

# Sustainability Reporting and Disclosures History and Relevance for Finance Professionals



Presented by  
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at  
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## Objectives & Agenda

### Objectives

- Demonstrate relevance of Sustainability reporting and disclosures for Finance and Accounting professionals
- Share career development tips

### Agenda

- 1) Tips First!
- 2) Sustainability Reporting and Disclosure
- 3) Wrap-up

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# Sustainability Standards and Frameworks Whirlwind Tour



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## Selected Standards, Frameworks and References

Global Reporting Initiative (GRI)	SEC Regulation S-K Guidance	Science-Based Targets Initiative (SBTi)	COSO Internal Controls over Sustainability Reporting (ICSR)
Greenhouse Gas (GHG) Protocol	Sustainability Accounting Standards Board (SASB)	Task Force for Nature-Related Financial Disclosures (TNFD)	Calif. Climate Disclosure Laws (SB 253, SB 261)
Carbon Disclosure Project (CDP) – Climate	Task Force for Climate-Related Financial Disclosures (TCFD)	International Sustainability Standards Board (ISSB)	Canadian Sustainability Disclosure standards (CSDS)
Carbon Disclosure Project (CDP) - Water	UN Sustainable Development Goals	EU’s Corp. Sustainability Reporting Directive (CSRD)	SEC Climate Disclosure Rule

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## I. Global Reporting Initiative (GRI)

<b>Launch Date</b>	<b>1997</b>
Objectives	Founders: UN Env. Program; CERES; Tellus Inst. Establish comprehensive roster of Sustainability disclosure topics, in taxonomy to enable consistent and comparable Sustainability reports.
Intended Users	Preparers and users of voluntary Sustainability reports.
Summary	Framework to establish common format for voluntary Sustainability reporting. Included "mandatory" topics, sector-specific suggestions, other suggestions. >4 revisions since initial standards.
Where/ How Used Now	Remains a resource for voluntary Sust. Reporting and disclosures. Includes narrative and quantitative parameters. Partners with ISSB for interoperability of disclosure topics (as voluntary migrates to mandatory). NOT among entities now in ISSB.
Website	<a href="http://www.globalreporting.org">www.globalreporting.org</a>

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## 2. Greenhouse Gas (GHG) Protocol

<b>Launch Date</b>	<b>1998</b>
<b>Objectives</b>	Established by World Resources Institute and World Business Council for Sustainable Development. Create standardized framework for measuring, managing and reducing GHG emissions.
<b>Intended Users</b>	Preparers, users, and auditors/ assurance providers for GHG emissions calculations and inventories.
<b>Summary</b>	De facto statutory; referenced in all major laws/ regs. Family of guidance docs: Corporate Standard; Scope 2 Guidelines; Scope 3 Guidelines; Project Guidelines. An accounting protocol built for technical topics.
<b>Where/ How Used Now</b>	Basis for calculations, documentation, records of GHG emissions inventories. Basis for audit/ assurance protocols. Help Management evaluate and prioritize projects and decisions.
<b>Website</b>	<a href="http://www.ghgprotocol.org">www.ghgprotocol.org</a>

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## 3. Carbon Disclosure Project (CDP): Climate

<b>Launch Date</b>	<b>2000</b>
<b>Objectives</b>	Encourage companies to voluntarily calculate and disclose Greenhouse Gas (GHG) emissions, using standard format.
<b>Intended Users</b>	External: stakeholders interested in GHG/ climate profile to inform their decisions. Internal: Management, to understand profile and prioritize efforts.
<b>Summary</b>	Now "CDP. Annual reporting. Template on website. More requirements each year. CDP reviews and grades submittals. All types of entities: companies (public and private), governments. Disclosures and CDP grades are publicly available. Templates and access to website is free. Primary globally-accepted portal for public disclosure of climate-related data and information. Aligns with TCFD and other leading standards. Likely to be the portal for Calif. Climate disclosure laws.
<b>Where/ How Used Now</b>	"First stop" for financial analysts, researchers, customers, suppliers, companies doing benchmarking. Can be used by enforcement entities, to compare disclosures to those made elsewhere. Aligned with ISSB.
<b>Website</b>	<a href="http://www.cdp.net/en">www.cdp.net/en</a>

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## 4. Carbon Disclosure Project (CDP): Water

Launch Date	2009
Objectives	Encourage companies to voluntarily calculate and disclose data and information on water use and water risk.
Intended Users	External: stakeholders interested in water resource/ usage profile to inform their decisions. Internal: Management, to understand profile and prioritize efforts.
Summary	Building on the widespread adoption and use of the climate-related disclosures. Recognizes risks arising from water scarcity, quality, demands, costs, and impacts. Getting data is a first step. Water security, water accounting: water withdrawals, uses, recycled, dependences, changes, forecasts, value chain, verification, targets, progress.
Where/ How Used Now	Similar uses as for CDP Climate disclosures, for stakeholders interested in risk and/or performance profile for water. Water questionnaire combined with climate & water into one in CY 2024.
Website	<a href="https://www.cdp.net/en/water">https://www.cdp.net/en/water</a>

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## 5. SEC Regulation S-K; Guidance

Launch Date	2/2/2010
Objectives	Convey that Regulation S-K requires including all "material risks" in Management Discussion & Analysis (MD&A) in Form 10-K. Climate is not expressly excluded.
Intended Users	Publicly traded companies and preparers of financial disclosures.
Summary	Stakeholders seeking climate-related disclosures had been frustrated at finding few/ none. Guidance did not <u>require</u> climate-related disclosures but reiterated that it if was "material" (per standard definition), it is by no means exempt.
Where/ How Used Now	SASB applied standard "materiality" definition to identify applicable sectors for climate disclosures. Backstop to possible cancellation of SEC climate disclosure rule.
Website	<a href="https://www.sec.gov/files/rules/interp/2010/33-9106.pdf">https://www.sec.gov/files/rules/interp/2010/33-9106.pdf</a>

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## 6. Sustainability Accounting Standards Board (SASB)

Launch Date	7/31/2011
Objectives	Provide material sector-specific Sustainability disclosure topics to enable relevant, consistent, decision-useful disclosures in Form 10-K.
Intended Users	Preparers of financial filings. Users of financial filings, notably investors and analysts.
Summary	Began with def'n. of "materiality" consistent with U.S. Supreme Court decision; no new law or reg required. SASB developed "Sustainable Industry Codes" to get meaningful disclosure topics useful to investors. Disclosure topics for 77 industries completed in 2018.
Where/ How Used Now	Merged with Int'l Integrated Reporting Council to create Value Reporting Foundation Nov. 2020. VRF merged into ISSB (a branch of Int'l Financial Reporting Stds.) in 2021. Updated standards in 2023; updated taxonomy in 2024. Although "SASB Standards" still used as a term, SASB no longer exists.
Website	<a href="https://sasb.ifrs.org/">https://sasb.ifrs.org/</a>

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## 7. Task Force for Climate-Related Financial Disclosures (TCFD)

Launch Date	2015
Objectives	Help investors assess potential bottom-line impacts of climate related matters.
Intended Users	Investors, capital markets, analysts.
Summary	Founded by Financial Stability Board (not an environmental group!). Draft framework in 2017. <b>Introduced "four pillars": 1) governance; 2) strategy; 3) risk; 4) metrics an targets.</b>
Where/ How Used Now	The TCFD framework has become embedded into global standards. TCFD merged into the ISSB. It has fulfilled its mission and is now defunct. TCFD website remains, but only as a repository for materials developed by the Task Force.
Website	<a href="https://www.fsb-tcfd.org/">https://www.fsb-tcfd.org/</a>

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## 8. UN Sustainable Development Goals

<b>Launch Date</b>	9/1/2015
<b>Objectives</b>	Set the course for countries to reduce poverty, fight inequalities and tackle climate change and environmental issues.
<b>Intended Users</b>	Countries for planning regs and emphasis. Companies for tailoring voluntary efforts to strategy and risk. NGOs and other stakeholders for analysis and actions.
<b>Summary</b>	17 Sustainable Development Goals. Env.: water, sustainable cities, climate, life below water, land. Clean energy and responsible consumption.
<b>Where/ How Used Now</b>	Government entities: guide priorities, regulations. Standard-setters: align reporting and disclosure topics. Companies: align efforts. Stakeholders: research, hold stakeholders accountable.
<b>Website</b>	<a href="https://www.un.org/sustainabledevelopment/">https://www.un.org/sustainabledevelopment/</a>

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## 9. Science-Based Targets Initiative (SBTi)

<b>Launch Date</b>	2015
<b>Objectives</b>	Collaboration w CDP, UNGC, WRI, and Worldwide Fund for Nature. Independent validation that (self-declared) targets are sufficient to achieve goal in Paris Accord.
<b>Intended Users</b>	Entities developing targets to meet commitment to targets/ goals. Stakeholders assessing entity performance against targets.
<b>Summary</b>	Paris Agreements established global targets for reductions in GHG emissions to slow/ cap global temp rise. Company submittal, SBTi review and approval. Entities report progress towards (self-declared) targets.
<b>Where/ How Used Now</b>	Provides rigor for the "TCFD four pillars". Begin with #4 Metrics & Targets. Circle back to Governance, Strategy, Risk. Cap. Markets and B2B beginning to use this for decisions.
<b>Website</b>	<a href="http://www.sciencebasedtargets.org/">www.sciencebasedtargets.org/</a>

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## I 0. Task Force for Nature-Related Financial Disclosures (TNFD)

<b>Launch Date</b>	<b>6/1/2021</b>
<b>Objectives</b>	Provide decision makers in business and capital markets with better quality info via corp. reporting on nature to improve enterprise and portfolio risk management.
<b>Intended Users</b>	Same as TCFD: capital markets, investors, analysts & related. Internal: Strategic planning, risk management, Compliance, Opns.
<b>Summary</b>	Issues, dependencies and impacts, risks & opportunities, financial effects. Additional sector guidance. Core metrics: nature use; pollution & removal; resource use & replenishment; risk; opportunities.
<b>Where/ How Used Now</b>	Capital markets. Internal: strategic planning, risk management. B2B: mitigate risk and leverage opp'ys throughout value chain.
<b>Website</b>	<a href="https://tnfd.global/">https://tnfd.global/</a>

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## I I. International Sustainability Standards Board (ISSB)

<b>Launch Date</b>	<b>11/3/2021</b>
<b>Objectives</b>	Establish global guidelines for disclosure regarding Sustainability-related risks and opportunities.
<b>Intended Users</b>	Primary users of general purpose financial statements.
<b>Summary</b>	ISSB is part of IFRS Foundation. Merger of SASB, IIRC. Continues approach of legacy SASB. "Single" materiality. S-1 (General) and S-2 (Climate) published 6/26/2023.
<b>Where/ How Used Now</b>	Adoption in EU for disclosure in financial filings. Embraced globally for adoption, sometimes w modifications/ enhancements (Canada).
<b>Website</b>	<a href="https://www.ifrs.org/groups/international-sustainability-standards-board/">https://www.ifrs.org/groups/international-sustainability-standards-board/</a>

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## 12. EU's Corp. Sustainability Reporting Directive

<b>Launch Date</b>	<b>1/5/2023</b>
<b>Objectives</b>	Require companies to report on Sustainability performance, risk, impacts. Go beyond traditional "materiality" to "double materiality."
<b>Intended Users</b>	Capital markets and broad array of stakeholders.
<b>Summary</b>	EU Sustainability Reporting Standards (ESRS) [published 12/22/2023] set forth parameters and topics. 50,000 EU companies and non-EU business operating in EU are required to make sustainability disclosures. They begin to take effect in 2025.
<b>Where/ How Used Now</b>	In process. Companies doing readiness, addressing gaps (develop, deploy or improve processes). Companies engaging with value chain where data or info is required. Assurance readiness.
<b>Website</b>	<a href="https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en">https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en</a>

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## 13. COSO Internal Controls over Sustainability Reporting (ICSR)

<b>Launch Date</b>	<b>March 2023</b>
<b>Objectives</b>	Encourage parties to leverage COSO ICIF for Sustainability reporting.
<b>Intended Users</b>	Parties who know "internal controls" (Acct'g., Audit, Finance) Parties who don't (Environmental, Ops, Procurement, Sustainability, etc.)
<b>Summary</b>	Supplemental guidance is approachable for all. Helps companies develop or enhance processes, procedures, data management. See "3 Attributes" section and DHC white paper.
<b>Where/ How Used Now</b>	In-house: companies building or improving controls for content that will be externally reporting. Also to improve effectiveness and efficiencies. External: basis for assurance criteria.
<b>Website</b>	<a href="http://www.coso.org">www.coso.org</a> <a href="http://www.douglashileman.com">www.douglashileman.com</a>

Douglas Hileman is an author of the COSO ICSR document.

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# COSO ICSR



- COSO ICIF is standard for internal controls over financial reporting (ICFR).
- "Reporting" isn't limited to financial
- Supplemental guidance released March 2023
- Douglas Hileman is an author



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# COSO ICIF: 5 Components, 17 Principles

FIGURE B-4: COMPONENTS, PRINCIPLES, AND POINTS OF FOCUS

Components	Principles	No. of Points of Focus
	1. Commitment to integrity and ethical values	4
	2. Independent board of directors oversight	4
	3. Structures, reporting lines, authorities, responsibilities	3
	4. Attract, develop, and retain competent people	4
	5. People held accountable for internal control	5
Control Environment	6. Clear objectives specified	15
Risk Assessment	7. Risks identified to achievement of objectives	5
Control Activities	8. Potential for fraud considered	4
Information & Communication	9. Significant changes identified and assessed	3
Monitoring Activities	10. Control activities selected and developed	6
	11. General IT controls selected and developed	4
	12. Controls deployed through policies and procedures	6
	13. Quality information obtained, generated, and used	5
	14. Internal control information internally communicated	4
	15. Internal control information externally communicated	5
	16. Ongoing and/or separate evaluations conducted	7
	17. Internal control deficiencies evaluated and communicated	3

Source: Provititi



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# Observations on Sustainability Reporting

- Demand for reporting has outpaced the ability to report.
- Growing calls for assurance.

Sustainability reporting differs from financial reporting:  
3 attributes

Original white paper at [www.douglashileman.com](http://www.douglashileman.com)

## 3 Attributes of ESG Reporting / Sustainability Reporting



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# 14. California Climate Disclosure Laws (SB 253 and SB 261)

Launch Date	10/9/2023
Objectives	If "doing business in California" SB 253: Report GHG emissions for companies >\$1 billion in revenues. SB 261: Report material climate-related financial risk aligned with TCFD. >\$500 million in revenues.
Intended Users	Broad range of stakeholders.
Summary	Requirements align with TCFD. CARB must develop regs; could be delayed. Applies to private companies. CDP likely to be disclosure portal. Threshold for "doing business in California" is tied to tax code - and is very low.
Where/ How Used Now	Motivation for companies to begin or improve climate-related efforts, regardless of SEC action. Non-public entities are paying more attention.
Website	<a href="https://leginfo.legislature.ca.gov/">https://leginfo.legislature.ca.gov/</a>

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## 15. Canadian Sustainability Disclosure Standards (CSDS)

Launch Date	3/1/2024
Objectives	Leverage ISSB disclosure standards, with enhancements to serve the Canadian public interest.
Intended Users	Capital markets and broad array of stakeholders.
Summary	Adopts ISSB standards (S-1 and S-2) for Canada. Some enhancements, including consideration of first nations.
Where/ How Used Now	Evolving.
Website	<a href="https://www.frascanada.ca/en">https://www.frascanada.ca/en</a>

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## 16. SEC Climate Disclosure Rule

Launch Date	3/6/2024
Objectives	Establish disclosure parameters for climate-related reporting and risk. Meet demands of investors and stakeholders. Align w climate disclosure requirements of global capital markets.
Intended Users	Providers of capital. Other stakeholders.
Summary	Regulation S-K requirements (Form 10-K disclosures) interoperable with ISSB S-2, TCFD, other disclosures. <b>Reg. S-X requirements (financial statement footnotes) unique to SEC rule;</b> would be subject to internal controls over financial reporting (ICFR) and auditor procedures.
Where/ How Used Now	SEC initiated a voluntary stay; rule could be cancelled w new Administration. S-K requirements likely to be imposed via other means [ISSB, California, CDP, capital markets, B2B, proxy initiatives]. S-X requirements or practices: TBD.
Website	<a href="https://www.sec.gov/newsroom/press-releases/2024-31">https://www.sec.gov/newsroom/press-releases/2024-31</a> Webinar at <a href="http://www.douglashileman.com">www.douglashileman.com</a>

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Doug helps clients with compliance, risk, processes and controls, audits, and assurance readiness in the Sustainability and climate space. He often provides subject matter expertise to law firms, accounting firms, IT and management consultancies. He draws on 40+ years of experience in operations, corporate compliance, management consulting, internal audit and external assurance. He was the senior environmental management and environmental auditing specialist on the Volkswagen Monitor Team.

He is an author of COSO's "Achieving Effective Internal Controls over Sustainability Reporting (ICSR)", released to wide acclaim in March 2023.

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