state of sustainability reporting standards? It may be the bloated number of free-standing, independent, overlapping, and often conflicting standards. Regrettably, [no single entity has yet emerged as the clear consensus choice](#) for defining corporate disclosures.

There were hopes, though, that this situation would have improved two weeks ago. That was when the International Financial Reporting Standards (IFRS) Foundation [issued its first two standards on sustainability disclosures](#). Its first Standard (S1) defined general reporting requirements and its second (S2) defined climate-related disclosures.

The IFRS is the leading authority for financial reporting standards outside of the United States. With S1 and S2, it was expected to [help streamline the various public standards](#) by recommending the promulgations of the Sustainability Accounting Standards Board (SASB) as "[priority materials](#)" for reporting purposes.

Did they do so? At first glance, they did. S1's main body included a declaration that "an entity shall refer to and consider the applicability of the disclosure topics in the SASB Standards."

The problem, though, is that S1's main body also declared that "an entity may refer to and consider the applicability of ... the CDSB Framework Application Guidance for Water-related Disclosures and the CDSB Framework Application Guidance for Biodiversity-related Disclosures." And in Appendix C, S1 noted that "an entity may ... refer to and consider the applicability of ... the GRI Standards and ... the ERS Standards."

Furthermore, S2 barely mentions the SASB at all; the standard setter only appears on the copyright disclosure page and in the Glossary of Appendix A. Instead of the SASB, S2 recommends several other standard setting entities.

With this in mind, do S1 and S2 represent a collective improvement in sustainability disclosure requirements? Perhaps one could argue that the public interest is served any time a major reporting organization issues a comprehensive set of meaningful reporting standards.

But for those who hoped that that the IFRS would recommend the SASB guidance as "priority materials" and thus advance the streamlining of disparate standards, S1 and S2 may represent a bit of a disappointment. Although one could argue that the IFRS did express a modest preference for the SASB, S1 and S2 mention so many other standard setters that any such preference may barely "move the needle" at all.

Is this information helpful? If it is, please consider joining our new Sustainable Value online interest group. Join a community of CPAs who share your professional interests!

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