Citation:
Robertson, F and Krasodomska, J and Dyczkowska, J (2022) Harmonising sustainability reporting in the face of stakeholders' awakening capitalism. The institutional background. The Theoretical Journal of Accounting, 46 (4). pp. 129-160. ISSN 1641-4381 DOI: https://doi.org/10.5604/01.3001.0016.1306

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Document Version:
Article (Published Version)

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Zeszyty Teoretyczne Rachunkowości
2022, Vol. 46, Nr 4, s. 129–160
http://dx.doi.org/10.5604/01.3001.0016.1306
Stowarzyszenie Księgowych w Polsce

Harmonising sustainability reporting in the face of stakeholders' awakening capitalism. The institutional background[1]

Harmonizacja raportowania zrównoważonego rozwoju w obliczu budzącego się kapitalizmu interesariuszy. Kontekst instytucjonalny

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Abstract

Purpose: Stakeholder capitalism is a system in which organisations seek long-term value creation by considering all stakeholders' needs. The paper aims to identify how stakeholder capitalism has become embedded in sustainability reporting over time and explore how it currently affects the standardisation of the ESG disclosure framework.
Methodology/approach: The study reviews the essential works and research studies published over the last six decades that reflect the emergence or the revival of the stakeholder capitalism concept. The paper also analyses the complex environment of accounting standard-setters and regulators who promote various non-financial reporting frameworks or standards.
Findings: The system of stakeholder capitalism may propel the harmonisation of sustainability reporting and serve common interests. It refers to more than just business organisations, which should focus on long-term value creation and consider their environmental impacts on the planet. It is a broader concept of engaging governments in a joint effort to create prosperity for their people, attracting society to enter the dialogue and ensuring planetary wellbeing.
Originality/value: The work gives an insight into the waves of changes in the sustainability reporting standardisation scene that have gained momentum over the last two years. It addresses the critical views of experts and debates on how harmonising international standards can make sustainability reporting and stakeholder capitalism genuinely serve the interest of stakeholders and the planet.
Keywords: harmonisation, stakeholder capitalism, sustainability reporting.

[1] This research was supported by the National Science Centre, Poland under Grant OPUS 17 number 2019/33/B/HS4/00998.

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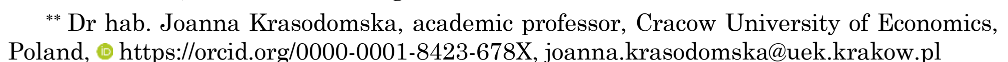
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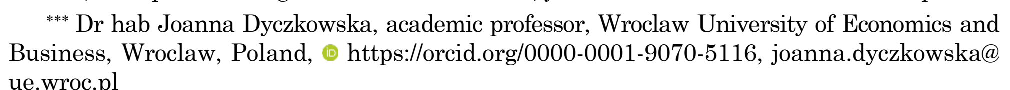
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ISSN 1641-4381 *print* / ISSN 2391-677X *online*
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Streszczenie

Cel: Kapitalizm interesariuszy to system, w którym organizacje dążą do tworzenia długoterminowej wartości poprzez uwzględnianie potrzeb wszystkich interesariuszy. Celem artykułu jest zidentyfikowanie, w jaki sposób kapitalizm interesariuszy osadził się z czasem w raportowaniu zrównoważonego rozwoju i zbadanie, jak obecnie wpływa na standaryzację ram ujawniania informacji w obszarze ESG
Metodyka/podejście badawcze: W opracowaniu dokonano przeglądu istotnych prac i badań opublikowanych w ciągu ostatnich sześciu dekad, które odzwierciedlają pojawienie się lub odrodzenie koncepcji kapitalizmu interesariuszy. W pracy przeanalizowano również złożone środowisko twórców standardów rachunkowości oraz regulatorów, którzy promują różne ramy lub standardy raportowania niefinansowego.
Wyniki: System kapitalizmu interesariuszy może przyspieszać harmonizację raportowania zrównoważonego rozwoju i służyć wspólnym interesom. Odnosi się on nie tylko do organizacji biznesowych, które powinny skupić się na tworzeniu długoterminowej wartości i brać pod uwagę wpływ środowiska na planetę. Jest to szersza koncepcja polegająca na angażowaniu rządów we wspólny wysiłek na rzecz tworzenia dobrobytu dla swoich obywateli, zachęcaniu społeczeństwa do dialogu i zapewnieniu dobrostanu planety.
Oryginalność/wartość: Praca umożliwia wgląd w zmiany, jakie zachodzą w obszarze standaryzacji raportowania zrównoważonego rozwoju, i które nabrały tempa w ciągu ostatnich dwóch lat. Odnosi się do krytycznych opinii ekspertów i debat na temat tego, w jaki sposób harmonizacja międzynarodowych standardów może sprawić, że raportowanie zrównoważonego rozwoju i kapitalizm interesariuszy będą rzeczywiście służyć dobru interesariuszy i planety.

Słowa kluczowe: harmonizacja, kapitalizm interesariuszy, raportowanie zrównoważonego rozwoju.

Introduction

Stakeholder capitalism is a system where organisations consider the interests of all stakeholders in the economy and society, including the ecological and social impacts on them and the natural environment (Hörisch et al., 2014; Schwab, Vahnam 2021). This concept appears to be in line with the inside-out perspective of double materiality recently introduced by European Union (EU) regulations. Scholars, accountants and business leaders often use the term *inclusive capitalism*, which coincides with the concept of stakeholder capitalism. When discussing inclusive capitalism, Druckman refers to an inclusive economic system, which extends "accountability beyond financial transactions" and recognises that "society impacts business" (Druckman, cited by the Coalition for Inclusive Capitalism, 2016). Randa defines inclusive capitalism as a policy movement that aims to enhance business governance and, thus, society by addressing the growing inequalities in income and wealth in the western capitalistic systems (Randa, 2022). Stakeholder capitalism and inclusive capitalism contrast with the two other forms of capitalism: 1) shareholder capitalism, which is common in western organisations and asserts that an organisation's primary goal should be to maximize its profits in the interests of shareholders; 2) state capitalism, which is prominent in many

emerging markets, including China, where the government sets the direction of the economy (Schwab, 2019).

This overview paper has two objectives. First, we aim to identify how stakeholder capitalism has been ingrained in sustainability reporting over time. Second, we explore how it currently affects the standardisation of the ESG (environmental, social, governance) disclosure framework.

In order to achieve our objectives, we formulated the following research questions:

- How did stakeholder capitalism develop, and what were the milestones for that concept?
- What impact have global social and environmental factors had on changing perceptions of the role of business reporting?
- What were the roles of the prominent institutional actors in shaping the global sustainability reporting landscape?
- What actions have been taken by standards setters and other interested parties towards streamlining sustainability reporting?

The issues raised by the research questions are, in a narrow sense, relevant and interesting to accounting practitioners and scholars because they focus on how changes in a global environment indirectly interact with reporting practice and influence the actions of standards setters. In a broader sense, stakeholder capitalism and its impact on reporting may be crucial for organisations and society. It advocates that an organisation's purpose is not to maximize short-term profits to increase shareholder value at the expense of other stakeholder groups but to create long-term value to ensure a company's longer-term sustainability and health (Paine, 2003). In this view, stakeholder value should generate a variety of values that reflect different stakeholders' interests rather than single-mindedly emphasising only shareholder value (Busch et al., 2018).

This perspective requires that the understanding of the purpose and role of businesses and how they create value be broadly expanded (Busch et al., 2018). Indeed, value creation can be extended to include values like being a reputable employer, an excellent corporate citizen, making sustainable products, delivering a quality service, generating environmental benefits, and retaining customer loyalty (Busch et al., 2018). There is a case for stakeholder capitalism being a sensible business decision and an ethical choice. There is growing evidence that companies that treat their wider stakeholders will also have higher financial performance (Choi, Wang, 2009; Henisz et al., 2014; Sisodia et al., 2007). Finally, society may use inclusive capitalism to articulate its "concerns about economic inequality, declining trust and environmental degradation", particularly when there is still an apparent gap between the shareholder philosophy present in the Integrated Reporting Framework and society's actual needs (Tweedie, 2022).

To answer the research questions, we used two research methods. First, we conducted a literature review of the essential works and research studies published over the last six decades that reflect the emergence or the revival of the stakeholder capitalism concept. Second, we made a systematic observation of the

complex environment of accounting standard-setters and regulators and the changes that occurred over the last two years in the sustainability reporting standardisation scene.

Our study contributes to the literature threefold. First, it views stakeholder capitalism as a concept that is ingrained in an organisation's philosophy or value system. However, at the same time, it draws attention to the more prominent impact of that concept, which integrates economic, governmental, institutional, and management issues in a public debate on opportunity, accountability, freedom, and innovation in the economic system (Coalition for Inclusive Capitalism, 2022), towards redressing inequalities and creating a better world for current and future generations. Second, this study highlights a link between the evolution of the stakeholder capitalism concept and sustainability reporting development. Third, the paper chronologically organises and analyses efforts underway to harmonise the complex sustainability reporting landscape and draws attention to the roles of particular regulatory bodies.

The paper is structured as follows. The next section draws upon the emergence of stakeholder capitalism in managerial theorist works and its development due to forthcoming changes caused by political, economic, and regulatory impacts and public pressure on social and environmental reporting. The third section presents the environment of accounting standard-setters and regulators who promote or enforce various non-financial reporting frameworks or standards. The fourth section deliberates on the waves of changes in the sustainability reporting standardisation scene that have gained strength over the last two years. It focuses on joint institutional efforts to harmonise the standards and address critical views of academia on the quality and accuracy of that process. The final section includes the discussion and conclusion.

1. The development of stakeholder capitalism over the years

Stakeholders' importance to the success of organisations was first considered in the 1960s by managerial theorists. In 1963, the first definition of stakeholders was formulated by Stanford Research Institute (SRI), describing them as "those groups without whose support the organization would cease to exist" (Freeman, Reed, 1983). However, Ansoff (1965) viewed the company's social goals as secondary ones that modify or constrain economic objectives. Thus, he rejected stakeholder theory in favour of that approach. In contrast, Ackoff (1974) pointed out that social problems can be figured out with the support and interaction of stakeholders, but it may imply redesigning the fundamental institutions (Freeman, Reed, 1983). As businesses evolved, theorists promoted stakeholder engagement, which saw the emergence of initiatives that involved stakeholder participation, such as quality circles, consumer and community advisory groups, or just-in-time inventory teams, amongst others (Freeman, Liedtka, 1997).

The first signs of stakeholder capitalism in corporate reporting became visible in the 1970s, though that decade also reflected the shareholder primacy concept. The notion that a corporation is only responsible for increasing shareholder value was advocated by Nobel prize-winning economist Milton Friedman in the 1970s (Friedman, 1970). He argued that executives work for the owners and that a business's only social responsibility is "to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud" (Friedman, 1970). In his view, ethics is a side issue since managers are expected to refrain from fraud and deception. For Friedman, the purpose of the capitalist system is to increase wealth for investors. Any considerations outside that goal – for example, employee and customer welfare, concern for the environment, or societal welfare – are seen as competing with shareholders' needs and using resources inconsistently with the primary goal of ensuring shareholder profit (Freeman et al., 2007). The shareholder primacy idea really took hold of executives' objectives. This period saw the explosion of share-based compensation, confirming the growing alignment of top executives' and shareholders' interests (Freeman, 2017). Its rise was not without merit, however, as profit-seeking companies unlocked new markets and created new jobs, benefiting labour markets (Schwab, 2019).

The 1970s also saw the emergence of voluntary social reporting (see Table 1), driven by the growing focus on employee rights, health and safety issues, and broader community concerns (Fifka, 2013). Particularly in Western Europe, the separate *social reports*, *social balance sheets*, or *Sozialbilanz* publications became popular (Fifka, 2012).

This can be interpreted as a reaction to public "calls for the disclosure of information", which in turn resulted from concern about the power of multinational corporations "to control and move resources internationally" (Gray et al., 1990, p. 598). Elkington (2004) identified this as the first wave of public pressure, which highlighted increased awareness of environmental contamination and limitations on natural resources. This saw the emergence of activist groups such as Friends of the Earth and Greenpeace, which formed in 1969 and 1971, respectively (Elkington, 2004). It also led to an increase in environmental legislation in the mid-1970s, resulting in a defensive business response (Elkington, 2004). As a result, there was a collapse of public interest in environmental issues, which was also linked to conservative politics (Thatcherism) and tough economic times (Buhr, 2007). Gray et al. (1996, p. 97) view the 1980s as focusing on the "explicit pursuit of economic goals with a thin veneer of community concern". However, the *Bhopal* and *Exxon* disasters saw a significant increase in environmental disclosure by oil and gas companies (Patten, 1992). While environmental interest waned in the 1980s, it reappeared in the 1990s, with the emergence and dominance of environmental reporting (Kolk, 2003; Gray et al., 2014).

The late 1980s and early 1990s welcomed the emergence of a strong movement that promoted business ethics, primarily in response to perceived corporate excesses

such as-financial scandals, bribery and corruption, and well-known cases of whistleblowing such as *Enron*, as well as concerns over global warming, resources scarcity and societal inequities (Freeman, Liedtka, 1997; Lee et al., 2009; IIRC, 2011). This second wave, which Elkington (2004) terms the *green* pressure wave, commenced in 1988 with the publication of *Our Common Future* by the Brundtland Commission (UN, 1987), which introduced the concept of "sustainable development".

Table 1. The emergence of stakeholder capitalism: Implications for business and reporting

Sources (research studies)	Stakeholder capitalism and its implications for business and reporting
Gröjer, Stark (1977); Lessem (1977); Dierkes (1979)	**The 1970s**: The development of corporate social reporting in the form of stand-alone social reports published by companies from western Europe (mainly from Germany and the UK) in response to public pressure related to the growing power of multinational corporations controlling resources globally
Ingram, Frazier (1980); Wiseman (1982); Cowen et al. (1987); McGuire et al. (1988)	**The 1980s**: This decade epitomises a central focus on social reporting and the slowly developing practice of environmental disclosure that is still less popular than financial reporting for investors' needs. In the late 1980s, the concept of sustainable development and a strong movement toward promoting business ethics appears
Welford, Gouldson (1993); Azzone et al. (1996); Deegan, Gordon (1996); Deegan, Rankin (1996); Deegan, Rankin (1999)	**The 1990s**: The interest in this decade moves forward from social to environmental reporting. A new 'Green Consumerism' movement fuels an increase in the development of new technologies and products. Companies realise that the introduction of eco-friendly products provides significant competitive advantages
Hedberg, von Malmborg (2003); Deegan (2004); O'Dwyer et al. (2005); Delbard (2008); Vormedal, Ruud (2009); Borga et al. (2009)	**The 2000s**: This decade brings the (re)birth of social disclosures and the evolution of Tripple Bottom Line concept (TBL). Social and environmental issues are linked in non-financial reports of a broader nature published under sustainability reports, Corporate Social Responsibility (CSR) report, or corporate citizenship reports
Eccles, Krzus (2010); Eccles, Serafeim (2011); Eccles, Saltzman (2011); Frías-Aceituno et al. (2012); Cheng et al. (2014) Flower (2015); Perego et al. (2016)	**The 2010s**: Sustainability reports dominate in this decade; however, researchers notice the gap between stakeholder information needs and the content of sustainability reports The call for a single standardised report that combines financial, social, and environmental issues emerged Integrated reporting (IR) promoting integrated thinking, the six capitals, and value creation became a new trend A criticism which implies that IR is exclusively investor-orientated appears. IR. practitioners' various understandings of reporting scope and content lead to fragmentation across different institutional regimes and diversity

Sources (research studies)	Stakeholder capitalism and its implications for business and reporting
Cheng et al. (2014)	Researchers suggest that the engagement of the investor community with non-financial reporting should be improved
Perrin (2017)	The IIRC (International Integrated Reporting Council) intends that IR will take a central position in corporate governance and reporting
Baumuller et al. (2019)	There is a lack of consistency in materiality understanding in the various reporting frameworks
Bower, Paine (2017) Pessoa de Araujo, Robbins (2019)	Arguments appear for moving away from a shareholder-centric model to a more organisation-centric approach that keeps the company's best interests at heart
Schwab (2019)	The call for stakeholder capitalism as a new dominant business model comes forth
Schwab, Vanham (2021)	**The 2020s**: The "Davos Manifesto" states that the purpose of a company is to engage all its stakeholders in shared and sustained value creation
Monciardini et al. (2020)	"Transformism" appears when looking at actions taken by the EU. Growing demands for radical transformations of unsustainable business have been disarticulated and captured by incorporating only some areas of stakeholder interests into the logic of accounting but mainly to the extent that they are financially relevant The NFRD is strongly linked to the EU's sustainable finance, but poorly connected to other relevant parts of the European Green Deal

Source: authors' own elaboration.

Environmental concerns such as ozone depletion and rainforest destruction ignited a *Green Consumerism* movement, which fuelled an increase in the development of new technologies and products (Elkington, 2004). This was in recognition that businesses would need to take the lead in developing more sustainable products and processes, possibly offering competitive advantages. In the absence of consumer demand, the second wave diminished, and many companies turned to corporate citizenship, stakeholder engagement, and sustainability reporting (Elkington, 2007). While earlier voluntary reporting consisted of narrative discussions within the annual report, the 1990s saw the start of stand-alone reporting from larger organisations (Milne, Gray, 2013). These stand-alone reports broadened their scope from the mid-1990s to incorporate social and health and safety information, in addition to environmental information (Kolk, 1999; Kolk, 2003; Kolk, 2008; Lober et al., 1997; UNEP and SustainAbility, 2000).

This coincided with the third pressure wave Elkington (2004) called *Globalisation*, which began in 1999. Increasing attention to the institutional role in promoting sustainable development began against the backdrop of protestation

aimed at the World Trade Organisation, the World Bank, the International Monetary fund, and other institutions. The 2002 UN World Summit on Sustainable Development brought a growing recognition that sustainable development would require significant changes in corporate governance and globalisation, thus renewing attention on governments and civil society (Elkington, 2004). By the end of the 1990s, organisations increasingly began to consider the social and environmental dimensions simultaneously in a joint report, which was often published alongside traditional financial reports. However, Elkington (2007) noted that sustainability issues were often demoted to corporate social responsibility departments in organisations rather than receiving the management board's attention.

This trend has also been attributed to the development of voluntary standard-setting by the GRI (Global Reporting Initiative), which was founded in 1997 (Kolk, 2010; Vormedal, Ruud, 2009). The 2000s saw the "(re)birth of social disclosures, the evolution of triple bottom line reporting and sustainability reporting" (Deegan, 2004, p. 91). Subsequently, Elkington (2007) identified a fourth pressure wave, which he termed *sustainability*. It saw the growing use of the word *sustainability*, with many business leaders announcing they had already *embedded* the sustainability agenda. This embraced the *Triple Bottom Line* metaphor, emphasising the *three pillars of sustainability*: economic, social, and environmental. This wave, according to Elkington (2014), also recognised new forms of social media, which were changing not only business (e.g., Amazon, iTunes) but also activism (e.g., 350.org, Avaaz). Indeed, King and Roberts (2013) recognised the increasing power of the online global community network as powerful agents of change. This was evidenced by the rise of *Avaaz*, a global campaign network (http://www.avaaz.org/en/), which highlighted the worldwide community's views and values. It saw its membership rise from one million members in 2007 to over 24 million by 2013 (Avaaz, 2014). This network successfully campaigned against the Anti-Counterfeiting Trade Agreement and tax evasion (Avaaz, 2014).

The Global Financial Crisis of 2008 led to a wide range of ideas on making businesses more accountable for the outcomes of their actions (Freeman, 2017). This increased interest in corporate social responsibility and sustainability initiatives and reporting (Freeman, 2017). More enlightened organisations recognised that sustainability reporting makes good business sense as it provides the potential to increase transparency, enhance brand value, improve reputation and legitimacy, enable benchmarking against competitors, signal competitiveness, motivate employees, "hedge" against reputational damage from accidents or corporate misconduct, and support internal information and control processes (Aras, Crowther, 2009; Hartman et al., 2007; Herzig, Schaltegger, 2006).

In 2008, Microsoft founder Bill Gates advocated the idea of "Creative Capitalism", calling on businesses to devote five per cent of their innovative people resources to solving the problems of the world's poor. He highlighted that this approach could also benefit organisations by attracting talented employees (Gates, 2008). Remarkably, the new generation of millennials expressed their readiness to work in areas with meaning and purpose, not just making money (Freeman, 2017).

In addition, the philosophy of Conscious Capitalism emerged, which believes that businesses should operate ethically while pursuing profits (MacKey, Sisodia, 2014). This means they should consider serving all stakeholders involved, including their employees, humanity, and the environment, not just their executives and shareholders.

In 2011, Porter and Kramer proposed that companies focus on "shared value" and launch internal policies and practices to increase competitive advantage and profitability while simultaneously improving the social and economic conditions in the communities where they operate. Shared value started to be considered an expression of social responsibility or sustainability and a prerequisite to achieving economic success (Porter, Kramer, 2011). For instance, Nestle has become a pioneer in the shared value idea, introducing social value in its economic value chain (Freeman, 2017). In addition, growth in socially responsible investments was observable worldwide (Clarkson et al., 2011). For instance, in Europe alone, investment firms, which identified themselves as "socially responsible investors", increased their assets by 53% between September 2008 and 2010 (Eccles et al., 2011).

Another initiative worth mentioning is the <IR> framework launch in 2013. It encouraged organisations to consider and communicate the complete range of factors that affect their ability to create value over time in their integrated report. According to the IIRC (2021), the integrated thinking and reporting cycle should lead to more efficient capital allocation, enhancing financial stability and sustainability. Elkington (2014) noted that businesses increasingly embraced the <IR> and shared value concepts. However, he expressed concern about whether even the best business sustainability initiatives could deliver sustainable development on the scale required. This view was shared by other academics who deemed <IR> to be exclusively investor-focused with limited influence on either accountability or sustainability (Flower, 2015; Milne, Gray, 2013).

The move from a shareholder-centric model that fails to consider the needs of other key stakeholders is reflected in current thinking around the world. Bower and Paine (2017) stated that an organisation's overall long-term health must be a priority for companies. They argue that companies succeed in a free-market system if customers value their products, employees want to work for them, suppliers perceive them as trusted partners, shareholders are eager to buy their shares, and communities appreciate their activity. Finding a solution for maintaining and managing these relationships and what decisions to make when trade-offs are required to reconcile the interests of these various groups are central challenges of contemporary business leaders (Bower, Paine, 2017). Agency theory's implied decision rule, i.e., that managers should always maximise value for shareholders, oversimplifies this challenge and eventually leads to systematic under-investment in other meaningful relationships. Therefore, Business Roundtable, which represents an association of leading American companies' CEOs, has agreed to give all stakeholders equal priority in defining the purpose of a company (Business Roundtable, 2019). The UK's Financial Reporting Council,

which is responsible for regulating auditors, accountants, and actuaries, has revised Section 172 of the Companies Act, which deals with director duties, requiring them to give equal importance to all stakeholders (PWC, 2019).

Meanwhile, at the World Economic Forum (WEF) Davos Conference in 2019, Klaus Schwab called for stakeholder capitalism to be the new dominant model for businesses (Schwab, 2019). To that end, the WEF released a new "Davos Manifesto" in 2020, stating that the organisation's purpose is to engage all its stakeholders in shared and sustained value creation (WEF, 2019). The Manifesto proposes that companies serve employees, customers, suppliers, local communities, and society in creating such value. It states that organisations should pay their fair share of taxes, present zero tolerance for corruption, uphold human rights throughout their supply chains, and stand for a competitive, level playing field in the economy (Schwab, 2019).

Another critical issue in the context of stakeholder capitalism and sustainability reporting is the concept of materiality, which has been defined and refined in mandatory regulations and voluntary standards several times in recent years (FASB, 2010; GRI, 2006, 2013; AA1000 APS, 2018; EC, 2017; IASB, 2017; IIRC, 2021).

The materiality concept developed by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) clearly represents investors' focus when it comes to financial reporting. OB2 of the IASB's "Conceptual Framework" indicates that present and potential investors, lenders, and other creditors are the primary users of financial reporting. They use financial information to decide about buying, selling, or holding equity or debt instruments and lending or settling loans or other forms of credit. Since regulators and other parties are not considered primary users, general-purpose financial reports are not primarily written for them.

The Global Reporting Initiative (GRI) and its reporting guidelines and AA1000AP standard (2018) represent a much broader approach to the users of annual reports. The GRI promotes a multi-stakeholder approach and indicates that sustainability reports should provide a balanced and reasonable representation of the sustainability performance in response to the interests of a diverse range of stakeholders, which comprise business, labour, non-governmental organisations, investors, and accountancy, among others (GRI, 2006). Materiality is defined in the context of a report's content and its impact on stakeholders' assessments and decisions. The definition of materiality included in the guidelines of the next generation, i.e., the GRI Index 2013, differs slightly from previous ones since, instead of topics and indicators, it involves the common term "aspects" for each category of economic, environmental, and social character. It proposes a detailed list of material aspects that should support reporting organisations in developing concise reports. Companies are also expected to explain how they determine materiality and manage only relevant aspects. Moreover, they are supposed to determine the boundaries of impacts which means that the reporting organisations must delineate whether the impacts lie within or outside the organisation as well as assess and depict where the impacts end.

Likewise, AA1000AP (2018) emphasises that a company and its stakeholders need to identify the topics that are material to sustainability performance to make informed decisions and take calculated actions. These require a regular materiality determination process that is "aligned with the organisation's processes for strategy development, decision-making, risk, and compliance management, operational management and reporting" (AA100AP, 2018, p. 21).

The European Commission's (EC) non-binding *Guidelines on Non-Financial Reporting* published in 2017 included a new element to be considered when assessing the materiality of non-financial information – the "impact of [the companies'] activities". This notion was further reinforced in the EC *Supplement on reporting climate-related information* (EC, 2019a). The document states that Directive 2014/95/EU has a double materiality perspective – "outside-in" and "inside-out".

The "outside-in" perspective (financial materiality) means that sustainability-related issues should be reported if it is needed to understand an organisation's development, performance, and position. This perspective is typically of most interest to investors. Meanwhile, the "inside-out" perspective (environmental and social materiality) refers to the "impact of [the company's] activities". Disclosing sustainability-related information might be necessary to understand the company's external impacts, and if it is the case, then it should be reported. This perspective would be of interest to stakeholder groups such as citizens, consumers, employees, business partners, communities, and civil society organisations. As the Socially Responsible Investment (SRI) market is growing fast (Gomes, 2020), as is the general awareness of the importance of environmental and social risks for the company's performance, this perspective might also be of interest to investors. An increasing number of them use it to better understand and measure the impacts of such risks on their investment portfolios (EC, 2019a).

The IIRC (2021, p. 53) takes a different approach, stating that "a matter is material if it could substantively affect the organisation's ability to create value in the short, medium or long term". A focus on material issues means that reporting organisations should concentrate on core matters managed by a company, limit extraneous information, and provide concise and digestible content for a provider of financial capital (IFAC, 2015).

What most of the initiatives mentioned above share is the main aim, which lies in encouraging better corporate decision-making or long-term value creation through the use of transparency. What is different is the approach to materiality (only the "outside-in" vs. the double ("outside-in" and "inside out") perspective) and the shareholder vs. stakeholder focus (Jorgensen, 2018).

To summarise, the acknowledgement that companies are accountable to various stakeholders and should provide them with the relevant information about sustainability-related performance has led to an increase in the volume of the available information. At the same time, the number of institutional initiatives aimed at providing standards, guidelines, and frameworks to facilitate the reporters, i.e., stakeholder communication, has also increased, resulting in a highly complex reporting environment.

2. "Alphabet Soup": the major institutional actors that shape the global sustainability reporting landscape

There are many internationally recognised guidelines for reporting non-financial information (Gonçalves et al., 2020). Presently, around 100 relevant frameworks have been identified in relation to ESG reporting (EFRAG 2020), and they can be applied separately or simultaneously. Companies can also use industry-based standards, national regulations or guidelines, or their own reporting strategies. Within this complex reporting environment, a few leading initiatives have emerged. The GRI, CDP (Carbon Disclosure Project), CDSB (Climate Disclosure Standards Board), IIRC, and SASB (Sustainability Accounting Standards Board) were collectively referred to as "the Five" leading global bodies setting the frameworks and standards for sustainability, ESG, and IR. This was reduced to "the Four" when the merger of the IIRC and SASB in 2021 created the VRF. New developments are currently on the way.

Given the above, stakeholders might feel like they are drowning in an "alphabet soup" of frameworks and standards regarding disclosures. This "soup" is complex, and although the existing standards and framework are similar to some extent, they also sometimes conflict and compete with each other. This leads to stakeholder confusion and does not bring clarity to the sustainability reporting landscape. What is more, corporate adoption of these multiple frameworks and standards has been patchy. According to Eccles, "companies and investors have felt overwhelmed by the 'alphabet soup' of arbiters in the ESG industry" (Temple-West, 2019). While some of these arbiters are stakeholder-oriented, others are shareholder-focused.

The GRI's focus on a range of stakeholders, including investors, consumers, employees, and civil society, arises from this organisation's origins within the United Nations (UN) dialogue around sustainable development, which does not privilege investors alone (Bose, 2020). Multi-stakeholder input to the GRI Standards, and reputation amongst stakeholders, are key reasons for their widespread adoption (KPMG, 2020a). It is not only the oldest body (formed in 1997) but it was also the first to develop global standards for ESG reporting, which are most widely adopted. The GRI Standards are designed based on multi-stakeholder insights to support entities in the voluntary preparation of sustainability reports, which are generally published separately from annual reports and addressed to a broad audience. Given the changes described below (see section four), the role that the GRI will continue to play in the future sustainability reporting landscape is an important question.

Regarding environmental protection, the CDP and CDSB are the most important frameworks for climate-related ESG information, together with the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD),

Established in 2000, the CDP is more oriented towards measuring the environmental impact of corporate activity, and it evaluates the impact of economic

activity on ecosystems at large. CDP aims to make environmental reporting, related risk management, and reporting a business norm and promote a sustainable economy. Various entities, such as companies, cities, states, and regions, report to the CDP voluntarily. Information gathered by the CDP through its reporting process is used to score them on their environmental performance, which refers to climate change, water security, and deforestation (Bose, 2020).

The CDSB, founded in 2007, concentrates on investor information needs and aims to enable companies to report environmental and climate change-related information with the same rigour as financial information. Investor and capital markets are expected to benefit from this coherent, decision-useful information.

The IIRC was formed in 2010 by the Accounting for Sustainability (A4S) project of the Prince of Wales Charities and the GRI, with the objective of building a globally accepted framework for organisations to communicate their value creation over time. The Integrated Reporting <IR> Framework, developed by the IIRC and launched in 2013 and updated in 2021 (IIRC, 2021), targets providers of financial capital while recognising that there are multiple forms of capital (financial, manufactured, intellectual, human, social and relationship, and natural). The <IR> Framework is principle-based and requires the implementation of integrated thinking and a re-evaluation of the organisation's business model to show how it creates value using the six capitals. <IR> is also seen as an evolving concept, which is not yet mature.

Shortly thereafter, in 2011, the SASB was established under the patronage of Michael Bloomberg. In 2018, it published 77 standards addressed to different industries. According to Bose (2020), with its focus on financially material issues for specific industries, the SASB is more specific than some other frameworks. Its standards aim to help companies and investors analyse material ESG issues that are likely to affect a company's financial performance. In contrast to the GRI and in line with the IIRC, the SASB focuses on investors, and emphasises the notion of financial materiality, meaning that its standards focus on sustainability matters "reasonably likely to have a material impact on financial performance or condition" (Bose, 2020).

Then, in 2015, the TCFD, chaired by Michael Bloomberg, was established by the Financial Stability Board (FSB) of the G20. It aimed to develop guidelines that entities can use to inform their stakeholders about climate-related financial risks and opportunities. The TCFD recommendations, issued in 2017, encourage companies to disclose climate-related risks and opportunities. Several governments and financial regulators worldwide, including the EU Member States, expressed support for the TCFD recommendations and are integrating them into their guidance and policy frameworks. In 2020, these recommendations became mandatory for all UN Principles for Responsible Investment (PRI) signatories (PRI, 2021). The TCFD is focused on investors, and almost all of its members come from for-profit reporting corporations, financial institutions, insurance companies, and key accounting or rating providers in the financial ecosystem, with little representation from civil society (Bose, 2020).

In parallel with the initiatives mentioned above, at the global level, the UN has expanded the quantitative measures of social and environmental performance. The UN Member States adopted the Sustainable Development Goals (SDGs) in 2015 as part of the 2030 Agenda for Sustainable Development. The SDGs are not only 17 goals but also 169 specific targets, which refer to main themes such as health, education, social equity and justice, economic security, and environmental issues (Sullivan et al., 2018). These six principles were launched in 2006 to help investors incorporate ESG factors into their investment decisions (PRI, 2021). The principles are supported by 35 possible actions that investors can voluntarily use to integrate ESG into investment practice.

As regards the regional initiatives in the EU, an important institutional change in corporate reporting was introduced with the implementation of Directive 2014/95/EU. It was followed by the two sets of guidelines issued by the European Commission (EC) in 2017 and 2019. The 2019 guidelines refer to the reporting of climate-related information and integrate the TCFD recommendations.

In April 2021, the EC presented the Corporate Sustainability Reporting Directive proposal, which will replace the current Directive 2014/95/EU. In June 2022, the European Council and European Parliament reached a provisional political agreement on the final legislative text, which still must be formally approved before it is published in the Official Journal of the EU. It will enter into force 20 days after publication, and its provisions must be integrated into Member States' national laws within 18 months from that date. In parallel, EFRAG developed the first set of draft European Sustainability Reporting Standards, which were launched for public consultations in April 2022 (EC, 2021b; EFRAG, 2022).

3. Towards streamlining sustainability reporting: the role of standards setters and other interested parties

The existence of multiple standards and reporting frameworks poses problems for the information preparers (reporting companies) and users (stakeholders). The lack of one single framework of generally accepted sustainability standards leaves companies with several dilemmas. The experience of "standards fatigue" can be identified, which is when executives are confused about what guidelines, standards, and tools are available to them, how they should be applied, and the benefits that are involved (Ligteringen, Zadek 2005). Moreover, the proliferation of sustainability accounting standards comes with costs. Organisations are limited by the small amount of human capital dedicated to reporting, unlike the large volumes of information that must be processed and synthesised (Jorgensen, 2018). Thus, it might be difficult for companies to progress toward a sustainable future, as captured by SDGs or other measures. The complex reporting environment is also continuously changing as new initiatives emerge.

Therefore, efforts are underway to harmonise the complex sustainability reporting landscape (See Appendix 1). The significant guidelines and standards setters mentioned above are willing to work together to proceed with the harmonisation. The impulse for the harmonisation was the Corporate Reporting Dialogue (CRD), convened in June 2014 by the IIRC, "to promote greater coherence, consistency, and comparability between corporate reporting frameworks, standards, and related requirements" by strengthening "the cooperation, coordination, and alignment between key standard setters and framework developers that have a significant international influence on the corporate reporting landscape" (CRD, 2021).

In November 2018, the CRD launched the Better Alignment Project. It was a two-year collaboration between the GRI, CDP, CDSB, IIRC, and SASB to help synchronise the different reporting frameworks by mapping their frameworks against TCFD recommendations to improve their alignment and further integrate non-financial and financial reporting. The purpose was to facilitate companies in preparing effective and coherent disclosures that meet capital markets and other stakeholder information needs (CDP, 2019).

In 2019, the global stakeholders' consultation survey was launched, regional stakeholder roundtables were organised, and two webinars were run. The report issued in September 2019 showed a "strong alignment" between the participants' frameworks and the TCFD (CDP, 2019).

In September 2020, in a Statement of Intent to Work Together Towards Comprehensive Corporate Reporting, "the Five" announced a shared vision of what is needed for progress towards comprehensive corporate reporting. They formulated the intent to work together to achieve it by committing to engage with key actors, including the International Organization of Securities Commissions (IOSCO) and the IFRS Foundation, the EC, and the World Economic Forum's International Business Council (GRI, CDP, CDSB, IIRC, SASB, 2020a).

The cooperation of the leading organisations, which aimed at streamlining ESG disclosure standards, came even closer due to the IIRC and SASB's decision to merge. A newly established institution – the VRF – maintains the <IR> Framework, advocates for integrated thinking, and sets sustainability disclosure standards. The GRI welcomed that merger, admitting that the combined efforts to provide better information on the economic effects of sustainability issues on value creation to investors would simplify disclosures. The IIRC and SASB confirmed that a decision to merge advanced the work of both organisations, as well as the collaboration with the GRI, CDP and CDSB, in the statement they issued in September 2020. They predicted that the VRF could eventually integrate some of the other entities, and the CDSB already signalled its interest in entering exploratory discussions in the months ahead (Cohn, 2020). As Robert Steel, Chair of the SASB Foundation board of directors, stated, "Capital markets are hungry for information linked to enterprise value creation, but they cannot easily digest what comes from a fragmented reporting landscape. This merger is an important

step toward businesses and investors communicating with clarity and ease about the issues that matter most to financial performance" (VRF, IRF, 2020).

The GRI, CDP, CDSB, IIRC, and SASB also issued an open letter to IOSCO acknowledging the role of IOSCO and the IFRS Foundation in further work to achieve a comprehensive corporate reporting system (GRI, CDP, CDSB, IIRC, SASB, 2020b). In the letter to IOSCO, "the Five" referred to the public consultation that the Trustees of the IFRS Foundation published. The Consultation Paper proposes how the Foundation might contribute to the development of global sustainability standards and introduces the idea of establishing a new Sustainability Standards Board (SSB), later renamed the International SSB (ISSB).

The IFRS Foundation's response was seen as a broad approach towards global convergence, promising greater consistency, relevance, and transparency for sustainability reporting (KPMG, 2020b). However, the IFRS Foundation proposal raised controversy among academics who publish research on sustainability accounting and reporting. In the open letter to the Chair of the IFRS Foundation Trustees, Prof. Carol Adams, along with 18 professors who research sustainability accounting and reporting and editors of distinguished accounting journals, expressed their concerns that the IFRS Foundation proposal failed to acknowledge the body of independent accounting research published up to that point (Adams, 2020).

The letter's signatories pointed out that the IFRS Foundation proposal would aggravate companies' and investors' lack of responsiveness to the issues of sustainable development and accountability in a planetary sense. They addressed several issues resulting from unsubstantiated assumptions and statements in the Consultation Paper (Adams, 2020). Adams and Cho (2020) further argued that efforts should focus on making the GRI standards mandatory. Prioritising the SASB over GRI and ignoring the worldwide acceptance of the GRI standards demonstrates that IFRS Foundation promotes sustainability reporting as a tool for disclosing information relevant to investors, but not the reporting of the information for society as a whole (Adams, Cho, 2020; Adams, Abhayawansa, 2022).

Despite this criticism, the IFRS Foundation decided to take on an official role in setting up the ISSB, which it would also oversee. Accounting organisations, such as IFAC, welcomed the IFRS Foundation initiative. According to IFAC CEO Kevin Dancey, "the IFRS Foundation — with its backing by public authorities, independence, and globally-respected governance and due process — is the appropriate home for a new sustainability standards board". Additionally, the EC declared its support for the IFRS Foundation (EC, 2021b). Nevertheless, both institutions' approaches towards the perception of materiality remain different.

Finally, on 3 November 2021 at COP26, the ISSB was formally formed, and on 16 December 2021, Emmanuel Faber was appointed to serve as its Chair. The CDSB and VIF, have been consolidated into the IFRS Foundation (in January and August 2022, respectively), and the prototype climate and general disclosure requirements were launched for public consultations in March 2022.

4. Discussion and conclusion

In answering the first research question (How did stakeholder capitalism develop, and what were the milestones for that concept?), several key milestones accelerated and cemented the development of the concept of stakeholder capitalism. One milestone was the emergence of voluntary social reporting in the 1970s, in response to public pressure related to the growing power of multinational corporations controlling resources globally. Other factors were strong movements that promoted business ethics in the late 1980s and early 1990s in response to corporate excesses such as financial scandals, bribery, and corruption. It is also worth mentioning the "Green Consumerism" movement, which on the one hand, propelled growth in the development of new technologies and products. However, on the other hand, it made companies aware that providing eco-friendly products builds significant competitive advantages. Nor should the first decade of the 21st century be forgotten, which brought the (re)birth of social disclosures and the evolution of the Triple Bottom Line concept. Finally, in recent years, the "Davos Manifesto" has reinforced the idea that a company's purpose is to engage all its stakeholders in shared and sustained value creation.

In the context of these landmark events, the second research question arises: What impact have global social and environmental factors had on changing perceptions of the role of business reporting? Since the early 1970s, humanity has expected more from the planet than it can renew. Humans currently exploit the equivalent of 1.7 planets' worth of resources and ecological services (WWF et al., 2018). At the same time, imbalances across countries arise (Galli et al., 2014; Lin et al., 2018), which result in a noticeable decline in the world's biodiversity (Tittensor et al., 2014, Diaz et al., 2019) and threaten the wellbeing of future generations (O'Neill et al., 2018) and the Earth's stability (Steffen et al., 2015).

The challenges the world faces are global and complex and require highly sophisticated solutions. Enlightened leaders recognise that we are not only failing to solve the persistent global problems we face but are, in fact, causing them (Sternman, 2002). According to Sterman, well-intentioned efforts to solve global problems often create unanticipated 'side effects'. He asserted that today's problems, such as overpopulation, pollution, societal inequity, and resource scarcity, are the unanticipated side-effects of our actions created by the inability to understand and act in congruence with long-term goals and aspirations. He suggested that integrated thinking may help organisations expand their mindset's boundaries to see themselves as part of a larger system. (Sterman, 2002).

Therefore, companies should not focus purely on short-term returns and ignore the potentially catastrophic systemic risks to their (and the planet's) longer-term sustainability. Business organisations are expected to clearly define a social contract on shared values and goals that will allow them to produce the most optimal outcomes for the common good and avoid the short-sighted policy of exploiting natural resources. Such a vision corresponds with double materiality, which implies that social and ecological impacts deriving from business activities

should never be ignored. A lack of corporate awareness about the effects of operations on the environment may increase negative environmental and social impacts on the business itself, reflected in limited access to natural resources and deteriorated corporate reputation.

As Cho (2020) stresses, "planetary, environmental and social sustainability" requires a broader stakeholder perspective. It is about addressing stakeholders' concerns and risks and holding accountable those who harm the planet and society. Accordingly, Michelon et al. (2021) strongly argued that "the purpose of sustainability reporting is to address societal concerns over corporate externalities, whether positive or negative, i.e., the social and environmental impacts of corporate activities that go unaccounted for in traditional corporate (financial) reporting". A harmonised approach to sustainability reporting would be needed for the above-indicated accountability purposes, taking a stakeholder (not investor) perspective and a broader (than purely financial) notion of materiality.

Given the above considerations, a further research question appears: What were the roles of the prominent institutional actors in shaping the global sustainability reporting landscape? The overview of the task areas of the institutional bodies made it clear that the current fragmentation of various standards and guidelines may not serve business practice in coherent sustainability reporting. Aware of that, four leading global standard setters have made a concerted effort to create a shared vision of what is needed for progress toward comprehensive corporate reporting. They undertook a joint commitment to resolve the confusion among producers and users of business reporting regarding the misperception of sustainability information.

Those four leading global standard setters are not the only actors on the standardisation scene, and their actions are not the only ones, however. Therefore, a final research question was formulated: What actions have been taken by standards setters and other interested parties towards streamlining sustainability reporting? We respond to this question in the Appendix. It is worth mentioning here that developments are still taking place. Work is currently in progress to finalise the European Sustainability Reporting Standards (ESRS), which will be paramount to reaching the EU Green Deal's ambitions and enable Europe to follow the path into the first climate-neutral continent by 2050. The ESRS is to be finalised in October 2022 and put into practice once the Corporate Sustainability Reporting Directive (CSRD) takes effect in 2024.

The system of stakeholder capitalism we have analysed might propel the harmonisation of sustainability reporting and serve our common interests. It refers not only to business organisations, suggesting that they focus on long-term value creation while respecting the interests of other parties and considering the environmental impacts on the planet. It is a broader concept of engaging governments in a joint effort to create welfare for citizens, attracting society to enter the dialogue and drawing in other parties that can help balance the interests of people and planetary wellbeing (Schwab, Vanham, 2021; Dyczkowska et al., 2022). We consider this broader context addressed in this study to be an important contribution

to the accounting literature. We should never forget that the capitalist system has widened inequities between the rich and the poor within and across nations or markets (Dabla-Norris, 2015; Freeman et al., 2007). This problem has also been illuminated by former US President Obama, calling the widening income inequalities the "defining challenge of our time" (Kaplan, 2013). He blamed this increasing income gap on a combination of technological progress, globalisation, community breakdown, weakened unions, and increased lobbying by businesses (Kaplan, 2013).

Further, Pope Francis spoke out against what he terms the "economy of exclusion". He stated that it produces an ever-growing number of "the disenfranchised and those discarded as unproductive and useless". In denouncing these injustices, Pope Francis called for "new models of economic progress" that are "more clearly directed to the universal common good, inclusion and integral development, the creation of labour and investment in human resources" (Francis, 2013). In this vein, Schwab and Vanham (2021) stated that if humanity does not begin to recognise the real shape of the actual problems, the current system will continue to fail us.

However, there is hope for a better future. As Lehman et al. (2021) stated, the Covid-19 crisis has opened a window of opportunity to spur societal transitions toward environmental sustainability. This optimistic narrative has been shared by other researchers (Bodenheimer, Leidenberger, 2020; Cloete, 2020; Markard, Rosenbloom, 2020). The pandemic has also spotlighted the need for companies to be transparent and responsive when reporting on issues related to the impact of Covid-19 within three focus areas – social, environment, and governance – and adjust the responses depending on the stage of the pandemic evolution (KMPG, 2020c; Zharfpeykan, Ng, 2021).

Concluding, stakeholders are more aware of the business impact on the environment. Therefore, they call for disclosures on the effects of these issues on a company's present and future results and planetary wellbeing. These disclosures should exemplify shared value creation, which includes ESG goals that complement standard financial measures. As companies become more aware of the need to address sustainability issues and stakeholders demand it, there seems to be a need for accountability and a global set of internationally recognised standards to match.

The main limitation of this overview paper might be that some publications that could have further enriched the discussion were unintentionally omitted. Additionally, the issues addressed are subject to such dynamic changes that, despite every effort to base them on current data, they can quickly become outdated.

This study opens interesting avenues for future research. The literature review, as well as the analysis of the current standard-setting landscape, can serve as a starting point for further, empirical, studies on the harmonisation of sustainability reporting. The most important issue is to empirically test if stakeholder capitalism can truly propel the harmonisation of sustainability reporting and how organisations and their stakeholders can join efforts to create a better, sustainable future.

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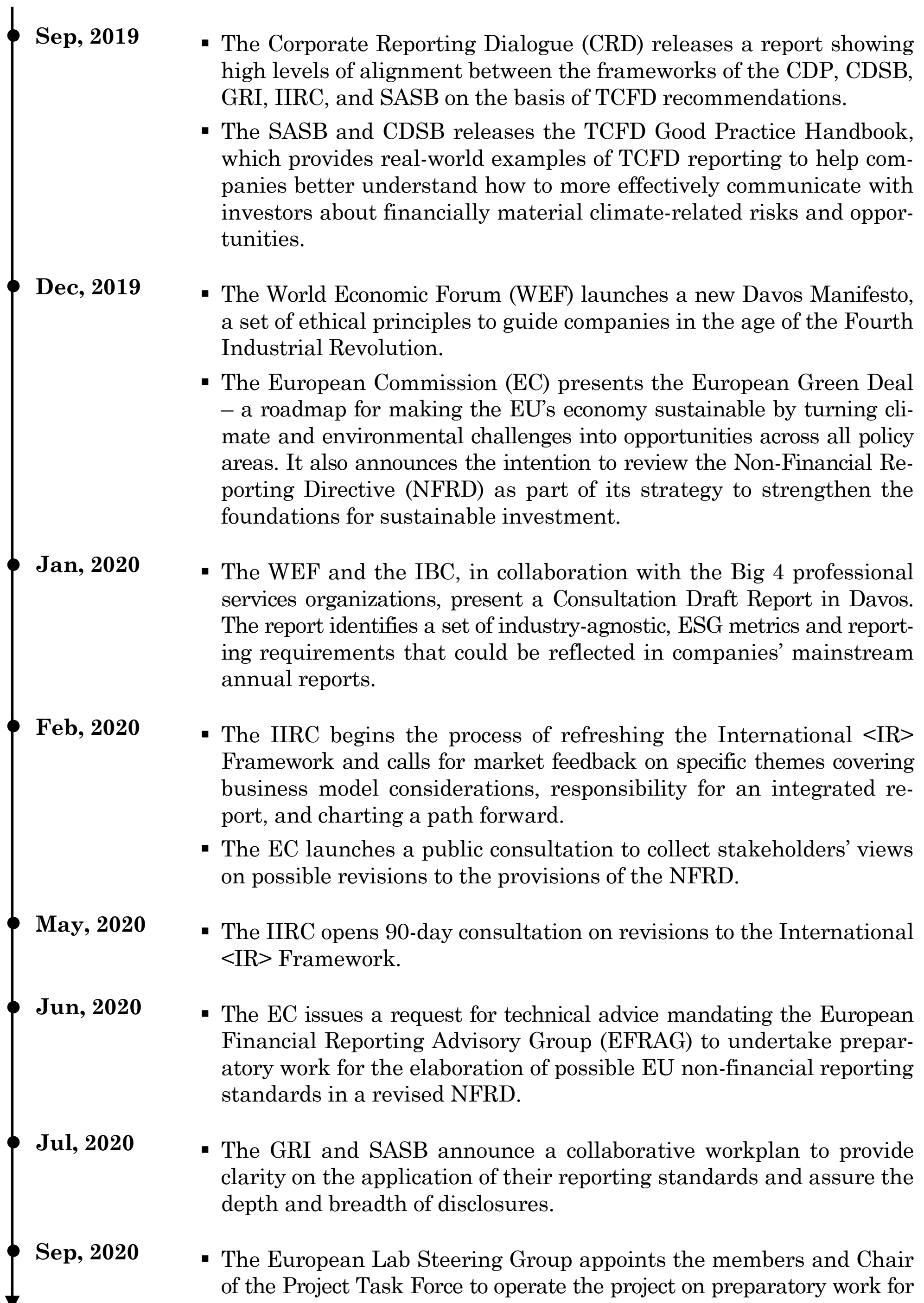
Appendix 1



Sep, 2019

- The Corporate Reporting Dialogue (CRD) releases a report showing high levels of alignment between the frameworks of the CDP, CDSB, GRI, IIRC, and SASB on the basis of TCFD recommendations.
- The SASB and CDSB releases the TCFD Good Practice Handbook, which provides real-world examples of TCFD reporting to help companies better understand how to more effectively communicate with investors about financially material climate-related risks and opportunities.

Dec, 2019

- The World Economic Forum (WEF) launches a new Davos Manifesto, a set of ethical principles to guide companies in the age of the Fourth Industrial Revolution.
- The European Commission (EC) presents the European Green Deal – a roadmap for making the EU's economy sustainable by turning climate and environmental challenges into opportunities across all policy areas. It also announces the intention to review the Non-Financial Reporting Directive (NFRD) as part of its strategy to strengthen the foundations for sustainable investment.

Jan, 2020

- The WEF and the IBC, in collaboration with the Big 4 professional services organizations, present a Consultation Draft Report in Davos. The report identifies a set of industry-agnostic, ESG metrics and reporting requirements that could be reflected in companies' mainstream annual reports.

Feb, 2020

- The IIRC begins the process of refreshing the International <IR> Framework and calls for market feedback on specific themes covering business model considerations, responsibility for an integrated report, and charting a path forward.
- The EC launches a public consultation to collect stakeholders' views on possible revisions to the provisions of the NFRD.

May, 2020

- The IIRC opens 90-day consultation on revisions to the International <IR> Framework.

Jun, 2020

- The EC issues a request for technical advice mandating the European Financial Reporting Advisory Group (EFRAG) to undertake preparatory work for the elaboration of possible EU non-financial reporting standards in a revised NFRD.

Jul, 2020

- The GRI and SASB announce a collaborative workplan to provide clarity on the application of their reporting standards and assure the depth and breadth of disclosures.

Sep, 2020

- The European Lab Steering Group appoints the members and Chair of the Project Task Force to operate the project on preparatory work for

the elaboration of possible EU-NFR standards, mandated to EFRAG by the EC.

- Five leading framework and standard-setting organizations (CDP, CDSB, GRI, IIRC and SASB) announce a shared vision for a comprehensive corporate reporting system that covers both financial accounting and sustainability disclosures, connected via integrated reporting.
- The WEF publishes a report, 'Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation'. It presents the conclusions of an open consultation to define common metrics for sustainable value creation.

Nov, 2020

- The IIRC and SASB announce their intention to merge into a unified organization, the VRF in order to simplify the corporate reporting landscape.
- The US Securities and Exchange Commission (SEC) publishes new rules requiring publicly traded companies to report on human capital methodologies and metrics.

Dec, 2020

- The CDP, CDSB, GRI, IIRC and SASB publish a prototype climate-related financial disclosure standard.
- The EC launches the European Climate Pact, an EU-wide initiative inviting people, communities and organizations to participate in climate action and build a greener Europe.

Jan, 2021

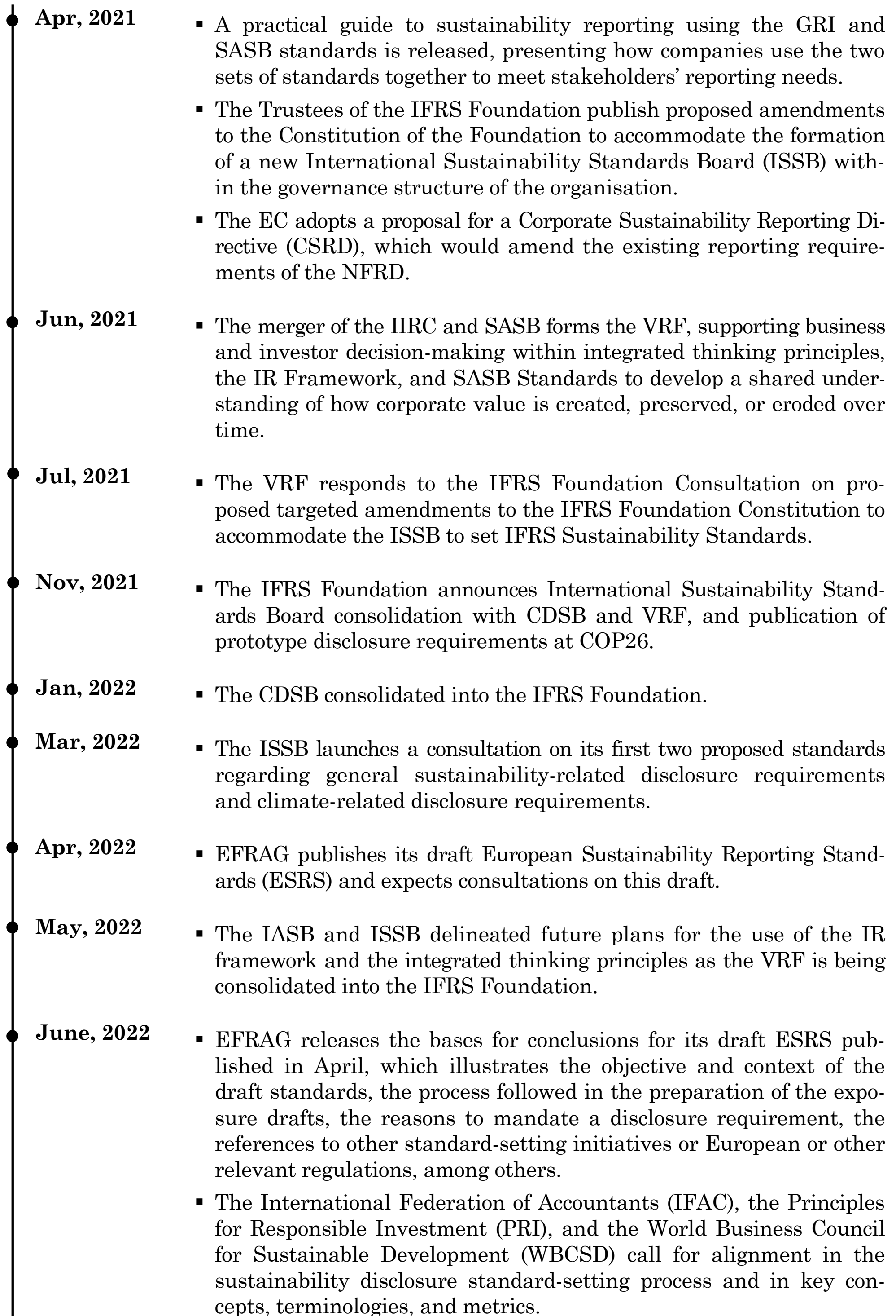
- The IIRC publishes revisions to the International <IR> Framework. The process was shaped by two extensive consultations with 1,470 individuals in 55 jurisdictions.
- Klaus Schwab, Founder and Executive Chairman of the WEF, publishes his new book, 'Stakeholder Capitalism: A Global Economy that Works for Progress, People and Planet', co-authored with Peter Vanham, in which they look at the achievements and shortcomings of the global economic system dominant in the past decades: shareholder capitalism in the West, and state capitalism in the East.

Feb, 2021

- The IIRC welcomes the International Organization of Securities Commissions (IOSCO) statement, which underscores the need for globally agreed standards for sustainability disclosures built upon the existing principles, frameworks, and standards.
- The EC adopts a new EU Strategy on Adaptation to Climate Change, setting out the pathway to prepare for the unavoidable impacts of climate change.

Mar, 2021

- The IFRS Foundation creates a working group tasked with accelerating the convergence in global sustainability reporting standards. The working group consists of: IASB, IOSCO, TCFD, IIRC and SASB (currently VRF), CDSB, and WEF, while also working with the CDP and GRI.
- EFRAG publishes reports to the EC on the development of EU sustainability-related disclosures.



Apr, 2021

- A practical guide to sustainability reporting using the GRI and SASB standards is released, presenting how companies use the two sets of standards together to meet stakeholders' reporting needs.
- The Trustees of the IFRS Foundation publish proposed amendments to the Constitution of the Foundation to accommodate the formation of a new International Sustainability Standards Board (ISSB) within the governance structure of the organisation.
- The EC adopts a proposal for a Corporate Sustainability Reporting Directive (CSRD), which would amend the existing reporting requirements of the NFRD.

Jun, 2021

- The merger of the IIRC and SASB forms the VRF, supporting business and investor decision-making within integrated thinking principles, the IR Framework, and SASB Standards to develop a shared understanding of how corporate value is created, preserved, or eroded over time.

Jul, 2021

- The VRF responds to the IFRS Foundation Consultation on proposed targeted amendments to the IFRS Foundation Constitution to accommodate the ISSB to set IFRS Sustainability Standards.

Nov, 2021

- The IFRS Foundation announces International Sustainability Standards Board consolidation with CDSB and VRF, and publication of prototype disclosure requirements at COP26.

Jan, 2022

- The CDSB consolidated into the IFRS Foundation.

Mar, 2022

- The ISSB launches a consultation on its first two proposed standards regarding general sustainability-related disclosure requirements and climate-related disclosure requirements.

Apr, 2022

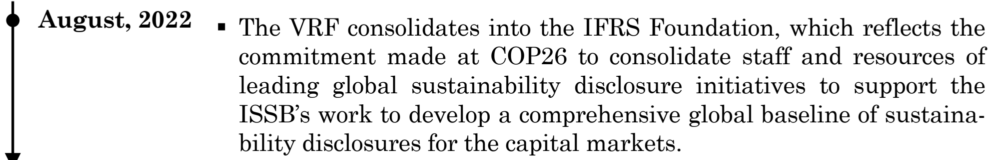
- EFRAG publishes its draft European Sustainability Reporting Standards (ESRS) and expects consultations on this draft.

May, 2022

- The IASB and ISSB delineated future plans for the use of the IR framework and the integrated thinking principles as the VRF is being consolidated into the IFRS Foundation.

June, 2022

- EFRAG releases the bases for conclusions for its draft ESRS published in April, which illustrates the objective and context of the draft standards, the process followed in the preparation of the exposure drafts, the reasons to mandate a disclosure requirement, the references to other standard-setting initiatives or European or other relevant regulations, among others.
- The International Federation of Accountants (IFAC), the Principles for Responsible Investment (PRI), and the World Business Council for Sustainable Development (WBCSD) call for alignment in the sustainability disclosure standard-setting process and in key concepts, terminologies, and metrics.


August, 2022

- The VRF consolidates into the IFRS Foundation, which reflects the commitment made at COP26 to consolidate staff and resources of leading global sustainability disclosure initiatives to support the ISSB's work to develop a comprehensive global baseline of sustainability disclosures for the capital markets.

Source: authors' own presentation based on: EC(2019b, 2020, 2021a); SASB (2021); VRF (2021); VRF, IRF (2021a, 2021b, 2021c); VRF (2022), Spinaci (2021), IFRS (2022), EFRAG (2022), IFAC (2022).