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Future of ESG Reporting: Drivers and Barriers for the ISSB to become globally accepted and applied

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December, 2023

Department of Marketing, Strategy and Operations

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Statutory Declaration

“I declare in lieu of an oath that I have written this master paper myself and that I have not used any sources or resources other than stated for its preparation. I further declare that I have clearly indicated all direct and indirect quotations. This master paper has not been submitted elsewhere for examination purposes.”

Date: 18.12.2023

Jennifer BRENNER

Abstract - Portuguese

O objetivo principal deste estudo é investigar os fatores que impulsionam a aceitação e aplicação global das normas da International Sustainability Standards Board (ISSB), bem como seus obstáculos e limitações. As novas diretrizes da ISSB têm levantado dúvidas sobre a abordagem de unificação do cenário de relatórios de ESG (Ambiental, Social e Governança) que tem levado, consequentemente, ao aparecimento de discussões sobre as consequências da existência simultânea de um conjunto de normas europeias, o ESRS.

Neste Estudo, foram utilizados dados primários e secundários. Os dados primários foram recolhidos através de entrevistas com especialistas. O documento começa com uma análise dos atuais quadros de relatórios de ESG, seguida por um exame das diferentes práticas de relatórios de ESG no Reino Unido, nos Estados Unidos, na China e na Europa, que acaba por ser a base para a compreensão da discussão do estudo. Segue-se a análise dos principais impulsionadores e barreiras dos relatórios gerais de ESG, das normas da ISSB utilizadas para se tornarem globalmente aceites e por último, uma comparação entre as normas fornecidas pela UE e pela ISSB.

O estudo revela que a maioria dos especialistas é a favor de um conjunto unificado de normas, mas tem dúvidas quanto ao sucesso da implementação nos próximos anos, vendo o futuro imediato como um período de confusão devido à complexidade dos materiais que afetarão principalmente empresas com recursos limitados. Não obstante, há esperança no futuro dos relatórios de ESG em direção a um cenário empresarial mais sustentável e transparente.

Keywords: ESG reporting, ISSB, ESRS

JEL: M16 International Business Administration, Q58 Government Policy

Abstract

The aim of this paper is to investigate drivers and barriers for the International Sustainability Standards Board (ISSB) standards to become globally accepted and applied. The ISSB standards were published in June 2023 and cause argumentations against and in favour of the approach to unify the ESG reporting landscape. Additionally, the simultaneous development of a European standard set, the ESRS, raise discussions about the implication of a parallel existence.

In this research paper primary and secondary data was used. Primary data was gathered through expert interviews. The structure of the paper starts with an analysis about current ESG reporting frameworks followed by an examination of different ESG reporting practices in the UK, US, mainland China and Europe. This is of utmost importance to provide a basis for the understanding of the following discussion, which examines the main drivers and barriers of ESG reporting in general, of the ISSB standards to become globally accepted and a comparison between the standards provided by the EU and the ISSB.

In general, the study reveals that the majority of experts are in favour of a unified set of standards but hold doubts about the success of implementation in the upcoming years. The close future is seen as confusion due to a vast space for interpretation and the complex material. Especially businesses not having many resources will face challenges in the disclosure of ESG metrics. However, hope lies in the future of ESG reporting towards a more sustainable and transparent business landscape.

Keywords: ESG reporting, ISSB, ESRS

JEL: M16 International Business Administration, Q58 Government Policy

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List of Abbreviations

CDP	Carbon Disclosure Project
CDSB	the Climate Disclosure Standards Board
CERES	Coalition for Environmentally Responsible Economies
COP	Conference of the Parties
CSDDD	Corporate Sustainability Due Diligence Directive
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive
EFRAG	European Financial Reporting Advisory Group
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
EU	European Union
GIIN	Global Impact Investing Network
GRI	Global Reporting Initiative
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ISSB	International Sustainability Standards Board
MDG	Millennium Development Goals
MSA	Modern Slavery Act
MSCI	Morgan Stanley Capital International
NGO	Non-Governmental Organisation
NFRD	Non-financial Reporting Directive
NFRS	Non-financial Reporting Standards
OECD	Organisation for Economic

PRI	Principles of Responsible Investment
SASB	Sustainability Accounting Standards Board
SEC	Security and Exchange Commission
SDG	Sustainable Development Goal
SFDR	Sustainable Finance Disclosure Regulation
SSEI	Sustainable Stock Exchange Initiative
S&P	Standard & Poor´s
TCFD	Task Force on Climate-related Financial Disclosure
UK	United Kingdom
UNPRI	United Nations Principles of Responsible Investment
US	United States
WBCSD	World Business Council for Sustainable Development

1 Introduction

Environmental, Social and Governance (ESG) are three topics raising in importance around the globe. Certain application of ESG reporting is already in place in many countries. The purpose of ESG is to tackle the climate crisis and introduce sustainable business. In 2022, strong focus was put on environmental risks due to natural hazards but ESG importance also strengthened through social risks like governance exposure (Hussain, 2022). Political unrests, social media, the Covid-19 pandemic, globalization as well as technological enhancements are current confrontations of institutions (Ferreira & Sequeira, 2022). Since they official formation of the term ESG in 2004, many agencies and organisations established frameworks and ratings to make ESG measurable and comparable. However, even nearly 20 years afterwards, no common ground has been found. Currently the world finds itself in a critical establishment which could bring big change and a solution to the fragmented and unclear landscape of ESG reporting.

1.1 Background of the study and Problem Definition

"*Current market practices, from ratings to disclosures and individual metrics, present a fragmented and inconsistent view of ESG risks and performance"* (OECD, 2020).

Therefore, the IFRS (International Financial Reporting Standards) created the ISSB (International Sustainability Standards Board) in order to facilitate the ESG landscape with one universally applied set of standards, that shall bring transparency and comparability (IFRS, n.d.). However, simultaneously, the EFRAG, an institution by the European Union, published their reporting standards for Europe, which will be of mandatory nature (Sellhorn & Wagner, 2022). The ESG reporting field is per se a recent development and brings criticism with it, while now more voices get loud with their concerns regarding the ISSB as well as the ESRS, the standards published by the EFRAG. Current global practices would be required to adapt to the upcoming standards and other internal and external factors need to be given for one global reporting frame to be successfully applied worldwide. Therefore, this thesis focuses on current discrepancies around the topic of ESG reporting in general, pros and cons of one universal standard as well as on the challenges for the ISSB to become globally accepted and applied.

1.2 Aim of the Study and Research Questions

The aim of the research paper is to identify external and internal drivers and barriers for the ISSB standards to become globally accepted and the commonly used standard. This thesis provides responses to the following research questions:

Future of ESG reporting: What are Drivers and Barriers for the ISSB standards to become the global ESG standard?

1. What are current global differences in ESG standards practises in relevant markets?
2. What are the Drivers and Barriers for the development of an universal ESG standard set, like the ISSB?
3. What are internal and external requirements for the ISSB-standards to become the globally practiced ESG standards?

The newly coming standards by the ISSB shall be globally applied but no research exists on which factors play a role for this development to take place. In order to answer the research question, firstly an introduction about current ESG frameworks and ESG habits in relevant markets is conducted through a literature review. Once the international landscape has been explained, drivers and barriers for a universal set of standards, in comparison to the variety of standards that is currently existing, are elaborated, also with the help of the primary research that has been conducted. The third research question aims to set a global frame for the ISSB standards to be able to be implemented, dividing into internal and external requirements. With these sub questions the purpose of this research to discuss the future of the ESG reporting framework of the ISSB is being met.

The volume of this thesis is limited to the most present topics and factors since a complete analysis would exceed the frame.

1.3 Methodology

This paper starts with literature, since it functions as a compass for the researcher as well as for the reader (Balnaves & Caputi, 2001). Since the topic ESG and, especially the creation of the ISSB is, due to its recent establishment, a little explored topic, an exploratory research approach was chosen. The information gap was answered through a qualitative research approach. This thesis combines primary and secondary data. Primary data collection was conducted through expert interviews. Due to the recent developments around this topic, the answers by the interviewees can vary, this is one reason why an expert interview approach was chosen (Veal, 2006). The secondary data collection is a combination of books and journal articles as well as online sources like websites. Due to the novelty of these topics, more online sources needed to be used in certain parts instead of academic research papers. As the topic of investigation is new, a scarcity of academic literature surrounding the recent happenings is present. The primary as well as the secondary literature were combined throughout the paper, supporting each other in their messages, hence, it was chosen not to have a clear distinction between primary and secondary data. Since they complement each other in the different topics that are being discussed, it was the just decision to analyse them jointly.

> *"In sum, documents provide background and context, additional questions to be asked, supplementary data, a means of tracking change and development, and verification of findings from other data sources" (Bowen, 2009).*

1.3.1 Expert Interviews

For the primary data thirteen experts in the field of ESG were being interviewed via online meetings, mostly using Zoom as meeting application. Most of the interviews (11) had a duration of around one hour, only two interviews lasted 30min. The main language of the interview was English, only two interviews were conducted in German since the interviewees felt more comfortable in expressing their opinions in their mother tongue. The interviewees were selected through online research with the criteria to have been working in the field of ESG reporting maximum five years ago or to currently be working in the field. They were then contacted in written form and asked if an interest in participation exists. Since the subject of investigation is a global concern, the interviewees were selected from different cultural backgrounds. The interviews were conducted remotely, between August and September, 2023. They are located in six different countries, which are the UK (4), Austria (4), Portugal (2), Singapore (1), The Netherlands (1) and Denmark (1).

Table 1.1 Professionals interviewed for this academic research; *Source: Own elaboration*

Name	Profession	Country	Date of the interview	Length	Medium
Piyush Gupta	Senior Corporate Counsel of Singapore Airlines	Singapore	18.08.2023	30 min	Zoom
Jonathan Simkins	Director of Jordisk Consulting – Corporate sustainability Reporting; Assessor for Cambridge Institute for Sustainability Leadership; former Director of Sustainability Solutions Strategy of Microsoft	United Kingdom	09.08.2023	1 hour	Zoom
Eugene Leach	Content and Communications at firstplanit; former sustainability consultant at PwC Tokyo	United Kingdom	09.08.2023	1 hour	Zoom
Nicolaj Sebrell	ESG and Investment professional, Director of Investment relationships at the ISSB	United Kingdom	11.08.2023	1 hour	Zoom
Adrian Griffiths	Managing Director at AEG consulting – roadmap to profitable sustainability	United Kingdom	08.08.2023	1 hour	Zoom
Anje de Jager	Co-founder of Dazzle – platform for sustainability freelancers	Netherlands	07.08.2023	1 hour	Zoom
Maria Eisner Pelch	Senior Manager, ESG & Sustainability Lead at Concordium	Denmark	10.08.2023	1 hour	Zoom

Birgit Haberl	Founder of sus-form – ESG consulting for firms; former sustainability expert at PwC	Austria	18.09.2023	30 min	Microsoft Teams
Heimo Teubenbacher	CEO of ESG4CFO Consulting GmbH - ESG for Chief Financial Officers	Austria	23.08.2023	1 hour	Zoom
Anonymous	Sustainability services at one of the big four	Austria	17.08.2023	1 hour	Zoom
Matthias Spitzer	Head of ESG Transformation at Raiffeisenlandesbank Niederösterreich-Wien AG	Austria	14.08.2023	1 hour	Zoom
Gui Athia	Founder of MEMO, stakeholder management, corporate image and institutional risks and opportunities	Portugal/Brazil	09.08.2023	1 hour	Zoom
Manuel Sequeira	Lawyer/ Senior Associate at PLMJ, Co-author in “The Palgrave Handbook of ESG and Corporate Governance”	Portugal	23.08.2023	1 hour	Zoom

Since the interviewees were freely given the choice to have their name stated in the thesis or to be cited as anonymous, the likelihood to give modified answers is limited. Participation in the research was of voluntary nature. A carefully developed interview protocol guided the data collection process. The questions were prewritten for the interviewer but not shown to the interviewees. The questionnaire serves as a guideline only and was not strictly followed due to the different know-how of the experts and to be able to focus on their specific expertise. It was designed to elicit detailed and rich responses, allowing an in-depth exploration of the researched topic. The questionnaire was subject to a pilot test with a small sample size, bearing similar characteristics as the experts interviewed. Evaluating the relevance and clarity of the research questions was the aim of the pilot test. Reponses of the pilot test were incorporated into the final guideline for the interviewees.

1.3.2 Transcript and analysis

The interviews were recorded and afterwards transcribed with the help of the programme "descript". Interviews not conducted in the research papers language English, were not translated in written form. They remained in the original language and were freely translated by the researcher. As transcription system a "smooth verbatim transcript" system was chosen (Mayring, 2014). For the analysis of the transcripts, a qualitative content analysis after Mayring was conducted. This analysis followed predefined steps, which were the classification of the Interview, its' reproduction, the establishment of a register of keywords, the identification of the most important topics, a structured summary of the transcribed interviews and an intercoder reliability check. The classification of the interviews followed an inductive approach, hence through the content of the transcribed interviews (Mayring, 2015). The material was then coded regarding the predefined classifications and incorporated into this academic research paper together with secondary literature.

1.4 Chapter Outline

The chapters are structured in a way to make the theme understandable. First, a general explanation about the topic is given before a deeper analysis in the later chapters is taking place.

Chapter two focuses on the topic of ESG in general, with an explanation of the meaning behind the letters. Chapter three talks about currently used ESG standards and frameworks around the globe, so it provides an overview about the established landscape. Chapter four analyses the different ESG habits in the big markets UK, US, mainland China and the EU and provides an insight into the upcoming global development of the International Sustainability Standards Board (ISSB) framework, which aims to unify ESG reporting worldwide. Chapter five brings in some of the main drivers and barriers of ESG reporting, pros and cons of an universal standard that is globally applied, a discussion about the ISSB in comparison to

European developments, as well as internal requirements and further drivers and barriers of the ISSB on a global scale. In chapter six a short outline for future perspectives takes place followed by a conclusion.

1.5 Ethics

Ethics play an important role in research and violation will lead to consequences. Some examples of violence stated by Veal (2006) are plagiarism, the use of data from others without quoting where the data comes from, as well as the falsification of results, since not proven findings are also considered as unethical. There are many examples more, but the core concept is always respect and honesty regarding others (ibid.).

> "*Research quality refers to the need for research to be unbiased, valid, reliable, and of importance to the wider public."* (Nunkoo, 2018).

Therefore, careful work has to be done when designing the questions as well as when analysing the data. While collecting data it has to be taken care of the privacy of the respondants. Data will not be openly accessible, to respect the rights of the participants. Furthermore, they will be asked beforehand if their answers can be used for research purpose or not. They should not feel obliged to do so, since it is on voluntary basis. This research will guarantee the quality measures named by Nunkoo (2018) above.

2 ESG explained

The essence of ESG is the recognition of a complex linkage between environmental and social sustainability and corporate governance (Câmara, 2022). The abbreviation of ESG stands for Environmental, Social, Governance and means a corporate initiative to sustain and save resources, which derives from the concept of corporate social responsibility (CSR). Both concepts intent to positively influence the globe through adoption of standards and practices by companies (Dathe et al., 2022; EURAMCO, n.d.; Gupta, 2021a). Corporate Social Responsibility is seen as the forerunner of Environmental, Social and Governance. CSR focuses on the behaviour of a business, while ESG introduces the measurement of their performance. Hence, ESG establishes a concrete comparability by numbers in the interest of investors and consumers to comprehend a business's performance regarding ESG factors. Nowadays CSR is mainly used as a tool for marketing a business as sustainable (Gupta, 2021a). Nevertheless, the concept of ESG has so far not been unified. It derives from the concept of CSR but a common clarification is still lacking (Li et al., 2021).

ESG issues are for instance companies´ response to climate change, their health and safety procedures in practice, human rights and treatment of employees, management of supply chains, emissions as well as corporate culture (Kell, 2018). ESG unites financial, environmental and social KPIs for an overview about a company's performance for investors as well as for society (Gupta, 2021a). ESG factors target a wide range of affairs that contribute to financial relevance but are not part of financial reporting (Kell, 2018) However, ESG key performance indicators are regularly victims of greenwashing, therefore Dathe et al. (2022) state a combination of ESG and CSR as a desirable approach for a sustainable future. ESG is of importance to investors looking for sustainable investment opportunities as well as for businesses to set a focus on sustainable performance. The covid-19 pandemic is seen as a "wake" for businesses in order to conduct businesses sustainably (Gupta, 2021a). Ethics and moral principles are outstanding the importance of profit in the field of ESG investing (ibid.). Therefore, ESG pressures to make sustainability part of each business portfolio and directs managers and shareholders into a direction of compliance of their decisions with the standards (de Oliveira Neves, 2022). ESG is crucial due to the raising climate emergency, like floods and wildfires, we are facing (Athia, 2023). But it is not about reporting the good performance of one's company, it is about being transparent and honest about what a business is doing, it´s about risks as well as opportunities and a way to reduce a negative impact that is possibly being made (anonymous, 2023).

2.1 History and development of ESG

Previously, non-financial information primarily targeted human rights and the environment, which arouse through pressure from public stakeholders like non-governmental organisations or consumers (Ho & Park, 2019). Now the concept of ESG is vast and its development and history shows a complex path displayed below in a short summary including the main happenings.

In 2002 the Coalition for Environmentally Responsible Economies (CERES) composed the statement that shareholder value and financial performance can be threatened by a lack of care about the most urging environmental concern, the climate change, affirming the connection between shareholder value, the finance department and the climate change (Vogel, 2005). As a result, some investors in markets like the US joined, in order to target concerns regarding ethics or public policy in relation to their investments (Ho & Park, 2019). January 2004, the UN General Secretary Kofi Annan sent an invitation for participation in an initiative to incorporate ESG into capital markets to over 50 CEOs. In 2005, the abbreviation "ESG" was stated in a report ("Who Cares Wins") by Ivo Knoepfel defending the meaningfulness of ESG factors in the financial sector since he saw better results for society in the sustainable capital market approach. Simultaneously, in 2005 the Freshfield report was published by the United Nations Environment Programme Finance Initiative which focuses on mandatory ESG requirements by countries of the incorporation of ESG aspects into institutional investment (UNEP Finance Initiative, 2005) supporting this relevance, whereafter the Principles of Responsible Investment (PRI) were introduced as well as the Sustainable Stock Exchange Initiative (SSEI) (Eccles, 2022; Kell, 2018). The United Nations Principles of Responsible Investment (UNPRI), also seen as the pioneer ESG standard, has been incorporated by more than 3.800 organizations, representing about 100 Trillion USD in assets (Câmara, 2022). Prior to this, the Global Reporting Initiative (GRI) was founded in 1997 with the aim to establish an accountability framework that discloses a firm's sustainable activities to stakeholders. However, the term ESG was introduced by the GRI in 2009 into their framework. In the following years, many other reporting frameworks started developing like the Carbon Disclosure Project, the Sustainability Accounting Standards Board or the Climate-related Financial Disclosure. Simultaneously to the frameworks, also the offer of rating agencies applying those frameworks grew. Some of the names are MSCI, Sustainalytics or RepRIsk. The aim of the rating agencies was to allocate a score to companies about their ESG performance (Atkins, 2020). This, however, did happen with a lot of critics and scandals over the years. Meanwhile, the United Nations Climate change conference, COP 21, took place in 2015 in Paris where participants agreed on a reduction of greenhouse gas emissions and a limitation of global warming (United Nations Climate Change, n.d.). Procedures to reach this goals are being introduced on a low pace especially in Europe (Hecking, 2018) and have not been implemented satisfactory up to now. The COP 26 Glasgow Meeting in 2021 displayed again the obstacle of transforming word into clear actions, which emphasises the dependency on the private sector to introduce change and take responsibility (Câmara, 2022). In 2020, the World Economic Forum, together with the International Business Council, started an attempt to unify ESG metrics with their "stakeholder capitalism" metrics supported by the big four accounting firms (Ernst & Young, Deloitte, PwC and KMPG). This framework aimed for faster development of ESG transformation with 22 defined metrics. They also took the Sustainable Development Goals into consideration (Atkins, 2020).

The increasing focus of businesses on short-term growth and profits have advanced the deterioration of nature and the social inequality, while the covid-19 pandemic brought a change in mindset resulting in a future incorporating vigilance of environments and employee's treatment by firms (Gupta, 2021b). The investments, capacities and level of focus has changed within businesses to target sustainability issues. Many companies did not have personnel in their operations responsible for sustainability, which is now increasingly changing. The risk management of firms is navigating towards a business model that eliminates physical climate risks as well as value chain or transition risks. The pandemic had great importance in this shift (Simkins, 2023). Also, the European Union started their own approach regarding ESG regulations, which will be examined later in the paper.

2.2 E-Pillar

The E-pillar focuses on environmental aspects, so the ecological performance of a company. This can include for example the assessment of emissions produced or the amount of renewable energy in use for a firms fabrication process, whereby businesses get rated regarding their sustainability around the E-pillar (Dathe et al., 2022). Since natural and energy resources are used by every institution, each of them is affected and affects the letter "E" (Ferreira & Sequeira, 2022). In further explanation, environmental issues that can impact a company's value are e.g. next to climate change also toxic waste, emerging markets and civil society pressuring for more environmental-friendly products as well as new upcoming regulations regarding environmental liability of services and products (UN Global Compact, 2004).

2.3 S-Pillar

The S-Pillar stands for the social performance of businesses, which includes the incorporation of human rights along the whole supply chain, product and work place safety as well as inclusion and diversity across the firm (Dathe et al., 2022). This also encompasses the institutions relationship with stakeholders like customers, suppliers, employees, partners and society (Ferreira & Sequeira, 2022) as well as health of employees, community relations and the pressure by civil society to enhance performance and transparency and accountability, which bear risks of negative reputation if management fails (UN Global Compact, 2004).

2.4 G-Pillar

The letter G stands for Governance. In order to guarantee compliance with the E- & S- Pillar, the environmental and social performance, appropriate corporate governance measures must be in place (Dathe et al., 2022). As an illustration of corporate governmental issues regarding ESG some issues affecting a company can be the accountability and the structure of the board as well as of the audit committee, disclosure principles and auditing, compensation of the executive in order to prevent corruption and accordingly also the management of such cases of corruption and bribery (UN Global Compact, 2004). Furthermore, the letter "G" encompasses internal practices, procedures and controls of the institutions governance and influences within the decision making process (Ferreira & Sequeira, 2022). The linkage between ESG and corporate Governance is systemic since it bears a interaction and connectivity between all its elements, including every ESG objective, since they influence the whole governance system, like policies of ownership or internal control (Câmara, 2022). It can be stated that the ESG movement positively influenced the gender balance at the governing boards (Câmara, 2022).

3 Current ESG standards and frameworks

Corporate disclosure facilitates the awareness level around ESG issues within a firm, which can lead to an improvement of the management to tackle the detected issues (PRI & MSCI, 2016). Further, ESG frameworks or sustainability reporting frameworks in general offer a possibility to regulate and classify information that is non-financial. Most of the currently used frameworks for sustainability reporting are not mandatory and have the purpose to introduce validity and coherence as well as inter-operability (Bose, 2020). The frameworks currently in practice were established by NGOs in collaboration with governments and global organizations (Ho & Park, 2019). For the classification, description and verbalization of frameworks for sustainability accounting, many approaches were introduced (Bose, 2020). However, significant difference exists in the guidelines for corporate reporting. They vary in the issuing authority, e.g. the government or non-governmental institutions like the industry or stock exchanges, they can be either compulsory, voluntary or comply-or-explain, while an voluntary approach is also further separatable into different interpretations of materiality and the guidelines can further differ in depth, as in general standards or specific measures (PRI & MSCI, 2016). For the establishment of comparable ESG information, over 100 sustainability rating agencies contribute with worldwide surveys. Nevertheless, those vary strongly regarding their content (Ho & Park, 2019). This leads to high costs for firms and investors and inconsistency (ibid.).

3.1 Main Players

As stated, many organisations started their establishment over the last 25 years. Some were more frequently adapted around the globe than others, where also national tendencies elaborated. Of most use is the framework of the Global Reporting Initiative (GRI) (Ho & Park, 2019), which will be introduced firstly in the upcoming chapter. In order to achieve the set goals of sustainable development, standard setters for ESG disclosure, like the Global Reporting Initiative, the SASB and the TCFD are being appealed to by countries worldwide (Temple-West, 2019). The aim to report is existent around the globe.

3.1.1 Global Reporting Initiative

The Global Reporting Initiative (GRI) operates standards on the disclosure of ESG which are used by around 80% of the world’s largest firms (Kell, 2018). GRI is based in Amsterdam, the Netherlands, launched in 1997 and is a widely used ESG disclosure framework (Temple-West, 2019). The purpose is to provide a structure for organizations to disclose information about their impact and their performance (GRI, n.d.). The GRI standards, a non-financial reporting framework building on the Triple Bottom Line, include six standards focusing on economic performance, eight standards on environmental performance and 19 standards targeting environmental performance. The GRI launched universal standards, which were adapted including also reporting on human rights and environmental due diligence, additionally provides sector specific standards for more detailed impact disclosure as well as the GRI Topic standards, which focus on specific information on material topics (ibid.).

The GRI Universal standards are divided into GRI 1 Foundation 2021, which states the purpose of the standards, the concept and a guideline for its usage, GRI 2 General Disclosure 2021, targeting the organization´s profile and context of impact, and GRI 3 Material Topics 2021, facilitates the understanding of the relevance of the different material topics and how the following sector standards are to be applied. The sector standards are crucial for more detailed information gathering regarding the specific industry of the organization and the topic standards incorporate topics like waste, tax or occupational health and safety. The company selects the topic standards matching their material topics priorly selected. They shall facilitate sustainability reporting for firms, on a voluntary basis, for any type of company independently on the size, sector, location, public or private. Additionally, to the structural providence, they offer recommendations for actions and a guidance for understanding. The reported information can be used by many stakeholders. Companies can evaluate their performance and take actions on policies and strategies, if necessary, change targets, or benchmark with other firms since the GRI standards provide comparable reports. Also Stakeholders like consumers and investors can benefit from the disclosed information (GRI, n.d.).

3.1.2 Sustainability Accounting Standards Board

The Sustainability Accounting Standards Board (SASB) is based in San Francisco and established to support firms in the disclosure of ESG factors with a financially material effect. It was initiated 2011 with monetary support from the Rockefeller Foundation, the General Foundation and Bloomberg (Temple-West, 2019). In 2011 the SASB´s purpose of their establishment was to develop and maintain standards, which are industry-specific, to support organizations in their reporting of financial material and performance regarding sustainability to attract investors (SASB, n.d.). They offer guidelines of 77 industry metrics measuring impact of environment onto the company, industry by industry, and targeting financial materiality of ESG issues (Pavoni, 2020). In 2017, the SASB changed to a two-tier governance structure with a board of directors, the SASB foundation board, and a standard-setting board, the SASB standards board. The foundation boards‘ responsibility lies in the control of compliance with the process requirements by the standards board. In 2021 the IIRC and the SASB merged into the Value Reporting Foundation (VRF) (SASB, n.d.). The SASB sets its focus on "financial materiality", hence, sustainability issues that are probable to have an impact on the financial performance of the company. They established a Materiality Map that allows to disclose materiality regarding one of the eleven sectors they issued standards on. The GRI in contrast does not include an indication of materiality issues and passes this responsibility on to stakeholders or corporate reporters (Bose et al., 2019; Esty & Cort, 2020).

3.1.3 International Integrated Reporting Council

The International Integrated Reporting Council (IIRC) was a former coalition of NGOs accounting experts, standards setters, providers of financial capital and companies focusing on communication for value creation. The International Integrated Reporting Council (IIRC) then became part of the IFRS Foundation. Their integrated reporting framework targets providers of financial capital as beneficiaries of their reporting standards. Their aim is to support efficient and productive capital allocation which shall further result in sustainable development through financial stability. The establishment of guiding principles and content elements that structure the content of an integrated report for primarily private and for-profit organizations is the purpose of the Integrated Report (IR) framework. This framework aims to provide information about how the environment can affect an organization, how the company interacts with this external environment and how an organization consumes financial, human, social, intellectual, natural and manufactured resources in order to create value. The seven guiding principles, on which the IR framework is build, are (1) strategic focus and future orientation, (2) connectivity of information, (3) stakeholder relationship, (4) materiality, (5) conciseness, (6) reliability and completeness, (7) consistency and comparability. The guiding principles are followed by eight content elements which are interrelated and intended to facilitate the reporting in a structure that connections between the content elements can be drawn and displayed. The eight content elements are (1) organizational overview and external environment, (2) governance, (3) business model, (4) risks and opportunities, (5) strategy and resource allocation, (6) performance, (7) outlook and (8) basis of preparation and presentation (IIRC, 2021).

3.1.4 Task Force on Climate-related Financial Disclosure

The Task Force on Climate-related Financial Disclosure (TCFD) was formed by the G20´s Financial Stability Board (Pavoni, 2020) to establish a financial-risk disclosure which is homogeneous and voluntary. This shall facilitate the economic decisions of players in the capital market through a more transparent comprehension of financial impacts and the relation to climate-related opportunities and risks (PRI & MSCI, 2016). The in 2015 founded Board holds 31 members, which are selected by the Financial Stability Board. It aims to report on the impact and the environmental dependencies and is closer linked to the financial sector (Esty & Cort, 2020). The task force operates globally, consisting of different organizations from various industries and introduced recommendations which are widely applicable in a variety of jurisdictions and sectors (M. R. Bloomberg, personal communication, 15 June 2017). For the establishment of the framework of the Task Force, different obligatory as well as voluntary frameworks, which were already existing, were taken into consideration, including the Climate Disclosure Standards Board (CDSB), the Carbon Disclosure Project (CDP), the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI) (M. R. Bloomberg, personal communication, 15 June 2017). It finds it supporters along oil groups like Royal Dutch Shell as well as financial institutions, e.g. the Industrial and Commercial Bank of China (Pavoni, 2020).

3.1.5 Carbon Disclosure Project

The Carbon Disclosure Project (CDP) is a not-for-profit charity which established a global environmental disclosure system for a variety of stakeholders. Their mission is a “thriving economy that works for people and planet in the long term” (CDP, n.d.-b). The United-Kingdom based organization was founded in 2000 and recorded over 680 institutional investors as members by February 2023. Back then it was the only existing platform that challenged corporate disclosure on climate impact (CDP, n.d.-a). Their database, which is accessible for the public, gathers information through questionnaires which will be send to large companies regarding their carbon emissions including their supply chain (Esty & Cort, 2020). CDP supports companies on their yearly reports to measure and manage opportunities and risks (CDP, n.d.-a).

3.1.6 Climate Disclosure Standards Board

The Climate Disclosure Standards Board (CDSB) was founded in 2007 (CDSB, n.d.) with the purpose to disclosure climate information of businesses to facilitate decisions making for investors on investment performance and strategies (Esty & Cort, 2020). On January 31st, 2022 it became part of the IFRS Foundation to endorse the newly created International Sustainability Standards Board (ISSB) (CDSB, n.d.).

3.1.7 Sustainable Development Goals

In 2015 the Sustainable Development Goals (SDGs) were established as an initiative by the United Nations, following after the MDGs, the Millennium Development Goals. The SDGs contain 17 goals to be achieved and ask for worldwide participation (Bose et al., 2019). Private companies’ effort towards the SDG goals is of utmost importance since some large companies hold more power than many nations around the globe. The UN Global Compact in collaboration with the GRI and the World Council for Sustainable Development (WBCSD) created a SDG compass in order to align corporate strategies with the goals. Critical points about the SGDs are e.g. the fact that they are non-binding and that certain goals are conflicting in their nature (Bose et al., 2019). Furthermore, their rather flexible approach bears difficulties regarding benchmarking between organizations since it is not specifically enough measured to be appropriately comparable (Koehler, 2015; Sachs, 2015). Additionally, Bose et al. opinions that companies may aim for the easiest achievable goals since they are all equally weighted (Bose et al., 2019).

3.1.8 Principles of Responsible Investment

In 2016 the Principles of Responsible Investment (PRI) were introduced on the New York Stock Exchange. They contain six principles for responsible investment including plans for their inclusion into practice (PRI, n.d.). The PRI´s motivations are to comprehend connections between ESG and investment and to support investor signatories in their decision making. The PRI developed a Regulation Map including databases, primary research through PRI and interviews with investors, regulators, stock exchanges and other stakeholders. Each measure is provided with the year, the responsible authority, indication if it is of mandatory or voluntary nature and if ESG issues are targeted separately or together with different affairs (PRI & MSCI, 2016). Institutional investors following the Principles of Responsible Investment represent over US$80 trillion in 2019 in total assets under management. This is especially to be spotted in the US, where ESG concerns are a target of shareholder activism. Hence, financial and non-financial performance are unifying slowly (Ho & Park, 2019). Today the PRI is with more than 1600 members a world leading initiative with the purpose to accelerate the incorporation of ESG factors into decisions (Kell, 2018).

3.1.9 Private rating agencies

Private agencies, like Refinitiv, Standard & Poor´s as well as MSCI, provide information about the performance of different companies regarding ESG factors as well as the service to benchmark (Pavoni, 2020). Especially the risks for investors rise due to infractions of ethical values by companies, which can harm their image. In order to facilitate the decision process and to mitigate the risks for investors, some rating agencies, e.g. RepRisk, Sustainalytics, generate ratings of corporate social responsibility performances of sectors, countries and also individual firms, which include certain ESG aspects along classical profitability evaluations (Dathe et al., 2022). Each private rating agency created their own ratings on ESG factors.

MSCI as an example, works with a rating scale from AAA to CCC, whereas AAA is the best (Atkins, 2020; PRI & MSCI, 2016). However, critics regarding private rating agencies are loud. Those rating agencies for ESG generate biased ratings due to their unstandardized methodology which is solely feasible due to the lack of mandatory, unified ESG regulations (Doyle, 2018). Their published data does not offer any transparency and personnel claiming to be experts do often not provide the background to be called so. Private rating agencies therefore do not add any value to the journey (Eisner Pelch, 2023).

The interviewees also do not perceive the future of private rating agencies as flourishing. They state that private rating agencies might be less relevant in five to ten years since, if sustainability reporting is done properly, they provide more information and data than the ratings do (anonymous, 2023). Furthermore, the existence of private ESG rating agencies is questionable since the unified metrics and reporting by companies themselves eliminate the need for private ratings, a risk of disintermediation arises (Sebrell, 2023). However, private ratings agencies might find a different area to operate. Even if companies start reporting all after the same standards, that does not make the reports understandable for each consumer. Additionally, consumers would need to compare the reports of different companies to understand if the numbers are good or bad, hence ratings can be a helpful asset. This brings an opportunity for rating agencies (de Jager, 2023).

3.1.10 Other

The AccountAbility published the AccountAbility Principles (“AA1000 AP”) which is an overall guideline on how institutions can track their sustainability performance with an internationally acknowledged framework (AccountAbility, n.d.). In 2010, the International Organization for Standardization published standards (ISO 26000) helping to put CSR into practice on a voluntary basis, suitable for each business regardless of size or location (Gupta, 2021a). The Impact Reporting and Investment Standards (IRIS) is frequently used by financial capital providers analysing environmental, social and financial performance of companies. IRIS was established in 2009 by the Global Impact Investing Network (GIIN) and contains a database of around 5000 organizations and their reported metrics. It´s main target audience is the impact investment community (Bose et al., 2019). The B Labs certify corporations as a B corporation when they comply with their B impact framework, which also fosters sustainability (ibid.).

3.2 Comparison of the Main Players

The range of standards and framework bears high complexity and many are conflicting between each other (Tett, 2020).

Frameworks which facilitate the incorporation of ESG data into annual reports grounded in existing materiality are solely the International Integrated Reporting Council (IIRC) framework, the Sustainability Accounting Standards Board (SASB) indicators and the CDP – the Climate Disclosure Project´s standards (Ho & Park, 2019). The IIRC, the SASB as well as the GRI standards are focusing on big sized corporations while the IRIS has been established for impact investors, which normally are smaller sized (Bose et al., 2019). In comparison to other framework providers like the IIRC and SASB, the GRI also provides a standard on disclosure on tax and payments to government, which stands for the support of various stakeholders through this standards and not solely on investors, which often results to be a privileged group of stakeholders in non-financial reporting standards (ibid.). In 2020 Blackrock, an important player in the index fund area (Atkins, 2020) stated the support for the SASB standards and the TCFD, even though GRI is currently the most used ESG framework (Tett, 2020). GRI is stated to require firms to disclose more information than the SASB framework, since the SASB only mandates to report ESG risks the firms might confront (Temple-West, 2019). The SASB framework of disclosure is also said to be immature and falls short on experts that have the know how to operate with it (Tett, 2020). Each framework shows a different focus. While the SASB specializes on materiality, the GRI is seen as stakeholder reporting framework and the IIRC targets investors (Bose et al., 2019). McElroy (2017) criticizes the IIRC standards stating that they ignore the broader community and give preference to shareholders instead of stakeholders. Additionally, the IIRC framework is more difficult to apply than the GRI standards and the unique approach to divide their value creation into different forms of capital does however still not signify an incorporation of a wide range of stakeholders in the value creation process. Furthermore, he mentions a lack of context-based sustainability (McElroy, 2017). However, there is not existing exclusivity regarding the standards. IIRC standards can be applied together with GRI standards as a complementary tool for reporting (Bose et al., 2019).

The Task Force on climate-related Financial Disclosure (TCFD) and the Climate Disclosure Standards Board (CDSB) are examples of frameworks that focus on climate change. While the TCFD analyses the impact of climate change onto the financial performance of an organization, the CDSB measures the impact of an corporation onto the environment (Esty & Cort, 2020). The TCFD measures the firms exposure to climate change (Pavoni, 2020). In 2019, SASB launched a guide for implementation of TCFD to support the simplification of disclosure (Temple-West, 2019).

> *"We have to make sure this is not a war of well-meaning NGOs [non-governmental organisations] who think they are going to be the one who sets the standards" (Robert Eccles, SASB´s first chairman*; (Temple-West, 2019).

Attempts have been initiated for the formation of unified frameworks. The GRI together with the SASB, the CDSB, the IIRC and the CDP are developing a single reporting system. Additionally, the Word Economic Forum launched the "Stakeholder Capitalism Metrics", which provides a ESG performance measurement system, that was created jointly with the big four audit firms. Lastly, the IFRS, the International Financial Reporting Standards, are working on the ISSB, the International Sustainability Standards Board (Câmara, 2022), to develop a globally accepted standard, that can be interlinked with the financial reporting.

4 Current ESG practices in relevant markets

In global influential capital markets like the EU, the UK, the US and the mainland China ESG disclosure approaches vary through the implemented balance of private orderings and public regulations. The chosen markets include different sizes of markets, geographies and legal frameworks and variations in economic development (Ho & Park, 2019). In 2016, 38 governments around the globe from the 50 largest economies worldwide are establishing or do already have conditions for ESG disclosure in corporations covering such issues in place (PRI & MSCI, 2016). Since then, numbers are increasing. As stated by Frade & Froumouth (2022), standards for sustainability reporting shall not solely be categorized by their targeted objectives but also according to their national or global recognition. Therefore, the following chapter focuses on global differences in adaptation of ESG reporting.

4.1 Development of ESG in the UK

The UK does not only make general disclosure mandatory but also transparency about issues along supply chains, which is the key to the Modern Slavery Act (MSA). This document obliges enterprises to publish a yearly statement on their actions taken in order to prevent human trafficking and slavery along their entire supply chain (The National Archives, UK Government, 2015). The Modern Slavery Act was introduced in 2015 (UK Environmental Law Association, 2023). This encompasses the supply chain in the UK as well as abroad. It is seen as landmark since this reach was a first intent to aim for transparency in an international landscape. It is however curious that neither a structure nor a minimum requirement for actions are introduced, hence, reporting that no actions are being taken is also in compliance with the regulation. Furthermore, no control external control mechanism is obligatory. Those reasons question the impact of the Modern Slavery Act (Reis, 2022). The requirements derive from the Taskforce on climate-related disclosure (TCFD), which is formed by 31 members of the G20. Those requirements are obligatory for listed businesses whose annual turnover is higher than 500 million pounds or consist of more than 500 employees (UK Environmental Law Association, 2023).

4.2 Development of ESG in the US

According to the Governance & Accountability Institute in New York more than 85% of firms listed in the S&P 500 in the US published corporate responsibility or sustainability reports that reveal information regarding ESG in the year 2018. In the year 2011 not even 20% disclosed information about ESG, CSR or related topics (Governance & Accountability Institute, INC., 2019). Research by the Law Firm Shearman & Sterling in 2019 of 96 companies with 119 reports showed that 52% use a combination of disclosure standards. Nearly 60% mention the GRI standards, followed by 40% reporting with the UN SDGs framework, 15% applying the SASB and 10% the TFCD. Approximately 25% do not mention a standard used and around 12% use other standards (Temple-West, 2019).

In the United States mandated disclosure contains materiality as fundamental. The US Supreme Court defines something to be of material if “a substantial likelihood” exists “that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the total mix of information made available” (SASB, 2016). However, the imposed set of conditions dictated by the SEC, the Securities and Exchange Commission, is inconsistent and impropriate, and the fear of companies to be held liable for fraud in their disclosure promotes the concealment of data that is actually known (Ho & Park, 2019; Langevoort, 2019). Nevertheless, Langevoort (2019) furthermore mentions the perk of mandatory disclosure as advantage for reporting companies since they are not exposed to uncertain investors requests for information that might come at high costs. In January 2020 the Securities and Exchange Commission (SEC) presented improvements for financial disclosure including ESG issues. Material human capital management substances, like development, retention and attraction of employees, shall be reported but they do not include an obligatory disclosure of climate related issues (Gupta, 2021b). SEC defends the opinion that mandatory disclosure facilitates stability in the capital markets, as well as liquidity and capital formation (Ho, 2021). The standardization of ESG matters and the increasing presence of the topic was generally rejected in the US landscape even by side of SEC commissioners and the overall business society. Nevertheless in 2021 the SEC opened the modernization process of ESG disclosure (Ho, 2021). Sellhorn & Wagner (2022) state three main players for the future of mandatory ESG reporting and names the SEC, the Securities and Exchange Commission, as the third besides the European Commission and the ISSB. Although they do not create standards themselves, which is subject to the Financial Accounting Standards

Board, the SEC suggested a rule for “the enhancement and standardization of climate-related disclosure for investors” (Sellhorn & Wagner, 2022). Hence, the importance of the US in the ESG landscape is given.

> *“Without mandatory ESG reporting in the US, we don´t have data that are reliable, audited, standardized, comparable and timely” , states Anne Simpson, director of board governance and strategy at Calpers (Temple-West, 2019).*

4.3 Development of ESG in mainland China

In August 2016 the “Guidelines on Establishing the Green Financial System” were published in China. Those included an explanation of the People´s Bank of China´s Governor regarding the connection between ESG and finance with the statement of green financing to become national strategy (PRI & MSCI, 2016). In 2020, China said to introduce mandatory ESG reporting for firms traded publicly but did not state the used reporting standard to is that would be in place for this operation (Temple-West, 2019). China does not implement an individual ESG scoring system because the existing systems target companies and not countries. Even though, by 2021 74 Chinese companies committed to the Principles of Responsible Investment by the United Nations and more than 1000 companies on the Shanghai stock exchange publish annual ESG reports. As of now, Chinese companies do not reach great scores in private agency ratings but transition is said to be happening (Yau, 2023). In 2020, President Xi Jinping defined the carbon neutrality of China by 2060 with its emission peak in by 2030 in the official government work report, finalized in 2021. In 2022, five company types are mandated to report annually through a report, which are (1) key polluting enterprises, (2) firms bound to mandatory inspection for clear production, (3) businesses issuing debt financing instruments for non-financial companies, (4) publicly traded companies and (5) all companies that are obliged by existing laws and regulations. This was defined by the Chinese Ministry of Ecology and Environment (ibid.). Griffiths (2023) argues that even if China is now considered one of the big carbon emitters of the planet, they are still the country in the world that has the greatest potential to respond quickly if they want to. China shows a bigger carbon footprint on the production basis than Europe since Europe exports its industry, while the carbon footprint on consumption basis can demonstrate a different picture. China is already leading the way in renewable energy regarding solar and offshore wind. Additionally, also in electromobility (Teubenbacher, 2023).

4.4 Development of ESG in the EU

The European Union adapted in 2014 a Non-Financial Reporting Directive (NFRD) (Directive 2014/95/EU), which implied a mandatory reporting of large public-interest companies regarding environmental and social matters including anti-corruption and bribery as well as human rights issues (Câmara, 2022; Gupta, 2021b). The NFDR affected publicly listed firms beyond 500 employees (Sellhorn & Wagner, 2022). However, the NFRD is subject to critics regarding the financial and administrative burden resulting from the ambiguity of guidelines and the EU-wide inconsistency (Reis, 2022). In September 2016, The European Union revealed the establishment of a sustainable finance strategy for the capital markets in Europe. This strategy aims to introduce sustainable growth through the insurance of financial systems being of supporting nature, evolving the goals of the EU 2020, the COP21 and the SDGs (PRI & MSCI, 2016). In 2018 the European Union set their actions with the Plan on Financing Sustainable Growth by the European Commission. In December 2019 the EU Green Deal followed (Câmara, 2022). The EU invests into the achievement of being climate neutral by 2050 with the European Green Deal Strategy, released by the European Commission. Part of the Green Deal, which is also called the “Fit for 55”-policy Package (KPMG, 2022), is the EU climate law regulation which sets a legal obligation for EU countries to reduce greenhouse gas emissions by minimum 55% until 2030. The European Parliament and the Council approved the regulations which makes it legally binding. Some other mechanisms to reach the goal are the (1) EU strategy on adaptation to climate change, (2) the EU biodiversity strategy for 2030, (3) the farm to fork strategy, which shall develop a sustainable EU food system, (4) the European industrial strategy, (5) a circular economy action plan, (6) a strategy for all stages of a battery life cycle, (7) a just transition mechanism, which supports most affected regions with financial and technical aid with 55 billion €, (8) clean, affordable and secure energy, (9) an EU chemicals strategy for sustainability and a forest and deforestation strategy (European Council & Council of the European Union, n.d.). The EU Green Deal targets all sectors of economy, from transportation to textiles (European Commission, 2019b).

In 2020 the European Green Deal Investment Plan was introduced. Those were followed by the Shareholder Rights Directive 2, which supports engagement by shareholders, the Pension Funds Directive 2, which fosters the consideration of ESG factors in long-term investment decisions´ impact, the Benchmarking Regulation, the Sustainable Finance Disclosure Regulation (SFDR), which introduce duties for participants of the financial market, the Taxonomy Regulation, a taxonomy of sustainable principles and the expected Corporate Sustainability Reporting Directive CSRD, which expands rules for sustainability transparency. Further development regarding this topic took place in the Corporate Sustainability Reporting Directive (CSRD), where further explanations must be provided regarding the impact on sustainability matters to make the actions understandable. The EU remains first mover in this topic and international standards are to be followed. The CSRD furthermore imposes mandatory audits for bigger-sized companies in order to prevent defective disclosure, also called "greenwashing" (Câmara, 2022). The main modification from the NFRD to the CSRD include the scope of affected companies, which increased by around 5 times in number (Sellhorn & Wagner, 2022). In 2021 the Non-financial Reporting Standards (NFRS) structured the future standards and a schedule for its employment with a stakeholder-materiality focus, hence a double materiality, issued by the EFRAG (Sellhorn & Wagner, 2022). To summarize, the European Union launched three valuable documents which are aimed to be combined. The NFDR, the SFDR and the Taxonomy regulation build a fundament for European disclosure following a principle of double materiality. In order to enhance the application of those three together, a new platform of experts was established, functioning as advisory board of different stakeholders (European Commission, n.d.). The EU taxonomy works as transparency tool. It is a classification system for business activities in coordination with the EU Green Deal goals (*EU Taxonomy for Sustainable Activities*, n.d.). the Taxonomy was established with the intention to fight greenwashing and to set a regulatory frame for investors. With the financial year 2022, firms belonging to the scope mandatorily need to report on their impact through revenues, capital- and operating expenditure onto the six environmental targets of the taxonomy, which are climate change mitigation, pollution prevention and control, circular economy transition, protection of water and marine resources as well as restoration and protection of biodiversity (Sellhorn & Wagner, 2022). The Taxonomy application is subject to EU Member states which can end two-folded. Investors not committing to environmental motives may opt out from investments in the EU or support the challenge. Similar arises for companies being under pressure to comply and competition in other countries not (de Oliveira Neves, 2022). However, the EU Taxonomy Regulation centres around environmental issues while social issues are left behind. The minimum of social aspects, which are covered in the Taxonomy is insufficient for the management of social risks (Câmara, 2022).

With the EU Sustainable Finance Disclosure Regulation (SFDR) financial institutions are given the option to either comply with due diligence policies disclosing a statement with impacts of their investment decisions on sustainability factors, or they are given opportunity to explain with clear reasons why they do not. This option is only given to institutions not exceeding a number of 500 employees (Câmara, 2022). Due diligence represents an alternative approach to reporting, offering promise for advancement across various sectors, especially for businesses along supply chains. Unlike disclosure, which by requiring public commitments indirectly fosters actions, due diligence initiatives advocate for a more probing method. In these initiatives, target companies are encouraged to adopt an analytical path, systematically addressing unfavourable conditions or risks that come to light. The effectiveness of due diligence initiatives relies upon the clarity of standard-setting guidance and the extent of collaboration and responsiveness among the involved parties (Reis, 2022). In July 2021, the European Commission published the Renewed Sustainable Finance Strategy (RSFS) aiming to add and improve the EU Sustainable Finance Action Plan (Directorate-General for Financial Stability, Financial Services and Capital Markets Union, 2021). The European Union´s key elements in their actions is the demand for a "double materiality perspective", which implies that institutions need to report not only on how the ESG topics affect their businesses but also about their impact on ESG, hence on environment and society (European Commission, 2019a). Critics regarding the unequal focus around the three sectors, E, S and G, resulted in the publication of the EU social taxonomy on the Platform on Sustainable Finance in 2022 (Sellhorn & Wagner, 2022).

The Corporate Sustainability Due Diligence Directive (CSDDD) aims, in combination with the social taxonomy, to provide regulations for firm's value chains to work towards an environmentally and socially protected process. Companies cannot be held liable for the occurrence of adverse impacts, but due diligence mechanisms must be put in place as well as screenings and policies for their entire value chain. The directive shall be incorporated into different jurisdictions by 2024 (Sellhorn & Wagner, 2022). Certain industries which imply a "higher risk" like agriculture, textile industry, food product manufacturing, can be subject to the directive also if the size normally would not fall under the directive anymore (Ibid.).

> *"The CSDDD thus goes for beyond ESG reporting towards more prescriptively requiring certain ESG activities and processes"* (Sellhorn & Wagner, 2022).

The CSRD lead to another establishment along the way, to the European Sustainability Reporting Standards. While the CSRD is a regulation defining who, when and why needs to report, the European Sustainability Reporting Standards provide the framework that must be disclosed by companies that are required to disclosure after the CSRD (Dürr, 2023). The EFRAG, the European Financial Reporting Advisory Group, published the first draft for the European Sustainability Reporting Standards (ESRS) in January 2022 and in April they opened up for public feedback (Sellhorn & Wagner, 2022). On the 31st of July 2023 the European Commission adopted the ESRS, the European Sustainability Reporting Standards (Directorate-General for Financial Stability, Financial Services and Capital Markets Union, 2023). The Standards consist of two general principles and requirements, followed by standard sets for environmental, social and governance topics (Sellhorn & Wagner, 2022). The idea behind S1 is "to report some governance items [..] how do you manage, what´s your governance structure, identify some of the major risks and opportunities and sustainability risks and opportunities" (Sebrell, 2023). With the CSDDD and the ESRS different suppliers along the value chain will be subject of reporting independently where around the globe they are operating (anonymous, 2023).

However, the EU developments around the topic of ESG reporting and the mandatory ESRS raise concerns around the competitiveness of the European market in the future. On a global perspective, the three important economies are the US, China and the EU. The US has its strength in economy and military, China is an economic superpower, while the EU is a regulatory one, exporting their regulations. Nevertheless, Europe generates less than 15% of the worlds GDP by now, which can be even less over the next years. Parts of Asia are growing fast and importance of Europe is becoming smaller, which raises the risk of companies not adapting to compliance rules of the EU anymore (Sebrell, 2023). In comparison, Simkins (2023) states that Europe's market size is big and will therefore show a ripple effect onto businesses in other parts of the world like Asia, where many supply chains of European businesses are located. He sees a competitive advantage for suppliers who adapt to the new regulations and are able to provide data about their processes. Nevertheless, critics get loud along the EU developments. Eisner Pelch (2023) states that it must be taken into consideration that even on an European level, the sustainability awareness differs greatly, which needs to be taken into consideration in the expectations. Furthermore, Teubenbacher (2023) states the risk when forcing other countries to adapt to European values, especially when it come to the social standards. This bears a big challenge since cultural priorities and maturity levels vary. The ESRS is very complex and difficult to work through. Some areas, like the biodiversity, also do not provide a definition yet that is clear enough. Even though the difficulty to build standards in a simpler language is being recognized since sustainability per se is a very vast and complex topic, it shall not lose its depth either. Without doubt, contextual knowledge is required to properly capture the reporting framework (Haberl, 2023). Furthermore, the time frame for the ESRS implementation is very short. Data measurement needs to be implemented first, before it can be stated in a report. Especially firms that operate internationally but have the headquarter in Europe will be under pressure to adapt quickly (Teubenbacher, 2023). Another challenge of the ESRS is the materiality analysis and its impact comparison (Haberl, 2023).

4.5 ESG global development – ISSB standards

At the COP26 In Glasgow in November 2021 the International Financial Reporting Standards (IFRS) Foundation reported the creation of the International Sustainability Standards Board (ISSB) with the duty of establishment of a universal baseline for sustainability disclosure. Due to an increase in demand for transparent, corresponding and quality information regarding sustainability factors, the ISSB works towards a set of standards that caters this demand. The members of the ISSB consist of the ISSB Chair Emmanuel Faber, two ISSB Vice-Chair, Jingdong Hua and Sue Lloyd and eleven ISSB members (IFRS, n.d.). Supporters of the ISSB are the G7, the International Organization of Securities Commissions (IOSCO), the G20, Central Bank Governors and Finance Ministers from exceeding an origin of 40 jurisdictions. The ISSB works towards an investor-focused sustainability reporting baseline whereon local jurisdictions can adapt (KPMG, 2023) and which will make it feasible for businesses to manage their environmental performance and to display it to investors (WBCSD, 2023).

They state the following four key objectives:

1. *“to develop standards for a global baseline of sustainability disclosures;*
2. *to meet the information needs of investors;*
3. *to enable companies to provide comprehensive sustainability information to global capital markets; and*
4. *to facilitate interoperability with disclosures that are jurisdiction-specific and/or aimed at broader stakeholder groups.”* (IFRS, n.d.)

A first draft was released in march 2022 (Sellhorn & Wagner, 2022). The development of the standards S1 and S2 went through various rounds of revisions and 1.4 thousand comment letters arrived at the ISSB (Lugo, 2023). The final ISSB publication, released on June 26th 2023 (WBCSD, 2023), consists of two standards, the IFRS S1and the IFRS S2, which is intended to be used together with the IFRS S1. It consists of 77 sector-specific standards whereon companies need to report on either by data or key performance indicators (IFRS, n.d.). In the S1, information disclosure concerns governance processes of the company, their strategies as well as assessment and monitoring of enforced mechanisms to manage and control opportunities and risks, as well as accomplishments regarding sustainability factors. The S2 targets climate-related opportunities and risks and its corresponding mechanisms of governance to manage and control them. It combines physical and transitional risks, which means everything from natural hazards until regulatory impacts. Which those standards the present and future sustainability shall be reported incorporating the complete value chain of a company (May & Swarbrick, 2023; Toplensky, 2023). Next to the S1 and the S2, additional standard sets are predicted to enclose further areas. While the standards are in effect by beginning of 2024, each jurisdiction determines individually about the incorporation of those standards (KPMG, 2023).

The ISSB baseline follows the frame of past initiatives like the Task Force for Climate-related Financial Disclosure (TCFD), the Climate Disclosure Standards Board (CDSB), the SASB Standards, the Value Reporting Foundation´s Integrated Reporting Framework and the Stakeholder Capitalism Metrics of the World Economic Forum (IFRS, n.d.). They also work closely with the European Commission, the EFRAG and the SEC (KPMG, 2023) and other American, European, Japanese and Chinese officials (Toplensky, 2023). Additionally, the standards are designed to work in collaboration with the financial accounting standards by the IFRS, which are as of now enforced by over 140 jurisdictions, and the interoperability with other standards shall be guaranteed. The Global Reporting Initiative GRI is also a supporting partner in this development (IFRS, n.d.). The connection with financial reporting is a crucial fundament for the ISSB standards since financial and sustainability information shall be complementary and rooted on the same data (KPMG, 2023).

The ISSB standards adopt financial materiality, also called single materiality, hence take into consideration the sustainability impact onto a firms financial performance (Sellhorn & Wagner, 2022). This is subject to critics around the globe, which will be discussed later in the paper.

4.6 Other

Private initiatives through companies and institutions furthermore facilitate the improvement of ESG-related topics like working conditions in developing countries where governments do not set the focus on yet. Enforcing rules and codes of conduct along value chains which often contain developing countries helps to enhance sustainability issues globally (Reis, 2022). Therefore, ESG issues might even be of higher importance in developing countries due to their weak regulations, their richness in resources and high social and environmental disputes (UN Global Compact, 2004). Developed countries might have their ESG regulations more under control, though, as stated earlier, many companies operate in or in collaboration with developing countries along their supply chain, hence it is in their interest to improve standards to keep their own reputation in place (Dathe et al., 2022). But for this to be of success, the developed countries shall be taking care of the underdeveloped countries and push the globe towards the right direction (Eisner Pelch, 2023). Meanwhile, Japan introduced the JPX-Nikkei 400 index, that pinpoints businesses that do not comply with international disclosure and governance standards, which is therefore also called the “shame index” (Atkins, 2020), while in South Africa a carbon tax will be introduces by 2024 which is a very progressive approach (Eisner Pelch, 2023).

5 Main critical points around the topic of ESG reporting

ESG and ESG reporting is still a widely discussed topic. Opinions differ in many areas, introducing different point of views as well as consequences and prioritizations. In the following subchapters a discourse around the most common arguments around ESG reporting in general as well as about advantages and disadvantages of the introduction of one universal standards, like the ISSB, will take place. Afterwards, a targeted analysis of critics around the ISSB standard as well as a comparison between ISSB and ESRS follows.

Lastly, the challenging situation for small and medium-sized enterprises will be displayed as well as internal requirements for ESG reporting to be put in place successfully.

5.1 Implications of ESG reporting

Some factors driving firms to adopt an ESG approach are out of ethical behaviour, a commitment to solving a human problem, as well as a transition to a sustainable economy (Câmara, 2022), while others focus on the economic side and see the efficiency raise and stable and resilient economies as the driver for greater transparency with ESG reporting (M. R. Bloomberg, personal communication, 15 June 2017). The necessity of ESG disclosure is being acknowledged by governments and regulators globally to form public policy since the incorporation of this non-financial data is crucial in their responses to global threats and to stimulate the sustainable development goals (Ho & Park, 2019). Also former chairman of the GRI Prof King speaks up for the incorporation of ESG factors into corporate decision making as a creation of value instead of destruction (Pavoni, 2020). However, the current ESG reporting lacks *"consistency, comparability, and reliability*" (Ho, 2021). Also governments ask for greater clarity and accountability of ESG disclosure (Baldassarre, 2013). Inadequate disclosure bears a risk for corporate stakeholders since it contributes to an insufficient focus on areas of threats (Ho & Park, 2019). In general, ESG reporting creates accountability for processes and performances of a business which is important to trace impact and responsibility (de Jager, 2023).

Some of the drivers for ESG reporting also lie on the financial side. The profitability of sustainable investments is seen as the main motivator for some firms (Câmara, 2022), since establishment of policies for sustainable finance can contribute to a more sustainable use of direct capital (Ho & Park, 2019). After the introduction of ESG reporting in 2004 on a voluntary basis, the number of firms applying a framework increased (Kell, 2018). The main motive for the introduction of ESG was to raise shareholder value through risk mitigation and investment risk minimization (UN Global Compact, 2004). In 2008 the share prices of companies listed at the stock exchange with a strong ESG target displayed higher prices than the ones without focus on ESG engagement (Kell, 2018). From thereon, instead of focusing on single issues, successful companies understood the relation of better ESG performance and higher value for shareholders when engaging with the complete range of ESG factors. Consequently, anticipating changes of regulations, minimizing costs, entering new markets and reacting to customer trend transitions facilitates the achievement of higher value creation (UN Global Compact, 2004). Proper ESG disclosure also gains importance in drawing attention to investors, since ESG investing is winning in popularity (Gupta, 2021b). In 2019, mainstream investors start to take ESG disclosure into their decision making since they perceive it as key for effective management and long-term success (Ho & Park, 2019). Therefore, in order to judge a company's ability to create long-term value, investors are to a greater extend looking beyond financial reports (SASB, 2016). Hence, strong support and wind can be seen in the financial sector, where also banks start asking their clients for the disclosure of certain KPIs which are not mandatory after the regulations, but businesses being able to respond to them can be granted better conditions (anonymous, 2023).

Not only do investors demand ESG disclosure to be able to act responsibly, but also consumers are increasingly willing to pay higher prices in exchange for sustainable products. This forms another driver for businesses to incorporate ESG issues into their operations (Gupta, 2021a). ESG reports can also be a tool for consumers to make more informed decisions, since they shall be publicly disclosed. Nevertheless, the doubts arise that the reports are presented in a way that an average consumer can understand it (de Jager, 2023). Regardless of the simplicity for consumers, the reports implement a transparency which should not be underestimated in their connection between the reputation of a brand and its impact along the value chain. Steady connectivity to social media and the internet distribute publicity on a high speed can be harmful for businesses very quickly and raise therefore the risk for harming a brands reputation and with it customer loyalty which falls back to shareholder value and its connection to ESG (UN Global Compact, 2004). Now, worldwide companies encounter the urge for ESG disclosure from financial regulators, rating agencies, creditors (Park, 2018) and insurers (Fitch Ratings, 2022) as well as from shareholders (Ho & Park, 2019).

While a global rise in importance of ESG on sides of investors as well as governments can be detected, a simultaneously growing dissatisfaction regarding inconsistency in information in financial, corporate and public reports exists (Ho & Park, 2019).

The inconsistency arises due to the differences in ESG metrics that are being taken into consideration. Those indicators of sustainability are important to measure success and progress for the company as well as for other stakeholders. Measuring sustainability with quantitative metrics supports knowledge for decision-making (Bose et al., 2019). If you do not measure and report your business performance, navigation and transition cannot happen, hence reporting is needed (Eisner Pelch, 2023). In easier words, "*you can´t manage what you can´t measure*" (de Jager, 2023). This makes ESG reporting key for sustainable development. ESG reporting can be seen as an incentive for improvement. Analysing fields of potential can bring motivation. And can also function as risk mitigation, which can further transform into opportunities and resilient business models (Haberl, 2023). Hence, proper management of ESG factors can positively enhance shareholder value through e.g. establishment of new partnerships, raising the company's reputation as employer as well as brand reputation, improving customer satisfaction and loyalty, adequate risk assessment and management, anticipation of threats, opportunities and upcoming regulations, which all can lead to cost savings and ultimately to higher shareholder value (UN Global Compact, 2004). Nevertheless, the concern about ESG reporting solely focusing on the disclosure part instead of the actions which shall be improving the numbers is present (de Jager, 2023). For the initial intention of ESG reporting not to get lost, the current mandatory reporting by the ESRS states also a need to define goals and to present a strategy for the achievement of those goals (Teubenbacher, 2023).

5.2 Drivers and Barriers for one universal set of standards

The amount of approaches available to disclose non-financial information regarding sustainability leads to opinions being in favour of this variety as well as voices against the vast amount of possibilities due to a lack of consistency and arising conflicts between them (Bose, 2020). Some of the main discussion points are being illustrated below.

5.2.1 Administrative issue

Firstly, companies and investors feel overwhelmed with the amount of disclosure frameworks like the SASB, GRI and TCFD, said Robert Eccles, SASB´s first chairman and professor at Said Business School in management practice (Temple-West, 2019). Not only investors combat with the interpretations of conflicting information of disclosed data, also managers are suffering from “reporting fatigue” through all the contradicting frameworks (Pavoni, 2020). Multiple frameworks simultaneously in practice raise the concern among organizations that, in combination with an obligatory approach, those can introduce an administrative issue, especially regarding cost, time and workload, which is contra productive (TCFD, 2017). Hence, common standards and regulations are a step into the right direction. In the past, ESG reports where illustrated in a colourful and green way, disclosing data and other information mixed out of different sets of standards, reporting only what was wanted and not offering a transparent and balanced picture of a company’s performance (anonymous, 2023).

5.2.2 Climate change

An universal set of standards would facilitate harmonization of worldwide legal responses which are needed to address the global sustainability issue (Brakman Reiser, 2019). In order to combat climate change and different social issues a standardized disclosure approach is needed, which was also recognized at the UN General Assembly in September 2019 (Temple-West, 2019). Additionally, the measurement and recording of firms exposure to climate risk is required, otherwise efforts will stay unsuccessful (Tett, 2020). Even though the demand due to the climate crisis is urgent, the ESG landscape is still fragmented (Temple-West, 2019). Since climate change is a global topic, also global standards are needed to create a common playing field (Spitzer, 2023).

Mervyn King, chairman of the GRI standards calls it “almost an outrage that you have competition between framework providers on a public interest” like the sustainability issue (Pavoni, 2020).

Inexistent unified reporting supports practices like greenwashing does not enhance transparency for stakeholders (Frade & Froumouth, 2022). A unified approach can eliminate risk for greenwashing (Ho, 2021). However, the label “greenwashing” is inaccurate regarding the topic of ESG since it only targets defective disclosure of the environmental pillar and does not take into consideration and social and the governance aspects (Câmara, 2022). Furthermore, issues like e.g., the definition of hazardous waste is still subject to discussion since standardized metrics are missing, which leaves the decision making to companies themselves (Griffiths, 2023).

5.2.3 Inconsistency

This “sheer variety, and inconsistency, of the data and measures, and how companies report them” results in a wide disparity of results between the same group of institutions (Kotsantonis & Serafeim, 2019). A global baseline reduces complexity and inconsistency associated with the vast number of voluntary standards (Simkins, 2023). Furthermore, Kotsantonis & Serafeim (2019) state the issue of ESG researchers and broad data gaps, which again results in differences. Lastly, also the inconsistency between providers of ESG data show high variation and even an increase with the volume reported. A clear sign of high demand for a harmonized ESG reporting landscape is this evidence for the authors (ibid.). Institutions shall not be solely held responsible for the inconsistency since this is strongly linked to the complexity of the overall ESG landscape (Zetzsche & Anker-Sorensen, 2022). The different scopes between disciplines, as well as different weighting and measurement of sections brings concerns (Berg et al., 2022). Zetzsche and Anker-Sorensen (2022) stated the necessity for an introduction of a new scoring and reporting framework, with reporting tools which find general usage, collaboration between experts as well as proper software tools for analysis and data aggregation. One universal set of standards would have the comparability between reports produced with those standards as big advantage (Athia, 2023) and would eliminate the issues stated above. This consistency and comparability of a standardised reporting practice would further be of use for investors and their investment decisions (KPMG, 2023; OECD, 2020).

5.2.4 Mandatory vs. voluntary disclosure

Reduction of negative impact on stakeholders of a company is stated as the main goal of disclosure, which can be either mandatory or voluntary. Obliged disclosure targets mainly investors information demand and the overall markets, while voluntary disclosure aims primarily either as a gadget for further engagement of private entities in responsible business or to regulate corporate behaviour privately (Ho & Park, 2019). While voluntary reporting shows presence for many years already, mandatory reporting is a recent development (Sellhorn & Wagner, 2022). The current disclosure of non-financial information in mandatory annual reports of public companies rises dissatisfaction between investors since this provided information is limited and not targeted to nonfinancial risk (Harper Ho, 2018). On the other hand, one advantage of mandatory reporting is that it is good for competition since more progressive businesses can display their performance and do not hesitate to be transparent since the whole industry and their competitors need to share data as well (anonymous, 2023). Mandatory disclosure can promote the willingness of transparency since even competition is obliged to transparency in their operations (Ho, 2021). Businesses also often only start acting when being obliged to do so, only a few act voluntarily (Haberl, 2023). Obligatory reporting also brings a fairness into the game of transparency of every firm and its competitors and a comparability (ibid.).

> *"In contrast to voluntary sustainability reporting, corporate reporting under the federal disclosure rules generates data that is reliable, readily accessible to all investors equally, and reported consistently in a way that facilitates comparability across firms and over time" (Ho, 2021).*

While mandatory reporting forces companies to report on every area of the business and not only the good performing ones, which combats greenwashing to a certain extent, it also bears a great load of administrative work. Those resources, also financial, could be used in a more productive way (de Jager, 2023). Ho (2018) agrees that not enough attention is put on the high costs mandatory disclosure bears. In the discussions regarding the future of ESG reporting, this issue is ignored. The resource intensity brings into play the small and medium sized businesses, which might not be able to provide those. Sebrell (2023) states the need for proportionality, which means that a business or an entity shall report what their resources allow them to. It must be recognized that large companies produce different sustainability reports with their capacities than smaller firms. Also Eisner Pelch (2023) defends the approach of a different handling for SMEs. In her opinion sustainability reporting shall be made mandatory when, firstly, its rules are properly developed and clarified, secondly, for bigger companies that have the resources and a bigger responsibility due to their impact and thirdly, when operating in a sensitive business then a firm shall also be obliged to report, e.g., batteries, steel or leather. De Jager (2023) agrees to the greater responsibility of larger companies since the biggest social and environmental impact belongs to the top 10% of organizations and sees great potential for change in their reporting. However, she thinks that there is enough support in form of sustainability experts for SMEs to manage the sustainability reporting even if more time is necessary. However, the challenge to find sustainability experts who understand the field and do not simply operate in it out of a business opportunity has been stated (Haberl, 2023). Nevertheless, contras appear against a unification of the standards. Another challenge is to define an approach that suits to different company sizes and industries. Many companies have already their own creative ways to report, which are not wrong (Eisner Pelch, 2023). Not every company is the same, hence why reporting all to one set of standards (de Jager, 2023). Even though, mandatory reporting is a good tool to make reports standardized and comparable, differences in sectors or branches are to be taken into consideration (Spitzer, 2023) since one unified approach bears the risk of missing the individual complexities. However, studies on financial reporting display a better outcome of quality information when enforcement mechanisms were in place (Christensen et al., 2013) since voluntary disclosure is said to promote information gaps in ESG reporting instead of resolving them (Ho & Park, 2019) .

Nevertheless, voices get loud defending a voluntary approach. Griffiths (2023) claims that ESG reporting will not be successful as long as it stays a moral obligation instead of a financial obligation. Hence, sustainability reporting has to align with people's capability to generate money. Otherwise, greenwashing can be a consequence. He emphasizes the need for taxation of carbon and greenhouse gas emissions. Similar was stated by Gupta (2023). He highlights that ESG reports shall better not be of mandatory nature but rather done voluntarily, motivating firms with the right incentives to do so. He believes that mandatory reporting will only unleash the search for loopholes and not reporting out of the right motivation. Also Leach (2023) thinks that when people are forced to comply with something they don´t have the resources for, they are more probable to look for and find loopholes. The motivating incentives introduced shall be monetary (Gupta, 2023). Also Athia (2023) advocates for incentives instead of obligations. Incentives shall not happen on a European scale only but globally. A global movement would be of advantage not to limit the European market and its companies along the global competition. If you are e.g., a firm depending on Chinese products, controlling ESG factors is a challenging task and setting limitations is a big challenge when businesses work with countries of different cultures where business is done differently. For the European movement not to be developing separately, a global movement, driven by incentives, eventually tax incentives, would be the desirable solution (Sequeira, 2023). Further stated is the importance of the government in the initial phase of ESG reporting implementation. Government incentives or additional rebates can foster the transition into ESG reporting until it becomes a habit. However, the need for a bribery and corruption free government for this incentive system to work is mentioned (Gupta, 2023). Sequeira (2023) brings in the opinion that consequences shall arise with non-compliance. He states that the European approach needs enforcement where suppliers and companies, if not complying with the regulations, get removed from the market, but if this is not being done in a consistent and credible interim period, a revolutionary action with great harm could be done in the European market. He perceives a combination of voluntary and mandatory standards as the ideal scenario. He suggests a set of minimum requirements as being obligatory for everyone while certain voluntary standards would follow a “comply or explain” approach, hence, if you do not comply with them you need to explain why.

5.2.5 Materiality

Materiality assessment is a valuable asset in the definition of the scope of a firm and to make different industries better comparable (Teubenbacher, 2023). The concepts of materiality and significance are defined by each jurisdiction. However, reporting companies hold a certain amount of freedom in materiality decisions under the obligatory reporting statutes (Ho & Park, 2019). The decision between single and double materiality is raising critics all around the globe. The idea of double materiality endorses the reality that companies’ activities affect planet and society as well as the other way round. Both scenarios can influence non-financial and financial performance and are therefore important for stakeholder transparency. Firms’ decision making can have impacts on environment and society and therefore shall be taken into consideration in the double materiality, while single materiality or also called financial materiality targets companies’ performance with the main audience of the investors. Double materiality is considering a multi-stakeholder audience (Deloitte, n.d.). Once materiality is enforced with the objective to work towards environmental and social objectives, we necessarily need to speak about double materiality because single materiality solely focuses on financial materiality topics, hence investors who are interested in monetary value. Single materiality definitions mostly exclude institutional impact on external surroundings, hence will not bring change regarding ESG topics (Christensen et al., 2021). Materiality assessment has changed over the years. The ESRS brings in a mandatory double materiality approach. Before, stakeholder involvement was high followed by an average impact assessment, while now the new approach deepens the analysis of the company´s impacts onto society in combinations with a second approach where E, S and G topics get inspected with their impact onto your business. This brings great satisfaction since a broader view onto risks and opportunities brings new topics that can be of material to a firm which were previously not being taken into consideration (anonymous, 2023). However, the current materiality analysis is still seen as imprecise, difficult and with a lot of room for interpretations (Haberl, 2023). Bose et al. (2019) argues that a framework that focuses on investors, like the single materiality, causes lost perspectives from other stakeholders and may benefit investors. Double materiality goes beyond the investors and provides visibility for other types of stakeholders like NGOs and citizens and can put more pressure onto companies since consumers can make informed decisions. Therefore, demand has a risk of decline when sustainability targets are not met (Simkins, 2023). Further, the double materiality allows you to have a more profound look into impacts of your company onto society as well as a deeper picture of your business with its impacts, opportunities and risks (anonymous, 2023). Spitzer (2023) is also in favour of double materiality to analyse the entire range of impacts your company has because climate emergency affects everyone. Especially the double materiality can be seen as pressure for companies to aim higher and to improve their performance since pressure by consumers can and will rise with greater transparency (anonymous, 2023). In order to take as many stakeholders into consideration as possible, the EU supports the “double materiality”, so that institutions are obliged to not solely report on external risks onto their business processes, but also how those businesses impact sustainability factors (Frade & Froumouth, 2022).

5.2.6 Audit

Sustainability reports as for now do not include auditing structures, except if criteria for a certification. However, this raises concerns about the credibility and the reliance of reported information. Sebrell (2023) perceives auditing as inevitable for it to be comparable and to add trust to the disclosed reports. Audits of sustainability reports shall be handled like financial accounting reports since they show similarities in their presence. Without auditing of the stated information sustainability reporting loses its value (Teubenbacher, 2023). Nevertheless, the capacities for the auditing of ESG data of around 10.000 European companies do not exist yet. Not enough firms have the knowhow to audit against ESRS and additionally, certain topics, e.g., biodiversity, are extremely difficult to determine whether sufficient data has been delivered or not and will bring burdens for auditors (Simkins, 2023). Also, regarding one global ESG reporting standard so far, there is no answer to the question who can control and police this on a global level (Griffiths, 2023). Even if the feasibility to audit every report is not given, the risk of being audited adds a risk to companies and pressures into correct reporting of data (de Jager, 2023). But auditing in any way will be a financial burden to the economy (Teubenbacher, 2023). Thus, so far it is the process that is being audited and not the stated numbers since auditors can be held liable for them, which Eisner Pelch (2023) perceives a process that is redundant. She advocates for an automatised process where data audits itself, hence, when a good is purchased the data of e.g., emissions is forwarded into the system which sets up the calculation without any human interference. This can provide a solution to the auditing challenge.

5.2.7 International Business

A global approach of ESG reporting is further of importance due to the spread of internationally operating firms. Levels between companies shall stay equal and no limitations shall arise from different standards around the world. Hence, it needs a global movement instead of solely a European one (Sequeira, 2023). A standardized set to report on will help businesses that are in the middle of a value chain since they now need to provide the same information to their suppliers and buyers instead of being requested different sets of data and often duplicating their work (Eisner Pelch, 2023). Agreeing words are coming from Simkins (2023). As European Businesses will be in need of disclosure, they are required to provide data including their supply chain. This supply chain often runs through various locations around the globe, which makes a global standard important. A firm cannot report if it does not get information and data from suppliers working along their value chain. However, Sebrell (2023) states the different local characteristics of markets, the different cultures and environments, as the biggest challenge of an universal standard since ground rules vary and baselines need to be adapted to local needs. It shall not be a requirement to enforce equal reporting, it shall rather show local flexibility and allow customization. Also de Jager (2023) speaks about the difference between the global north and the global south as a challenge. The global north counts as the headquarter of many multinationals and with the IFRS and the EFRAG also coming from the global north, it sets the standard for the planet without considering different levels of maturity around the globe. Taking the GRI standard as a pioneer of global standards, most of the countries that have not issued a report yet following the GRI standards are located in the global south. Furthermore, the new developments around the BRICS countries can be a big risk for the global north and their intentions around ESG developments. They are forming a strong force against the western world (Teubenbacher, 2023). For an universal set of standards to be globally applied it needs sufficient signatories that implement the system into their own jurisdictions. The success of a global reporting standard will depend on different countries and their governments (Gupta, 2023). While many companies are moving away from China to Vietnam or Cambodia, the challenge of supplier transparency rises. It is questionable if those countries manage to face the issues of child labour, infrastructural requirements and other necessary investments that would need to be made in order to fulfil certain requirements (ibid.). Also Eisner Pelch (2023) sees politics as a great burden on an international scale and sees greater alignment on an European level.

5.2.8 Conclusion

The currently existing frameworks can be seen as obstacle as well as opportunity by decision-makers. Lack of standardization and a therefore resulting problem for comparison is stated often, while other value the variety of approaches (Bose et al., 2019). Offering a choice between one or more standards to choose from, allows certain flexibility for institutions to select business relevant matters only (United States Government Accountability Office, 2020). Further, the variety in standards and metrics facilitates the exploration of performance in the interest of the stakeholders (Bose et al., 2019). However, a commonly agreed non-financial sustainability reporting standard will drastically enhance transparency, regardless of the mix of standards, like GRI, SASB, TCFD, used. Consequently, pressure will increase on climate action for executives and politicians (Tett, 2020). No clear preference can be seen along the experts.

5.3 Drivers and barriers for the ISSB to become globally applied

Firstly, the ISSB headquarters are located in Montreal, Canada and Frankfurt, Germany with the intention of a spread “multi-location approach” for vast geographical inclusion (Sellhorn & Wagner, 2022). Secondly, the ISSB is currently the international pendant to the ESRS and will hopefully encourage a global reporting since capital is global and therefore for investors as well as other stakeholders (de Jager, 2023), when comparing different companies around the globe, the reports by ISSB standards will facilitate decision making (Simkins, 2023). However, the standards are perceived as not very user friendly, difficult to read and to handle (anonymous, 2023) and further are they considered not to be holistic enough to provide the solution that is aimed for (Eisner Pelch, 2023) which brings a burden for adaptation (anonymous, 2023). Recognizing this challenge, the ISSB will additionally offer training materials and support for the correct usage of the published standards (Lugo, 2023). Also the World Business Council for Sustainable Development (WBCSD) released a “Preparer Forum for Sustainability Disclosure” in close collaboration with the ISSB to foster implementation of the standards across companies. The WBCSD will also publish a guideline for its implementation in combination with the European Sustainability Reporting Standards draft (Lugo, 2023).

Furthermore, the ISSB provides alleviation at the beginning for firms that have a higher chance of struggles for primary adoption of the standards, which include:

- *“transitional relief from the requirement for companies to provide sustainability-related financial disclosures at the same time as the financial statements;*
- *relief from the requirement for companies to apply the GHG Protocol Corporate Standard, in specific circumstances;*
- *a temporary exemption allowing companies to delay disclosure of Scope 3 GHG emissions for a minimum of one year when first applying the climate standard;*
- *not to require the disclosure of comparative information in the first annual reporting period in which a company applies the standards.”*(Lugo, 2023)

The fact that the ISSB will be of voluntary nature does not imply a direct limitation for it. The willingness of businesses to report even on a voluntary basis shall not be underrated. The GRI standards are not obligatory either and the ISSB can take this position over. The motivations might not be the sustainability factor but rather investors asking for it or in order to add value to one’s reputation but as long as the outcome is given, the motivation shall be of secondary nature (de Jager, 2023). Furthermore, Simkins (2023) compares voluntary reporting with a playground for more progressive businesses, where they can anticipate and test. Hence, voluntary standards have been of good sue in the past for businesses to prepare for upcoming mandatory reporting standards. The ISSB standards are stated as voluntary but shall be made mandatory by each jurisdiction, hence for now it would bring the same effect of a playground for progressive leaderships to start reporting. Additionally, politics play a great role in the reporting landscape (Athia, 2023). The UK government announced already an incorporation of the ISSB standards into their regulations but no final decision has been made by now (May & Swarbrick, 2023). Also, the TCFD, which is a fundament of the ISSB, is already increasingly adopted in Canada, Hong Kong, the EU, Japan, Singapore, Switzerland, the U.K. and the U.S. (Lugo, 2023). However, not every jurisdiction might be willing to implement the ISSB regulations with the fear of a loss of economic importance (Simkins, 2023 & Spitzer, 2023). A clear political push is needed for the markets to participate (Spitzer, 2023). Sustainability Reporting on a global perspective shows another challenge, the political barrier. While some jurisdictions are willing to introduce regulations that can risk a decline in competitiveness of their businesses, hence, economic importance might overrule sustainability in certain cases (Simkins, 2023). However, an independent framework like the ISSB without implementation into a jurisdiction holds the advantage over fixed rulemaking, that it can constantly be updated in the content without the urge of new rulemaking (United States Government Accountability Office, 2020).

The single materiality of the ISSB seems to be the greatest disadvantage. EU regulation, hence the ESRS, demand more disclosure along stakeholders beyond the investors than the ISSB standards (Toplensky, 2023). As discussed above, most of the experts favour a double materiality approach, which the ISSB standards do not provide. Firstly, the single materiality of the ISSB does not encompass enough, it requires going further into the double materiality (de Jager, 2023). Secondly, it misses the target since risks and opportunities derive to a big extend from the impacts a business has, hence a double materiality would be necessary (Haberl, 2023). Lastly, the single materiality of the ISSB does not allow a holistic view onto a firms´ impacts, which will also be missing information for investors (Teubenbacher, 2023). He finds it questionable why the IFRS decided to incorporate a single materiality.

Further critics arise around the ISSB standards. Wanting to hold the global south as well as the global north liable for the same set of standards as the ISSB intends to do, can be considered an unfair approach (de Jager, 2023). While European countries might have reached the level were a focus can be put on ESG reporting, countries like e.g., India are still struggling to provide proper hygiene for their inhabitants, hence the challenges are different all around the globe (Gupta, 2023). For the ISSB standards to be globally applied it needs a certain level of incentives by the market for companies and countries to joining since many countries do not emphasize the topic of ESG and sustainability the same way as the global north. If strong markets like Europe and the US create incentives for third countries to join the movement, it can be successful. A non-compliance can already be observed in various regions regarding other global treaties using basic standards, like human rights, even though they are binding treaties. Hence, in order not to create the same issues with ESG reporting, the right incentives must be put in place (Sequeira, 2023). In addition, European companies will already have to report after the ESRS mandatorily and while the ESRS and the ISSB standards are said to be aligned in the future, double reporting will cause costs and greater use of resources in firms, which will try to keep them to a minimum (anonymous, 2023). Also Haberl (2023) states that the first target for European companies will be the ESRS, since it is obligatory. How willing business are to report in addition also to the ISSB is questionable since the ESRS reporting is already a demanding workload. Also, in the financial reporting, gaps and local differences exist around the world, where even the same institutions, like the IFRS, tried to implement one single reporting standard. Therefore, doubts exist if this is feasible with sustainability reporting then (Teubenbacher, 2023). And looking back to the implementation of the taxonomy regulation, the first reports published were full of confusion, very cluttered and each firm with different interpretation, hence, they were not of use for anyone. The risk that this happens to the ISSB standards or to the ESRS too is present and it will need some time for harmonization to come (Spitzer, 2023). Lastly, some countries have already announced to implement mechanisms for the adaptation of the ISSB standards, which are Australia, Canada, Japan, Hong Kong, Malaysia, New Zealand, Nigeria, Singapore and the UK. Others are said to follow (Toplensky, 2023). If the rest of the world will participate will be subject to future research.

5.4 ISSB vs. ESRS

The ESRS and the ISSB are working on a mapping to explain interoperability issues between the two standards, which raises the question why they did not develop solely one single international standard instead (Simkins, 2023). One major risk of aligning the two standards, the ISSB and the ESRS, is the risk of simplifying the standards then in a way that might be made easier to be reported on but with this they would lose the complexity which is important to guarantee transparency and depth of the reporting. Simplifying should not be the goal, also if one universal standard eases the complexity and workload for firms. The first draft published by the EFRAG at the end of July 2023 was already a simpler version than originally announced, hence, lobbying is a risk (anonymous, 2023). While the ISSB standard focuses strongly on climate and climate mitigation, the ESRS incorporates more topics (Simkins, 2023). The ESRS provides a list of 90 topics to be covered in the reports, which is defined as the minimum that needs to be disclosed on, but they do not have sector specific standards until now, hence companies use the sector specific standards of the CSRD until now as guidance (anonymous, 2023). The CSRD incorporates the sustainability statement of firms into the management reports together with the financial reporting, which brings greater weight to the sustainability reporting if it is not handled separately and brings more transparency to it (anonymous, 2023). However, Eisner Pelch (2023) criticizes the approach to combine financial and sustainability reporting with a yearly end reporting. She argues that you need to correct your path continuously and if you are a large firm that is offsetting their emissions, it would cause hundreds of millions of financial liabilities instead of a continuous approach of adjustments and control. If data is collected regularly, the status quo of ESG impact can be displayed perpetually since systems are digital now. The framework of financial reporting has been solely replicated even though sustainability reporting offers a different starting point in which reports do not start handwritten anymore, hence, the predefined cycles do not match the technology anymore. Meanwhile, the biggest challenges between the ISSB and the ESRS are the agreement on a common definition of materiality and the topic of proportionality expresses Sebrell (2023).

5.5 Challenges for SMEs

Especially small and medium-sized companies will need guidance along the way in order to respond properly to the requirements and to deliver the correct data (Simkins, 2023). SMEs often do not have the internal resources, like e.g., a sustainability responsible, which anyhow is a vast topic for one single individual. Additionally, they don't have the same capital as large companies, the same resources, the same strategic thinking, or risk management which makes the reporting more difficult for them (de Jager, 2023 & Haberl, 2023). SMEs neither have enough time nor information to provide such reports, they do not have the required capacities to manage the workload (Eisner Pelch, 2023). Especially in the initial phase we will be able to detect a difference between the more and less equipped companies until with an universally accepted standards and wide spread practices the curve flattens (Leach, 2023). While larger firms have the regulations often already put in place, SME are still struggling due to the high investments needed to incorporate ESG reporting and data measurement (Gupta, 2023). Financial reporting presents already a challenge for many of them and non-financial reporting is a new and complex topic to deal with (Spitzer, 2023). Questionnaires about ESG reporting, like the ISSB, are very difficult to digest. They result in vast reports, covering many different topics, which makes it difficult for SMEs to work with. Firms with more resources also bear the ability to measure better as well as deliver better formulated answers due to their data which gives them an advantage over firms that do not have the same resources. Sometimes it won´t even correctly reflect the company's work. Hence, companies with more resources are better equipped to develop qualitatively better reports (Leach, 2023). ESG reporting and auditing might also have an impact on the pricing of smaller companies (Spitzer, 2023). Also, banks will at some point include the ESG reporting into their pricing, resulting in a financial risk if your business is not well positioned (Spitzer, 2023). The special challenge for mandatory ESG reporting for SMEs is also being recognized by the big four and they are planning to provide guidance to SMEs as well as to larger firms, also because a great market opportunity is seen (anonymous, 2023). The "alphabet soup" is difficult to understand for an average SME (de Jager, 2023). In addition, SMEs will also have a more difficult path in their transition into a more sustainable operation due to their smaller bargaining power. Prices for e.g., sustainable energy will be more difficult for them to negotiate since the power distribution is not in favour of small and medium sized companies (Simkins, 2023). Also, the sustainability reporting does not take growth into considerations. To demonstrate, a small business or start up that is currently working with a team of five members and has the target on sustainability already set, will show an increase in carbon footprints and other metrics when hiring more personnel, hence a carbon reduction target for example is difficult to set when growth is happening. Growth shall be decoupled (Simkins, 2023). A different expert does not see a correlation between growth and the regulations and states that firms that have the will to grow will do this regardless of the reporting (anonymous, 2023). Smaller companies will implement ESG reporting either when it is being declared mandatory by their jurisdiction or their buyer mandates them to (Gupta, 2023), since implementation will lead to high costs for SMEs (Spitzer, 2023). The buyers hold to a certain extend a responsibility for their suppliers, but if the buyers do not get incentivized by the government and can forward a part of this onto their suppliers, then little support will happen for small suppliers (Gupta, 2023). A lighter version for smaller firms would be desirable to help them with the change (Leach, 2023).

5.6 Internal requirement for a successful ESG future

Nowadays many firms treat sustainability as something isolated, giving the responsibility to one person or a small team. However, for sustainability reporting to succeed in its original intention it requires the senior level and the boards support. As a grassroots movement it will not be successful since it demands incorporation into every business unit and function. Trainings and supplier engagement are essential. Current developments can facilitate the understanding of importance and bring internal change along the processes to embed it into your daily business (Simkins, 2023). As a critical starting point, it would be necessary to especially involve the procurement and purchasing department followed by the corporate DNA in general (Eisner Pelch, 2023). Also de Jager (2023) states the necessity to incorporate a bottom up approach instead of a top down management of sustainability. An internal dialogue between the work floor and the board member is crucial even if the distance can be very large in big corporations. “Training, communication and education” as defining elements in successful corporate sustainability culture (de Jager, 2023). Additionally, Sequeira (2023) states the importance of communication channels between the board and the staff of a company for ESG to be properly implemented in the firms values and missions. A further step in larger businesses would be to implement a commission dedicated to ESG. Another issue is the time insensitivity of the task. Currently, 90% of the time of chief sustainability officers and their teams are spent with sustainability reporting and correct compliance only while little time is left for transition planning and strategies for greater sustainability along their value chain. Along the process of responding to complex metrics and regulations of sustainability reporting unintentional misinformation might occur, hence it cannot be considered intentional greenwashing but results also in reporting of inaccurate data. Certainly, also the opposite can happen, where companies hide behind wrong data (Simkins, 2023). Data that needs to be reported by employees leads to a reduction of time for business activities of those employees, which is stated as a raise in opportunity cost for businesses (United States Government Accountability Office, 2020).

6 Prospected Future of ESG reporting

The interviewees were also questioned about their future prospection regarding ESG reporting and its development. This chapter combines their answers and brings an insight into general concerns and wishes.

The future around the ESG landscape will to a great extend depend on the US and the EU developments (Sebrell, 2023). The IFRS Foundation, the European Union and the U.S. Securities and Exchange Commission take major roles in the future development of ESG reporting (Sellhorn & Wagner, 2022). In the upcoming years we will spot a variety of reports with different interpretations of each topic. It will require some time to agree on interpretation of the standards, until a comparable unified report can be produced (Haberl, 2023). However, Eisner Pelch (2023) does not see an agreement on one single standard in the next ten years since stakeholder involvement is big and the actual scope that shall be covered is still in a process of definition. Also due to a lacking global political alignment. Sequeria (2023) states that ESG shall never be a bigger burden than incentive it provides in order to succeed. Even though sustainability reporting causes a huge workload and costs, many companies see great value in it and a competitive advantage (anonymous, 2023). Carbon accountancy shall become a pendant to financial accountancy with corresponding audits and complexity in nature (Griffiths, 2023). Furthermore, it is desirable that the reported information on sustainability performance affect the financial performance of a firm in order to be of impact (de Jager, 2023).

Eisner Pelch (2023) sees the future of ESG reporting as automatized reporting system that works with a blockchain technology to guarantee a fair and trustworthy ecosystem along supply chains. And automatization of sustainability reporting would be desirable in the future (Spitzer, 2023). Also Athia (2023) sees technology in the future of ESG. Artificial intelligence will be of importance of reporting since algorithms will be able to compare and forecast different scenarios. However, a challenge of ESG reporting and its future is stated by Sebrell (2023) that when “green policies interfere with the livelihood of the voter in the street”. When policymakers belong to the wealthier part, they assume that equal burdens can be taken by every individual, which is a misconception.

To summarize, sustainability reporting requires minimum common standards to allow comparability ad trust and to become a powerful tool to support the development into the direction of an achievement of environmental and social objectives. “ESG-related disclosure and transparency are here to stay” (Frade & Froumouth, 2022) . Big hope lies in the future of ESG reporting. If companies start reporting transparently, it can be a transition point into a more sustainable way of doing business and can facilitate more responsible decision making by consumers as well. Experts hope for big impact on society (anonymous, 2023 & every other expert). Rules will improve steadily, and therefore will ESG reporting (Sebrell, 2023).

7 Overall Conclusion and Recommendation

The study tried to investigate drivers and barriers for the ISSB to become globally accepted and applied. For this purpose, expert interviews were conducted.

7.1 Key findings and recommendations

The aim of the research question was to identify drivers and barriers for the ISSB standards to become globally accepted and applied. The research showed that currently a vast amount of ESG frameworks and reporting standards are existing, each unique and with different applicants. This variety of current frameworks is also being applied differently in each part of the world. Each main global market analysed in this paper displays a different approach to ESG reporting, no common ground has been found so far. The following table displays the current global differences in ESG standards practices in relevant markets.

Table 7.1 Summarized comparison of ESG standards practices in relevant markets *Source: Own elaboration*

Global market	Most common ESG practices
United Kingdom	TCFD – Task force on climate-related disclosure
United States	Global Reporting Initiative standards
Mainland China	Principles of Responsible Investment
European Union	European Sustainability Reporting Standards
Global Development	International Sustainability Standards Board – standards

The ISSB Standards aim to fill this gap and to provide a single framework that shall be reported around the globe to allow comparability between companies of different locations. However, for this to succeed, some drivers and barriers have been identified. ESG reporting in general aims towards a sustainable economy and transparency along businesses to implement responsibility. The necessity of it is mentioned unitarily along the paper, especially after the pandemic and current global threats. Additionally, the improvement for business value and shareholder value is commonly agreed on. Many stakeholders, apart from shareholders, request greater visibility of businesses activities, where ESG reporting comes into place too. However, the current inconsistency has its disadvantages. Main drivers for a universal set of standards are the great workload when reporting to different standards, which brings financial costs as well as time and human resources invested. Secondly, a common set of standards facilitates the sustainability transition since a standardized framework can mitigate greenwashing practices and pressure coherent climate regulations. Thirdly, the great variety of reports provides inconsistent reports with different data. However, discussions are loud regarding the decision if ESG reporting shall be of mandatory or voluntary nature. While mandatory reporting would force everyone into disclosure and transparency, the risk of a search for loopholes and manipulation of data in order to comply arises. Also the obligation of the ESRS is under discussion since the fear arises that the European market would limit itself with the implementation of this regulation. Another critical aspect which was found during the research is the question about materiality. The concepts of single and double materiality find clear advocates for the second concept due to its broader and more holistic view, for investors as well for different stakeholders. The single materiality seems to be the greatest disadvantage of the ISSB standards. Furthermore, it is commonly agreed that ESG reporting requires some sort of auditing, which however does still not provide sufficient resources to do so. Automatization of the report production is one idea that was stated as solution. The fact that many businesses operate internationally, working together with suppliers with different global locations, emphasizes the need to work proportionally. Not every country around the globe holds the same standards and maturity levels regarding sustainability, hence implementing one standard, created by the global north, it stated as critically. However, a positive aspect is being found in the point that suppliers then would only need to report on one single standard to their buyers or customers, which can also ease the process. In general, the global implementation of the ISSB depends on some worldwide developments. While some countries stand behind the ISSB, other countries do not state support as of now. Governance is highlighted as crucial, with the ability to implement incentives as motivation. The development of the ESRS in parallel might also not facilitate the global application of the ISSB due to the fact that European businesses will firstly focus on the mandatory ESRS reporting and not spend further resources on a second ESG report, even though the ISSB and the ESRS are said to be collaborating, but this outcome will be subject to further research. Additionally, the challenges for small- and medium sized enterprises are specially highlighted since they do not hold the same resources as larger firms do. The ESG reporting will be of special work for them, therefore, some experts also suggest the proportionality of reporting frameworks adapted to a firm's resources and capabilities. Lastly, the internal requirements for an universal set of standard and ESG reporting to be successful were analysed. It is jointly agreed that it needs more than a top-down approach for ESG reporting to be successful, it needs a profound implementation into a businesses DNA in order to flourish. It shall not be forgotten that ESG reporting is not about reporting the status quo only, it is about process and improvement. Great hope lies in the future developments. It needs a join effort to combat climate change.

7.2 Theoretical and Practical Implications

These results can be used for further analysis a well as actions and reactions to the data gathered. Negative and positive aspects have been discovered, which can be of use for the general ESG landscape. Furthermore, this paper can be of utmost importance for the IFRS and the EFRAG since it mirrors the current situation and can be used as a basis for further research on the newly developed standards.

7.3 Limitations and Further Research

Surveys rely on the words of people, which is not always true and accurate (Brace, 2018), therefore it is subject to bias. Further limitations due to the dynamics of the topic are that instead of scientific literature a lot of online articles have been used. This study is also limited by the novelty. The ISSB standards as well as the latest European developments happened during the composition of this paper, hence regular adjustments needed to be made in order to provide the most recent events.

Further research can be conducted regarding the content of the ISSB standards and their pros and cons. However, this requires vast knowledge and experts working around, and in best case, already applying the standards. Since the publication of the ISSB standards happened shortly before this paper was written, no research could be conducted on this yet. Additionally, studies could focus more onto different countries perspective onto the reporting standard, apart from the markets chosen in this paper.

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Annex – interview questions

1. **State the research question**

   « What are internal and external Drivers and Barriers for the new ISSB standards to become globally accepted and applied ? «

2. **Welcome**

   a. Welcome and thanks for participating
   b. Short intro what it is about
   c. Short glimpse into the agenda of the interview and how much time do you have ?
   d. Data protection – at the end ? Is it fine for your that your name is stated in the thesis ?

3. **Intro - Please provide a short intro about :**

   a. what you are doing – can you introduce yourself ?
   b. how you got into the topic of ESG
   c. how long you are already working with it

4. **Question topic 1: ESG General**

   a. What is your overall opinion around the topic of ESG?

   b. What are the pro´s and cons about ESG in your opinion ?
      i. Please elaborate
      ii. If cons : Which actions could be taken to solve or improve them ?
   c. Can you tell a little bit about what you know about the lastest happenings around the topic of ESG-reporting? What is your opinion about it ?
   d. What do you think about the different ESG-reporting customs around the globe ? Can you elaborate on geographical differences ?
      i. Any country or region that stands out for you negatively or positively ?
      ii. Why ?

5. **Question topic 2 : the ISSB standards**

   a. Do you know about the new ISSB standards ? What do you think about the ISSB standards ?
      i. What is positive about them
      ii. What is negative about them

b. What is needed – internally and externally - for it to be accepted and applied worldwide ?
   i. Lets start with external conditions – which settings or external conditions are needed for the ISSB standards to be applied worldwide ?
   ii. What about internal conditions, what is needed internally so that those new standards get successfully applied globally ?

c. What do you think about the ISSB and the EU developments?
   i. Do you see points that could cause conflict between the CSRD/ the European Sustainability Reporting Standards (ESRS) and the ISSB ?
   ii. Do you have a preference between the two standards ?

d. What do you thing about the ISSB application on a global scale? / Do you see the world participating?
   i. In your opinion, which countries would participate and are there some you think they would not ?
   ii. If you do, how many years (when in future) do you see the point reached more or less ?

e. Controverse topics – what about
   i. Single vs double materiality ?
   ii. Voluntary vs mandatory disclosure
   iii. Audit
   iv. What do you think does this to private rating agencies ? will they seize to exist or will private ESG ratings still be present ?
   v. Any industry that might be more difficult than others ?

6. Question topic 3 : future of ESG reporting

a. How do you see the future of ESG reporting and its development in the future?
b. Anything that raises concerns for you ?
c. What is your preferred scenario in the future ?
d. Anything you want to add regarding the future of the ESG reporting ? could you conclude your view again ?

7. Overall tips for businesses
   a. What do you think is now very important for businesses ?
   b. Do you have tips for small businesses ?
   c. What do you think will be the most tricky part for small and medium sized businesses
   d. Are there guidelines around you know about ?
   e. What would help small and medium sized businesses the most ?

8. Single customer

a. Do you think that ESG reporting shall also be for individuals and customers ?

9. Final

a. Sum up what was said in the interview
b. Tell the interviewee what will happen with it
c. Thanks and goodbye