SUSTAINABILITY REPORTING STANDARDS: ANALYSIS OF IFRS COMMENT LETTERS

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SUSTAINABILITY REPORTING STANDARDS: ANALYSIS OF IFRS COMMENT LETTERS

ABSTRACT

Investigation on lobbying behaviour related to accounting standards has been a long tradition on the basis of comment letters. However, there have been no attempts to investigate lobbying conduct in comment letters in relation to other types of reporting standards, such as sustainability reporting standards, which have similar public consultation processes. The purpose of this study is to evaluate the comment letters submitted to the International Financial Reporting Standards (IFRS) in regard to sustainability reporting standards. This research focuses on stakeholders' reactions to the IFRS consultation paper on developing a standardised framework, which may benefit stakeholders and influence the development of the sustainability reporting standard. The key contribution of this study is to demonstrate the main concern of the users regarding sustainability reports and provide a substantial view to all stakeholders and standard setters on the need for a globalised framework. Using a qualitative content analysis method, this study examines the comment letters of participants in this process with a view to revealing how stakeholders' groups produce justification to promote their position on the IFRS proposal. The analysis has been done for all the questions listed by IFRS in the consultation paper. The result of the research can crucially contribute to the understanding on why organisations demand for sustainability reporting standards. The findings of this study also reveal that stakeholders will actively participate in lobbying behaviour to influence the standard setting due process.

Keywords: Lobbying, Sustainability reporting, IFRS, Comment letters, Standard setters

STANDARD PELAPORAN KEMAMPANAN: ANALISIS SURAT ULASAN IFRS

ABSTRAK

Penyiasatan mengenai tingkah laku melobi yang berkaitan dengan piawaian perakaunan telah menjadi tradisi yang lama berdasarkan surat ulasan. Walau bagaimanapun, tiada percubaan untuk menyiasat kelakuan melobi dalam surat ulasan berhubung dengan jenis piawaian pelaporan lain, seperti piawaian pelaporan kemampanan, yang mempunyai proses perundingan awam yang serupa. Tujuan kajian ini adalah untuk menilai surat ulasan yang dikemukakan kepada IFRS berhubung dengan piawaian pelaporan kemampanan. Penyelidikan ini memberi tumpuan kepada reaksi pihak berkepentingan terhadap kertas perundingan IFRS tentang membangunkan rangka kerja piawai, yang boleh memberi manfaat kepada pihak berkepentingan dan mempengaruhi pembangunan piawaian pelaporan kemampanan. Sumbangan utama kajian ini adalah untuk menunjukkan kebimbangan utama pengguna mengenai laporan kemampanan dan memberikan pandangan yang ketara kepada semua pihak berkepentingan dan penetap standard tentang keperluan untuk rangka kerja global. Menggunakan kaedah analisis kandungan kualitatif, kajian ini meneliti surat komen peserta dalam proses ini dengan tujuan untuk mendedahkan bagaimana kumpulan pihak berkepentingan menghasilkan justifikasi untuk mempromosikan pendirian mereka mengenai cadangan IFRS. Analisis telah dilakukan untuk semua soalan yang disenaraikan oleh IFRS dalam kertas perundingan. Hasil penyelidikan boleh menyumbang kepada pemahaman tentang sebab organisasi menuntut piawaian pelaporan kemampanan. Dapatan kajian ini juga mendedahkan pihak berkepentingan akan mengambil bahagian secara aktif dalam tingkah laku melobi untuk mempengaruhi proses wajar penetapan standard.

Kata kunci: Melobi, Pelaporan kemampanan, IFRS, Surat ulasan, Penetap piawaian

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CHAPTER 1: INTRODUCTION

1.1 Background of The Study

In recent years, there has been an increasing demand of companies for business model related information driven by manifold interest groups, usually referred to as stakeholders (Beske et al., 2020). The principal purpose of a sustainability report (SR) is to give information to interested parties on how corporations are working towards sustainable development (Isaksson, 2019). Similarly, Lozano et al. (2016) described that there are two main purposes of sustainability reporting as a voluntary activity which is (1) to evaluate the organisation's progress towards sustainability in its current state, and (2) to communicate with stakeholders their efforts and development in the economic, environmental and social aspects. Each corporate report published by companies sheds light from a different perspective on the business model of the corporation, as some reports address an extensive audience while others focus mainly on specific stakeholder groups (Beske et al., 2020).

In some years, larger companies have prepared yearly sustainability reports. Thijssens et al. (2016) highlighted that there are some mandatory reporting rules, like a European directive for larger companies, but most reporting remains voluntary. In fact, in 2017, Sweden made sustainability reporting compulsory for larger companies with the aim to encourage companies to strengthen their work in sustainable development which ultimately increases focus on sustainability not only in Sweden but internationally too (SWEL, 2016). Lozano et al. (2016) considered the Global Reporting Initiative (GRI) guidelines as the best option and the most frequently used for sustainability reporting. However, reporting done according to GRI guidelines can have a number of problems, especially from the reader's perspective (Isaksson, 2019). GRI guidelines tend to be based on triple bottom line (separating economic, environmental, and social dimension) in most cases, which tends to create compartmentalization or neglect possible synergies among the dimension and fails to address the time dimension beyond comparing the current year's report with previous year (Lozano et al., 2016).

Existing sustainability reports lack focus on customers and stakeholders (Isaksson, 2019) and are often criticized for a lack of quality and credibility, despite its growing need (Beske et al., 2020). Freeman et al. (2010) explained that suitable information should be presented in sustainability reporting as it builds confidence between stakeholders and the organisation. The report should see readers as customers with specific needs of sense-making and should present the level of sustainability performance in an understandable manner (Isaksson, 2019). Sustainability reports mainly focus on extensive audiences which differ from purely financial investors as they give comprehensive insights into business models' impact or outcome from other perspectives (economic, social, ecological) (Beske et al., 2020). Durocher et al. (2007) postulates that standard setting bodies achieved legitimacy by the help of public participation and this is the foremost reason why they ask for public comments (Fogarty et al., 1992). This process can help alleviate potential conflicts between different parties (Orens et al., 2011).

Due to the increasing demand in sustainability worldwide, there is a need to have formalised frameworks that govern sustainability reporting. Recently, IFRS posted a consultation paper regarding sustainability reporting standards and demonstrated the trustees' concern in developing globally-accepted and standardized conceptual frameworks (Pfeuti, 2021). Comment letters submitted by interested stakeholders are reviewed as an attempt to highlight their interest in sustainability reporting standards.

Although stakeholders are not responsible for the production of the standard, their active participation in IFRS' standard setting process is necessary to achieve legitimacy and a high quality of standards (Giner and Arce, 2012). In this respect, lobbying activities by stakeholders and the arguments employed by them are investigated. Fundamentally, this paper focuses on analysing arguments put forward by various stakeholders on the sustainability reporting standard establishment in the comment letters submitted.

1.2 Problem Statement

According to Mynhardt et al. (2017), despite sustainability reporting being a voluntary act, a sustainability reporting standard is crucial and important to ensure all organisations follow the same principles and practices. Reports should provide accurate and transparent information to constitute as acceptable quality (Amran et al., 2013). Although there are several guidelines available, there are concerns raised due to the different formatting, scope and approaches on the reports (Mynhardt et al., 2017). Furthermore, due to the absence of a common approach in the preparation and submission of the report, there has been a decreasing number of positive attributes of sustainability reporting. Hence, a standardized framework will enhance sustainability reports' features and users will be able to make more informed decisions (Mynhardt et al., 2017).

In September 2020, IFRS published a consultation paper on sustainability reporting standards and asked for public comments and feedback through comment letters (IFRS, 2020). Comment letters are generally used to influence the content of standards (Armstrong, 1977). Investigation on lobbying behavior related to accounting standards has been a long tradition on the basis of comment letters (Dufour et al., 2012; Orens et al., 2011; Sutton, 1984). Such research has contributed valuable insights into the political dimension of standard setting and how stakeholders assert influence over it. However, there are no attempts so far to study lobbying behavior in comment letters toward other forms of reporting standards, for instance sustainability reporting standards, where similar public consultation processes take place (Reuter and Messner, 2015).

The recent initiative by IFRS provides an opportunity for such inquiries. Given the nature and context of sustainability reporting, similar lobbying behavior is expected to happen in the case of sustainability reporting. In this study, analysis on comment letters submitted to IFRS will be examined. The consultation process began in September 2020 and was closed for public comment on 30 November 2020. The three main agendas of the discussion paper were to determine whether there is a need for global sustainability standards, whether the IFRS should play a role and what the scope of that role could be.

1.3 Research Objective and Research Questions

The objective of this paper is to evaluate the comment letters submitted to IFRS in relation to sustainability reporting standards. This study aims to focus on the opinion of the stakeholders on the consultation paper published by IFRS in developing a standardized framework on sustainability reporting which may benefit the stakeholders and influence the development of the sustainability reporting standard.

In March 2021, IFRS issued a public statement regarding their intention to publish a feedback statement that summarized the responses received to their 2020 consultation together with the proposed changes on establishment of a new board. In April 2021, IFRS published two documents, a summary of Feedback Statement and an Exposure Draft that outlined the proposed targeted amendments on the new board to set the standards. The proposed amendments were open for comments until 31 July 2021.

This study attempts to address two research questions:

RQ1: What is the stakeholders' opinion regarding the need of a formalised Sustainability Reporting Standards?

RQ2: How does the stakeholders' beliefs and interests in the comment letters influence the development of the standards?

1.4 Significant of The Study

In order to better understand sustainability reporting, a detailed overview and thorough investigation is required. This study could demonstrate theoretical and practical contributions which focuses on stakeholder involvement in the standard setting process.

1.4.1 Theoretical Contribution

Research findings provide insight on the need and importance of a common framework for disclosing sustainability reports or corporate governance reports by organisations via the analysis of comment letters. Interested stakeholders look at how sustainable organisations are and the method used by organisations to maintain their corporate responsibility aspects. This reflects the need for formalised standards of sustainability reporting to ensure proper disclosure and quality of the report for the sake of the users. Based on the comments presented by stakeholders and other relevant users on the discussion paper, this study could demonstrate the main concern of the users regarding corporate governance reports or sustainability reports.

Current sustainability reporting methods consist of diverse guidelines and reporting topics which might be time-consuming, complex and irrelevant to some parties. With this research outcome, it might provide a substantial view to all stakeholders and standard setters on the need of a globally-standardized framework on sustainability reports which will ultimately reduce preparation time and complexity, and make it relevant to all significant stakeholders. Stakeholders participating in the due process might pursue their own interest while assuming their action is the best given the situation, they deemed beneficial. This aligns with the Rational Choice Theory Optimality assumption whereby individuals will do their best to pursue their own interest given the circumstances as they can see favourable.

1.4.2 Practical Contribution

This study identifies the group(s) of stakeholders that frequently provide comments on the consultation paper and their abilities to influence the standard setting process. Professional bodies, Institutional Investors and Commercial Organisations will benefit the most from the research study as the research outcome will determine the direction and guideline in preparing sustainability reports and consequently provide a comprehensive view and understanding on the various challenges and limitations of the current reporting guideline with the new proposed standard by IFRS.

For instance, the outcome of the study will assist Institutional Investors in making better investment decisions, Accountants in Commercial Organisations or members of Professional Bodies would have better understanding on the sustainability reporting standard or guideline, and eventually increase the firm’s productivity in preparing the sustainability report. In addition, the usefulness of the research outcome may add value to the development of sustainability reporting standards and be useful to all significant stakeholders in obtaining a deep understanding of their involvement and impact on the execution of the standard. Ultimately, both stakeholders and standard setters could work together to ensure comprehensive standards are established in a manner that satisfies everyone's needs.

1.5 Summary

This chapter explains the demand of sustainability reporting standards by stakeholders and how the sustainability report has been a mandatory act in some countries. Although some countries made mandatory rules to publish the sustainability report, most of the reporting remains voluntary. Subsequently, this chapter presents the importance of having a common approach and guidelines to ensure sustainability reports presented in acceptable quality. The next chapter will discuss Literature review regarding sustainability reporting standards and theoretical contribution adopted in this study.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter first attempts to understand the need and demand for sustainability reporting standards for organisations. Subsequently, this chapter provides an overview on the studies related to comment letters emerging from the consultation paper released by standard setters. Literature highlighted in this section provides an explanation on the importance of sustainability reporting and the pressure from stakeholders as well as how comment letters are used as the medium to influence the standard due process.

2.2 The Need for Standards of Sustainability Reporting

According to Buallay et al. (2020), sustainability reports present an organisation's non-financial information which describes the firm's economic, environmental and social impact that covers three components of sustainability reporting which are environmental, social and corporate governance (ESG). Furthermore, Reimsbach et al. (2019) explained that sustainability reports consist of diverse reporting topics, such as energy usage, human rights issues, and governance aspects, which may be the interest of many different stakeholders. The aim of organisations regarding sustainability is to enhance stakeholders' investment decisions (Petcharat and Zaman, 2019).

Due to managerial discretion on the information and disclosure, ESG disclosure varies across firms and countries (Ioannou and Serafeim, 2011; Reverte, 2008). Governance, labor and macroeconomic performance are argued as the factors that significantly affect organisation ESG disclosure (Baldini et al., 2018). However, reports on environmental and social disclosure are increasingly being issued separately and stand alone in companies' websites (Cho et al., 2009). Hence, it might potentially influence user trust as the richness of the report presentation may jeopardize user judgements of the disclosed content (Gallhofer et al., 2006).

In fact, information related to business, strategy, governance, financial performance and achievement in sustainability is integrated in the form of sustainability reporting (Petcharat and Zaman, 2019). Therefore, sustainability information becomes more complex due to the environmental and social elements which results in companies facing difficulties to provide information needed by external users (de Villiers et al., 2014). Regardless of the aims of sustainability reporting, the structure, mechanism, and process vary in practice (Thijssens et al., 2016), making it difficult for businesses to establish whether non-financial data should be disclosed (Reimsbach et al., 2019). In this regard, it is crucial to investigate the concern raised by stakeholders on the sustainability reporting standard to ensure comprehensiveness and eventually the new developed framework could be used globally.

2.2.1 Stakeholder Pressure

Freeman (1984) categorized stakeholders as internal or external and Clarkson (1995) grouped stakeholders as primary and secondary. Groups or individuals that materially affect or are affected by a firm's activities are considered as stakeholders (Freeman, 1984). Pressure from relevant stakeholders is arguably an important driver in adopting relevant strategies for environmental disclosure, therefore it is important to understand the influence of stakeholders towards corporate reaction to climate change (Yunus et al., 2020). As a response to stakeholder pressure, an increasing number of companies are adopting reactive and/or proactive behavior to reduce the environmental impact of their business activities (Giacomarra et al., 2019). Customer pressure, social and organisational pressure, regulatory compliance and sustainability culture are drivers for sustainability adoption in emerging economies (Mani et al., 2018). The main concern is on the identification of stakeholder groups that demand sustainable services and practices (Giacomarra et al., 2019).

Lobbying activities are initiated by those who will be affected by changes in reporting requirements and are driven to lobby for regulatory outcomes that favour their interests (Francis, 1987). Comment letters are often mentioned in studies about lobbying behavior to examine the types of arguments used by commentators and assess whether the outcome aligns with the interest of particular stakeholder groups (Georgiou, 2004).

Despite the democratic participatory style, disclosure regulation is always subject to lobbying behavior of interested parties and most of these parties have significant influence over the outcome (Cortese and Andrew, 2020). According to Tsunogaya and Hellmann (2020), lobbying in the standard-setting process is not conclusive because lobbying activities are dominated by the concept of relative persuasiveness and influence which may sometimes be indirect or multifaceted.

Furthermore, active participation of stakeholders not only stems from self-interest but also political and social factors (Bamber and McMeeking, 2016). Finally, interested stakeholders may lobby either to assist the development of the standard by IFRS or to disagree with the proposed standard (Matsubara and Endo, 2018).

2.3 Studies Related to Comment Letters

There are several standard-setting organisations that use comment letters in its due process in revising or introducing new accounting standards and procedures. Flasher et al. (2020) states that stakeholder involvement on standard setting is not new, however there is continuous debate on the principal motivation behind comment letters. Early research presumes the driving force to be influencing the standard-setting process because of economic incentives (Watts and Zimmerman, 1978), self-interest (Koh, 2011) or to confer legitimacy upon the standard setters and their activities (Bamber and McMeeking, 2016). There are several reasons identified for a stakeholder's participation on the due process, ranging from individual interest on the topic/process, perceived ability to influence the outcome or existing consensus on the issues (Durocher et al., 2007).

Research on comment letters has been conducted by the International Public Sector Accounting Standards Board (IPSASB) (Aversano et al., 2019), the Securities and Exchange Organisation (SEO) (Hesarzadeh and Bazrafshan, 2019), the Securities and Exchange Commission (SEC) (Alon and Dwyer, 2016), the Financial Accounting Standards Board (FASB) (Baudot et al., 2018), the Independent Regulatory Board for Auditors (IRBA) (IRBA, 2016) and the International Standards Accounting Board (IASB) (Warren et al., 2019). Available comment letters are scrutinized several times to identify arguments for or against the proposal (Harber and Maroun, 2020). Government organisations are determined as the most active group in providing comment letters for the standard-setting process (Aversano et al., 2019).

2.3.1 Elements and Importance of Comment Letters

Various studies (Asekomeh, 2006; Baudot et al., 2018; Aversano et al., 2019) focus on comment letters submitted regarding the consultation paper to analyse constituents' views. Cortese and Andrew (2020) reviewed comment letters from interested stakeholders and all uncertainties on comment letters used in the analysis were discussed to reach a consensus (Himick et al., 2016; Amernic and Craig, 2017). The Auditing Standard Boards (ASB) was actively involved in consultation with the public to seek public assistance in providing feedback on the proposed strategy, work plan and exposure draft (AICPA, 2019a, b). Most of the comment letters submitted start with a thorough introduction of the business and its success, to show connection towards the company's commercial leadership and the sector as a whole, and to ultimately exhibit positive economic growth and improvement of standards of living (Cortese and Andrew, 2020).

During the accounting standard-setting process, there are internal conflicts and contradictions that shape the development process related to the respondent's comments or feedback on the proposal (Ram and Newberry, 2017). According to Georgiou (2010), lobbying through comment letters is likely to be more effective compared to observable methods during the standard due process. Comment letters have been the main focus in lobbying activities due to easy accessibility and high transparency (Reuter and Messner, 2015). To ensure their views are incorporated in the proposed rules, lobbyists have taken further initiatives such as filing lawsuits to the courts for a reconsideration (Cortese and Andrew, 2020). Engaging in lobbying through comment letters would have potential impacts on standard setters (Reuter and Messner, 2015).

2.4 Summary of Literature Review

This chapter presents the need for sustainability reporting standards and how stakeholder pressure influences the standard making process. Furthermore, studies related to comment letters have been underlined throughout the chapter which also focuses on the elements and importance of comment letters in the standard setting process. Next, the theoretical approach on how stakeholders influence the standard-setting due process related to sustainability reporting will be discussed.

2.5 Theoretical Framework

The previous section discussed prior literature on sustainability reporting and studies done through comment letters. In this section, the theory selected as the lens of the study will be presented and justified.

2.5.1 Rational Choice Theory

In rational choice theory, rationality is an individual act of balancing costs against benefits to maximize personal advantage (Baumol and Friedman, 1954). Elster (1989, p. 99) explained that "when faced with several courses of action, people usually do what they believe is likely to have the best overall outcome." In rational choice theory, individuals are motivated by their own goals or wants that express their preferences, and act on the basis of limited information that they have about the condition under which they are acting (Scott, 2000). This theory requires individuals to anticipate the outcome and calculate which course of action will be the best for them to achieve their goals (Scott, 2000).

According to Ferejohn (2016), the rational choice theory is separated into "thin" and "thick" models of individual action. The precise values or goals that individuals pursue are unimportant to thin rational choice models. In contrast, thick models of individual action are substantively richer as it allows some aspects of intentionality. Since people act with reason, their behavior is predictable if their intentions or motivations are known. As a result, thick models define the individual's existing values and ideas. There are numerous ways to do so, but the most common technique is to presume that people want the most exchangeable private commodities they can get, such as wealth and, perhaps, power or prestige. However, individual behavior is uncertain without knowing each person's unique value hierarchy. Individuals are not always assumed to be selfish in a thick rational choice model. These theories are capable of postulating any individual's values, even total altruism. All that is required is for individuals to be self-interested rather than selfish (Friedman and Diem, 1990).

The standard-setting process is considered a highly-technical activity which involves expert knowledge and is also part of the political process (Watts and Zimmerman, 1978; Sutton, 1984; Fogarty et al., 1994) as it involves making choices between the views and interests of different parties. Interested stakeholder groups might try to influence the standard setter by means of different forms of lobbying (Reuter and Messner, 2015). Various lobbying studies have been done using rational choice theory to address financial reporting, for instance, research conducted in the context of the IASB (Giner and Arce, 2012; Dufour et al., 2012; Orens et al., 2011), the FASB (Young, 2003, 2006), the SEC (Hochberg et al., 2007) or International Integrated Report Council (IIRC) (Reuter and Messner, 2015). Although there are substantial differences between these institutions, rational choice model lobbying is proven to be useful and applicable to all of these contexts to a great extent.

In addition, there are several assumptions of the rational choice theory. Abell (2000) noted three assumptions made by rational choice theorists which include:

I. Individualism: Individuals are actors in the society that behave and always act rationally, are self-interested, self-calculating and self-maximizing. These individuals' social actions are the ultimate source of bigger social consequences.

II. Optimality: Takes place when there is no other preferred social course of action other than what is being chosen by individuals. Rational choice theory assumes that individuals will do their best, given the circumstances as they can see it beneficial.

III. Rationality: This appears to be the rational choice theory's most common assumption. According to this assumption, everyone acts in ways that benefit them the most; everyone is most likely to adopt courses of action that they perceive to be the greatest feasible alternative and one that would greatly benefit them.

Stakeholders are in need of more comprehensive forms of reporting for businesses to potentially create value and establish links between financial and non-financial information (IFRS, 2020). Respondents may engage in various lobbying techniques in order to articulate their beliefs and interests and if the benefit exceeds the information cost suffered, stakeholders will be interested in performing lobbying activities and taking into account the probability to influence the result (Sutton, 1984). Rational choice theory assumes that individuals seeking their own interest will actually achieve the public interest and through a perfect competition, will be able to match self-interest with optimal utility (Smith, 1776). Additionally, pursuing individual self-interest eventually leads to a socially-optimal result in accordance with the invisible hand doctrine (Farmer, 2005). Therefore, the rational choice theory is applicable to this study as the theory is relevant to examine the extent of the stakeholder's individual interest towards the establishment of a sustainability standard which is perceived to benefit the society as a whole while pursuing their own interest.

2.6 Summary of Theoretical Framework

In this section, Rational Choice Theory has been thoroughly discussed to support the objectives of the study. The remainder of this study is structured as follows. The next chapter looks at the methodology as well as the data analysis performed to answer the research questions and objectives highlighted at the beginning of the first chapter. This is followed by analysis and findings and finally, discussion and conclusion of the study.

CHAPTER 3: METHODOLOGY

3.1 Introduction

The prior chapter has discussed the theoretical framework being adopted. Therefore, to have an advanced understanding of this study, this chapter will elaborate on how data will be collected in meeting the research objective identified in Chapter One.

3.2 Research Approach

In this study, the qualitative research method is deemed appropriate to be conducted in order to meet the research objectives and also provide explanation on the research questions developed. The qualitative research method is a process where research questions are studied in an unrefined setting and information collected through this method is focused on understanding the meaning of the problems through the respondents or audience involved (Creswell, 2007). In addition, this approach is a social and organisational behavior approach in which the results produced are subjective in nature and not obtained via statistical procedures or other quantifying approaches (Naoum, 2008). Similarly, Durocher et al. (2007) evidenced that qualitative research will be beneficial to examine stakeholder's perception and motivations for due process participation. Therefore, a qualitative research method has been chosen for this study because this approach allows in depth investigation on stakeholder's comments towards IFRS consultation process while understanding the issues and concerns being raised.

3.3 Research Design

Undertaking a qualitative study means it is important to utilize corresponding qualitative research design, thus phenomenology research design is adopted aimed to explore the issues raised by stakeholders on IFRS discussion paper on the sustainability reporting standard. According to Creswell (2013), phenomenology research concentrates on people's sense of existing and describes the essence and nature of experiencing the phenomena being studied. Stakeholders have diverse experience which will provide a challenge to researchers to find the underlying essence and common meaning attributed to the studied phenomena. For example, a group of stakeholders might support or argue against the proposal with the intention to influence the standard making process to meet their favour.

3.4 Data Collection

In this study, data collection was done through content analysis of secondary data through comment letters published in IFRS website (https://www.ifrs.org/) as a result of the consultation paper on sustainability reporting standard. There were 11 Questions presented by IFRS with regards to the proposal as presented in Table 3.1. This study analyses all 11 questions presented in the consultation paper to complete the research study.

Table 3.1: Questions in the Consultation Paper whose responses will be analysed in this study (IFRS Website)

Question	Description
Q1	"Is there a need for a global set of internationally recognized sustainability reporting standards? (a) If so, should the IFRS Foundation play a role in setting these standards and expanding its standard setting activities in this area? b) If not, what approach should be taken?"
Q2	"Is the development of a sustainability standards board (SSB) to operate under the governance structure of the IFRS Foundation an appropriate approach to achieve greater coherence and global comparability in sustainability reports?"
Q3	"Do you have any additional comments or suggestions on the requirements for success listed in paragraph 31 (including the requirements to achieve a sufficient level of funding and achieve the appropriate level of technical expertise)?"
Q4	"Could the IFRS Foundation use its relationships with stakeholders to assist adoption? and Consistent application of SSB standards globally? If so, under what conditions?"

Table 3.1 continued

Question	Description
Q5	"How could the IFRS Foundation take advantage of and better work with the existing initiatives in sustainability reports to achieve greater global coherence?"
Q6	"How could the IFRS Foundation better leverage and work with existing jurisdictional initiatives to find a global solution for consistent sustainability reporting?"
Q7	"If the IFRS Foundation were to establish an SSB, should it initially develop climate-related financial disclosures before potentially expanding its competence to other areas of sustainability reporting?"
Q8	"Should an SSB have a focused definition of climate-related risks or consider broader environmental factors?"
Q9	"Do you agree with the materiality approach proposed in paragraph 50 that the SSB could adopt?"
Q10	"Should the sustainability information to be disclosed be auditable or subject to external verification?"
Q11	"Interested parties may raise any other comment or relevant matter for our consideration."

The consultation paper prompted 577 comment letters in total as displayed in Table 3.2, this number of responses can be acknowledged as a good result for IFRS compared to 197 letters (Reuter & Messner, 2015), 63 comment letters (Miyauch & Sanada, 2019) and 270 comments received from respondents (Lysak, 2020).

Table 3.2: Responses according to the respondent's stakeholder group

Group	Stakeholders group	Number of responses	Participation (%)
1	Auditor	17	3%
2	Institutional Investor	67	12%
3	Academic	82	14%
4	Regulatory Body	25	4%
5	Professional Body	116	20%
6	Commercial Organization	47	8%
7	Public Opinion	124	21%
8	NGO & Lobby Group	99	17%
	Overall Total	**577**	

Various studies (Bisogno et al., 2015; Christiaens et al., 2015: Alon and Dwyer, 2016) classified respondents in accordance to affiliation criteria thus, the same approach is applied in this study: Auditor, Institutional Investor, Academic, Regulatory Body, Professional Body, Commercial Organisation, Public Opinion, NGO and Lobby Group. Additionally, categories of dominant and fringe models are used to characterize respondents at extreme ends of the power continuum (Davis et al., 1994; Djelic and Quack, 2003; Maguire and Hardy, 2009).

Respondent groups are considered dominant if they hold a "central position in terms of power and social status" (Djelic and Quack, 2003, p. 24). In contrast, fringe groups are those that lack central, dominant positions (Maguire and Hardy, 2009), and communication networks (Lounsbury, 2001). Due to lack of resources, position of power and social status, public opinion and academic groups were classified as fringe players whereas the rest of the respondent's groups are considered as dominant players due to their greater availability of resources, position of power, social status.

Therefore, by applying purposive sampling technique, this study selects dominant players as the study sample which resulted in a sample of 387 comment letters by excluding Academic and Public opinion stakeholders' group. The main reason is because dominant players tend to resist change but might turn into active promoters of change in a period of critical challenges whereas fringe players might lack access, power and resources than others to influence the change of process (Djelic and Quack, 2003).

Therefore, the data collection focused on the dominant players groups which are Auditor, Institutional Investor, Regulatory Body, Professional Body, Commercial Organisation and NGO and Lobby Group. These stakeholders' comments on the questions presented by IFRS were analysed and reviewed to answer both Research Question 1 (RQ1) "What is the stakeholders' opinion regarding the need of a formalised

Sustainability Reporting Standards?" and Research Question 2 (RQ2) "How does the stakeholders' beliefs and interests in the comment letters influence the development of the standards?" which was designed in Chapter One.

3.5 Data Analysis

To answer the research questions of this study, the qualitative summative content analysis approach will be adopted. Certain words or content are identified and quantified with the purpose of understanding the contextual use of the words or content (Hsieh and Shannon, 2005). Furthermore, summative content analysis is useful in categorizing and counting frequency during the data analysis by using predetermined criteria to test a certain part of documents (Hsieh and Shannon, 2005).

In this study, the data collected are categorised according to the stakeholders' groups and also per questions. Each response received from stakeholders' groups will be categorised using a 5-point scale from "Agree" to "Disagree." Additionally, according to a 2005 study by Hsieh and Shannon, summative content analysis can be used to categorise and tally the frequency of responses that are given during the data analysis process. From the response received, stakeholders' comments will be classified as proponents or opponent's category.

In addition, the data collected by identifying and analysing all comments posted by various stakeholders in IFRS discussion paper through the website (https://www.ifrs.org/) before categorising the information obtained based on the key elements, subsequently comparing the comments with issues faced by stakeholders on the sustainability reporting standard. Data analysis focused on all the questions presented by IFRS in the Consultation paper in order to answer RQ1 and RQ2 designed in Chapter One. As presented in Table

3.3, there are a total of 2,968 responses received from the dominant players group for all the questions selected as the study sample in sub-section 3.4 Data Collection.

Table 3.3: Distribution of the responses received by IFRS based on the selected study sample

Interest Group (Dominant Players)	Total (n)
Auditor	136
Institutional Investors	536
Regulatory Body	200
Professional Body	928
Commercial Organization	376
NGO and Lobby Group	792
Total (n)	2,968

The highest comments come from Professional Body (928 letters), followed by NGO and Lobby Group (792 letters), Institutional Investors (536 letters) and the rest of the stakeholders' responses were less than 400 letters for each interest group. Nandy and Sarvela (1997) explained that the summative content analysis approach is appropriate as the identification of the keywords will be useful in the identification of themes or patterns when little is known on the topic. Various studies (Alok et al., 2014; Hafezi et al., 2013; Ross et al., 2015) have used summative content analysis to interpret the meaning of texts as well as to identify related themes and patterns to study sustainability.

Another analytical tool used to support content-based analysis is thematic analysis. Thematic analysis complements content-based analysis by identifying the themes and pattern of the living and/or behaviour (DeSantis and Ugarriza, 2000). In this case, the response from the stakeholders on the consultation paper on the sustainability reporting standard. According to Braun and Clarke (2006), thematic analysis is a technique of identifying, analysing and reporting patterns within the data. This study will follow the 6-step framework established in Braun and Clarke (2006).

There are six steps involved in the framework established by Braun and Clark (2006). It started with analysing the responses received from the comment letters and identification of the pattern of the comment. By using all the patterns discovered from the data analysis, initial codes generated for each of the repeating patterns. After that, using the codes identified, several themes have been listed and reviewed to choose the appropriate theme for the study. Once the theme has been decided, the process of naming the themes will be executed and followed by a write up.

For example, various stakeholders in the comment letters keep repeating the need for a formalised standard on sustainability reporting standard as it is essential for uniformity and comparability. Hence, enhanced comparability, consistency and transparency were selected as one of the themes for this study. This process repeated to identify the rest of the themes presented in the findings of the study. This analysis is deemed appropriate with the aim to explore the themes from stakeholder comments on the consultation paper related to sustainability reporting standards.

A similar study by Arslan (2020) explored the themes from published papers related to social sustainability (SS) from sustainable supply chain (SCM) literature which uses thematic analysis. Borim-de-Souza et al. (2019) applied thematic analysis together with the content analysis method to discover possible different thematic representations which constitute the field of forces present in the debated field of knowledge. Therefore, thematic analysis is considered to be the appropriate method to be used in this study as the same method widely used by other researchers to analyse content of comment letters.

Braun & Clarke’s (2006) six-phase framework are classified as follows: -

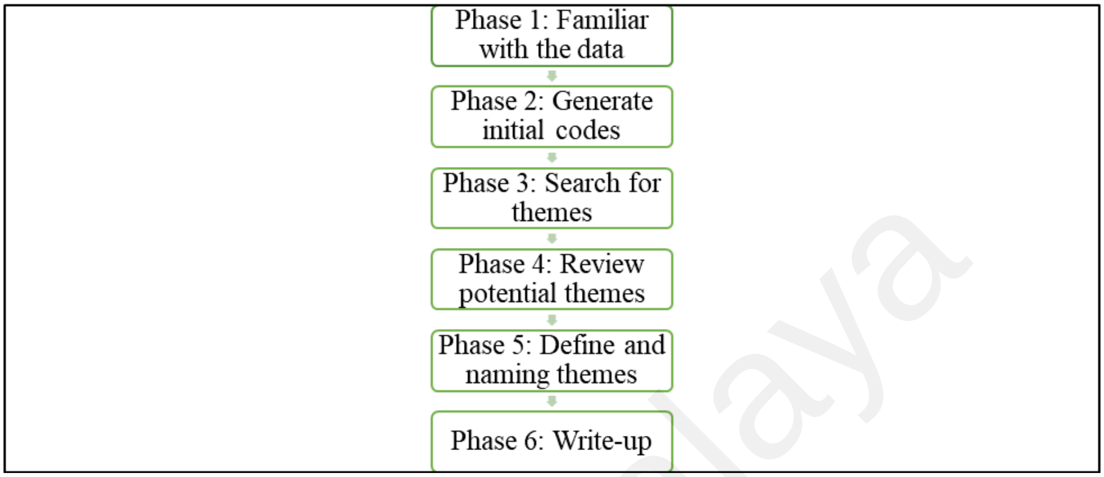

Figure 3.1: Braun & Clarke’s 2006 six-phase framework

For example, the responses received from the comment letters were analysed and the pattern of the comments were identified and gathered. By using all the patterns discovered from the data analysis, initial codes generated for each of the repeating patterns. After that, using the codes identified, several themes have been listed and reviewed to choose the appropriate theme for the study. Once the theme has been decided, the process of naming the themes will be executed and followed by a write up. The same process repeated for the rest of the studies.

3.6 Summary

This chapter presents the data collection and data analysis method used to gather information on all the responses received from stakeholders in order to answer the research questions designed in this study. Qualitative research method together with summative content analysis has been selected as the Methodology of this study. Details of the analysis and findings will be further discussed in the following Chapter 4.

CHAPTER 4: RESULTS AND DISCUSSIONS

4.1 Introduction

The previous chapter discussed the method performed for data collection for this study. In this chapter, data analysis and findings will be further elaborated upon and justified to support the theoretical framework and objective of the study. In meeting the objective of this study, responses to the selected questions listed in Table 3.1 under section 3.4 data collection have been analysed. This would be able to provide an answer to the research questions designed in this study under Chapter 1.

4.2 Overview Comments from Respondents on IFRS Consultation Paper

With the Consultation Paper produced on Sustainability Reporting Standards in September 2020, IFRS solicited discussion on 11 questions related to the establishment of the standard. The Consultation Paper on Sustainability Reporting Standards prompted 577 comment letters in total during the process. By analysing all the questions, a total of 4,081 responses were received for all the selected sample questions from the dominant player groups (hereafter referred to as Interest Groups).

In order to investigate the proposed aims, the content of responses provided by interest groups has been analysed. Table 4.1 presents the frequency distributions considering the selected interest groups.

Table 4.1: Frequency distribution of the responses by interest group

Interest Groups	Disagree (1)	Disagrees with reservations (2)	Ambivalent (3)	Agrees with reservation (4)	Agrees (5)	Did not answer	Total
Auditor	7	4	21	57	62	36	187
Institutional Investors	48	23	74	111	259	222	737
Regulatory Body	15	5	30	26	63	136	275

Table 4.1 continued

Interest Groups	Disagree (1)	Disagrees with reservations (2)	Ambivalent (3)	Agrees with reservation (4)	Agrees (5)	Did not answer	Total
Professional Body	122	47	110	205	486	306	1276
Commercial Organization	24	35	42	79	185	152	517
Ngo & Lobby Groups	90	39	140	155	350	315	1089
Total	306	153	417	633	1405	1167	4081

By analysing the frequency of the responses by interest group, as shown in Table 4.1, it is verified that Professional Body forms the group with the greatest percentage of responses towards IFRS' proposals (31%), followed by NGO and Lobby Groups (27%) and Institutional Investors (18%), whilst the rest of the interest groups contribute less than 15% responses each.

The top three group responses give outstanding agreement towards the proposed standard by IFRS. For instance, 691 out of 1,276 responses from the Professional Body group show agreement which amounts to 54% of the total responses. As for NGO and Lobby Groups, 505 out of 1,089 responses, which is equivalent to almost 50% of total responses and 370 out of 737 responses from Institutional Investors state their agreement on the proposed standard.

The responses reflect a good mix of functions, perspectives, expertise and background among respondents. With various backgrounds and expertise, respondents bring in multiple arguments and ideas that could be useful for IFRS to take into consideration while preparing the proposed standard to ensure comprehensiveness. Since the selected interest groups are dominant player groups, all of them have the power and might be able to influence the standard-setting due process on the proposed Sustainability Reporting Standards by IFRS.

Apart from that, about 1,167 of the responses from the interest groups fall under the “Did not answer” category and those responses mainly came from NGO and Lobby Groups (315 responses), Professional Body (306 responses), Institutional Investors (222 responses) Commercial Organisation (152 responses) and Regulatory Body (136 responses). As for the Auditor interest group, these types of comments are minimal.

In most cases, the stakeholders classified under “Did not answer” provided a general comment on the overall proposal issued by IFRS without providing their specific comments following the 11 Questions presented in Table 3.1. However, the majority of the general comments provided agreed with the proposal by IFRS to set a global framework for sustainability reporting standards. Respondents’ main focus is to ensure consistency, comparability and transparency of the proposed sustainability standard.

> “…The lack of standardisation can pose challenges for investors seeking to integrate sustainability information into their decision-making. As a global investor, with holdings in companies in 71 different countries, we have a clear interest in this information being reported in a consistent and comparable manner across markets”. (IFRS, 2020: NBIM).

> “As investors, we have a need for consistent, comparable, relevant, decision-useful data across global jurisdictions.” (IFRS, 2020: AIMCo).

> “…information supplied by the companies in which we invest is incomplete and inconsistent. As such, we are encouraged by many aspects of the IFRS Consultation on Formation of Sustainability Standards Board for the clarity and consistency it will promote.” (IFRS, 2020: Russell Investment).

The critical need to increase sustainability reporting's global comparability and consistency is acknowledged by respondents. They also think that this is a key enabler for the global initiatives to mainstream sustainability in the finance sector. Respondents believe that a set of globally recognised sustainability reporting standards is key to promoting consistency in reporting and making reported information comparable. This not only allows banks to properly understand, manage and mitigate climate-related risks, but also, from a wider perspective such as social and governance view point.

Based on the above comment from the stakeholders', the current report lacks standardisation, and is incomplete and inconsistent which pose challenges for decision making. As explained by Petcharat and Zaman (2019), the ultimate aim of organisations regarding sustainability is to enhance stakeholders' investment decision making which covers both investors as well as customers. The proposed standard will be beneficial to both parties and at the same time, enhance the investment decision making.

Furthermore, the Auditor group also highlighted on the same arising issues of consistency, comparability and transparency of existing sustainability reports produced by businesses. The majority of respondents concur that there is a need to increase sustainability's comparability and consistency. By making their sustainability programmes more transparent, businesses will be able to gain over the public's trust.

> "We consider that there is an urgent need for a set of internationally recognised sustainability reporting standards to ensure consistency and global comparability of sustainability information. The need for such information and, in particular, climate-related information, is evident in many countries…" (IFRS, 2020: Auditor General New Zealand).

> "We support efforts to bring global consistency and comparability to the sustainability reporting landscape. This includes the Consultation Paper and the Statement of Intent to Work Together Towards Comprehensive Corporate Reporting…" (IFRS, 2020: AASB).

> "…could streamline existing voluntary sustainability and integrated reporting initiatives and allow for relevant and comparable data." (IFRS, 2020: Office of the Auditor General of British Columbia).

In fact, auditors also highlighted that with a standardised framework, it would ensure global comparability and consistency across the globe. This supports a previous study by Amran et al. (2013) where it emphasises that a sustainability report should provide accurate and transparent information to guarantee an acceptable quality.

Although they provided general comments and elected to not respond to the list of questions presented by IFRS, these stakeholders showed similar concerns which is to promote consistency, comparability and transparency of the data presented in the sustainability report. The same goes to Professional Body interest groups whereby respondents believe sustainability reporting system needs to deliver information that is consistent, comparable, reliable and which can be subject to external assurance. It is crucial to attain better global cohesiveness, consistency, and comparability in reporting while also reducing this complexity. Many organisations have found it difficult to compare data due to the lack of generally accepted standards.

> "A set of global internationally recognised standards would serve the public interest, providing consistency and comparability in reporting, and lead to transparency in the market, allowing capital allocation to be optimized." (IFRS, 2020: AICPA).
>
> "A single set of high-quality global standards will be greatly welcomed in this area to address the urgent need to improve the consistency and comparability of this reporting." (IFRS, 2020: AcBS).
>
> "…could help to promote consistency and comparability across borders and reduce the risk of fragmentation." (IFRS, 2020: IOSCO).

Therefore, according to these comments by stakeholders, they believed it is crucial to have a standardised reporting framework for sustainability to help promote consistency of the data gathered, increase comparability across the organisation and ensure sufficient transparency and quality of the report generated.

Further analysis of the study excluded Did Not Answer responses as these comments are too general thus classifying the answers sample according to 5-point scale is unviable. Therefore, after excluding this type of responses from stakeholders, the total of respondents is 2,914. Table 4.2 below demonstrates the frequency distribution of responses by interest groups excluding Did Not Answer.

Table 4.2: Frequency distribution of the responses by interest groups (Exclude Did Not Answer)

Interest Groups	Disagree (1)	Disagrees with reservations (2)	Ambivalent (3)	Agrees with reservation (4)	Agrees (5)	Total	Percentage
Auditor	7	4	21	57	62	151	5%
Institutional Investors	48	23	74	111	259	515	18%
Regulatory Body	15	5	30	26	63	139	5%
Professional Body	122	47	110	205	486	970	33%
Commercial Organization	24	35	42	79	185	365	13%
Ngo & Lobby Groups	90	39	140	155	350	774	27%
Total	**306**	**153**	**417**	**633**	**1405**	**2914**	**100%**

4.2.1 Evaluation of the Respondents' Comments: According to Interest Groups

Table 4.3, on the other hand, summarises the approval results for each of the study's questions, considering the interest groups which are Auditor, Institutional Investors, Regulatory Body, Professional Body, Commercial Organisation and NGO and Lobby Groups.

Table 4.3: Favourability rating by interest groups and questions

Questions	Interest Groups						
	Favourability						
	Auditor	Institutional Investors	Regulatory Body	Professional Body	Commercial Organization	Ngo & Lobby Groups	Total
Q1 (n=287)	5%	17%	5%	32%	13%	26%	98%
Q2 (n=276)	4%	16%	4%	31%	10%	24%	89%
Q3 (n=271)	3%	11%	2%	20%	5%	12%	53%
Q4 (n=269)	4%	14%	3%	28%	11%	17%	79%
Q5 (n=269)	4%	14%	3%	28%	11%	17%	79%
Q6 (n=282)	4%	14%	3%	27%	11%	16%	75%
Q7 (n=282)	4%	10%	2%	15%	8%	13%	52%
Q8 (n=276)	3%	9%	1%	15%	6%	11%	46%
Q9 (n=274)	3%	8%	3%	18%	5%	14%	51%
Q10 (n=275)	5%	14%	3%	29%	11%	22%	84%
Q11 (n=153)	5%	17%	7%	33%	13%	25%	100%
Total	4%	12%	3%	23%	9%	16%	67%

After analysing the data displayed in Table 4.3, it is verified that there is slight supremacy (67%) in relation to the favourability in the interest groups responses to the questions. The highest favourability of 23% of all the questions came from the Professional Body group whereby all of the members in the organisation practiced a profession or occupation related to accounting sectors. They are very familiar with all the accounting standards for both financial and non-financial information.

This is followed by NGO and Lobby Groups which contribute to 16% and Institutional Investors 12% of favourability in answering the questions presented by IFRS. It is not a surprise on the high support on the proposal from IFRS by the NGO and Lobby Groups as well as Institutional Investors as these interest groups will always take the opportunity to be involved in the standard-setting due process to ensure they will benefit. For example, Institutional Investors' primary concern is to ensure the standard will provide a holistic view on the organisation's non-financial condition and contribution to sustainability. At the same time, NGO and Lobby Groups will try their level best to ensure their own interest is taken into consideration by IFRS when developing the proposed standard.

In addition, the rest of the interest groups such as Auditor, Regulatory Body and Commercial Organisation contribute to less than 10% from the total 65% favourability on the question presented by IFRS.

On the other hand, there are a total of 13% responses that state disagreement with IFRS proposal in developing the sustainability global framework as a whole. Table 4.4 presents the unfavourability rating by interest groups according to the selected sample questions.

Table 4.4: Unfavourability rating by interest groups and questions

Questions	Interest Groups						
	Unfavourability						
	Auditor	**Institutional Investors**	**Regulatory Body**	**Professional Body**	**Commercial Organization**	**Ngo & Lobby Groups**	**Total**
Q1 (n=287)	0%	0%	0%	1%	0%	0%	1%
Q2 (n=276)	0%	1%	0%	1%	1%	1%	5%
Q3 (n=271)	0%	0%	0%	2%	1%	2%	6%
Q4 (n=269)	0%	0%	0%	0%	0%	1%	2%
Q5 (n=269)	0%	0%	0%	0%	0%	1%	2%
Q6 (n=282)	0%	0%	0%	0%	0%	1%	2%
Q7 (n=282)	1%	5%	2%	13%	4%	9%	33%
Q8 (n=276)	1%	6%	2%	14%	5%	11%	39%
Q9 (n=274)	1%	7%	0%	12%	6%	10%	36%
Q10 (n=275)	0%	2%	0%	3%	1%	1%	8%
Q11 (n=153)	0%	0%	0%	0%	0%	0%	0%
Total	**0%**	**2%**	**1%**	**5%**	**2%**	**4%**	**13%**

The highest responses come from Professional Body (5%), followed by NGO and Lobby Groups (4%), Institutional Investors (2%) and Commercial Organisation (2%).

However, for the remaining interest groups, Regulatory Body and Auditor show less than 2% disagreement towards all the questions presented by IFRS which is considered as insignificant.

With 67% of favourability on the questions answered by interest groups, it proves the study by Francis (1987) whereby it was contended that people who will be impacted by changes to reporting requirements are the ones who start lobbying operations because they want regulations to promote their interests. In fact, these groups of stakeholders may participate in the due process for a number of reasons, including personal interest in the subject or process, perception of influence over the result, or existing consensus on the issues just like the study done by Durocher et al. (2017).

Moreover, from the data in Table 4.3, all of the questions received more than 50% favourability by interest groups which indicates that the majority of the interest groups believe that a global standard is crucial to ensure all organisations have proper guidance in preparing the sustainable report and eventually provide a sustainable report that is useful and beneficial to the users.

4.2.2 Evaluation of the Respondents' Comments: Based on Questions Individually

Table 4.5 shows the frequency distribution of responses to each question in the Consultation Paper that were chosen to act as the research's basis as mentioned in chapter 3.4 Data Collection, using a 5-point scale ranging from "disagree" to "agree."

Table 4.5: Frequency distribution of the responses by questions (Numbers)

Questions	Disagree (1)	Disagrees with reservations (2)	Ambivalent (3)	Agrees with reservation (4)	Agrees (5)	Total
Q1	1	3	2	29	252	287

Table 4.5 continued

Questions	Disagree (1)	Disagrees with reservations (2)	Ambivalent (3)	Agrees with reservation (4)	Agrees (5)	Total
Q2	8	7	16	42	203	276
Q3	12	3	113	71	72	271
Q4	5	0	52	10	202	269
Q5	5	0	52	22	190	269
Q6	63	29	43	80	67	282
Q7	64	30	42	75	71	282
Q8	74	33	41	79	49	276
Q9	60	39	35	35	105	274
Q10	14	9	21	37	194	275
Q11	-	-	-	153	-	153
Total	306	153	417	633	1405	2914

Table 4.6

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11
Agree	98%	89%	53%	79%	79%	79%	52%	46%	51%	84%	100%
Disagree	1%	5%	6%	2%	2%	2%	33%	39%	36%	8%	0%
Ambivalent	1%	6%	42%	19%	19%	19%	15%	15%	13%	8%	0%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

From the data in Table 4.6, it is possible to infer that among the 2,914 respondents that are the basis for this study due to them forming part of the selected interest groups, there was a predominance of position in favour of the IFRS proposals (around 70% responded 4 or 5) as opposed to position against (around 16% responded 1 or 2) and ambivalent (responded 3) that carries 14% of the total responses.

4.2.2.1 Respondents Comments: Favourable Responses

By evaluating the questions individually, the most favourable question is noted on Q1 which addresses whether there is need for a global set of internationally-recognized sustainability reporting standards. Total of 98% of the respondents answered 4 and 5 and only 1% indicated disagreement by answering 1 or 2 for this question, indicating that most of the participants were satisfied with the proposed agenda by IFRS to create a global standard to govern sustainability. Apart from that, 1% of the respondents' comments are ambiguous on this question which could be classified as insignificant. Below are some of the comments from the respondents:

> "Yes, we believe that there is a need for a global set of sustainability reporting standards." (IFRS, 2020: Office of the Auditor General of Ontario).
>
> "The JSE acknowledges the challenges faced by reporters, as well as users of sustainability information, posed by the multiplicity of sustainability reporting standards and frameworks. We recognise the need for comparable, consistent sustainability reporting. As such, the idea of a set of global sustainability standards is appealing." (IFRS, 2020: JSE).
>
> "We agree that there is a need for a global set of internationally recognised sustainability reporting standards. As a starting point, we suggest that a standardised conceptual framework for sustainability reporting should be developed." (IFRS, 2020: IRBA).

Based on the above responses, majority of the respondents agree with the IFRS proposal to establish a new global standard and they show full support and commitment in realising it. The growing needs of non-financial reporting all around the world have given rise to its significance. Unfortunately, too many initiatives and standards have led to the imposition of excessive burdens on companies in terms of disclosure of such information, which is deemed inefficient and unfeasible.

In fact, respondents also support the IFRS playing a leading role in setting these standards. Respondents recognise that Environmental, Social, and Governance (ESG) disclosure standards and the analytical work to assess and measure ESG-related risks and opportunities are still evolving and maturing. In Reimsbach et al. (2019), energy use, human rights concerns, and governance challenges are just a few of the many issues that fall under the umbrella of sustainability reporting and may be of interest to a wide range of stakeholders.

The IFRS has a strong record of developing high quality financial reporting standards with appropriate due process considerations, given its expertise in standard-setting and most notably, their success in developing a harmonised international framework. In our view, sustainability reporting might ultimately become the most important complement to “traditional” financial reporting to stakeholders.

The second favourable question is Q2 with the total of 89% agreeing and only 5% disagreeing and the balance of 6% is ambivalent. Q2 addresses the need for a Sustainability Standards Board (SSB) to be established under IFRS in order to monitor the framework to achieve global coherence and comparability in sustainability reports. The majority of respondents concur that the creation of SSB to function under the IFRS' governance framework is an appropriate strategy for achieving more global comparability and uniformity in sustainability reporting.

> “Operating under the governance structure of IFRS Foundation enables SSB to benefit from of public accountability, proper monitoring process and faster access to technical relevant expertise.” (IFRS, 2020: Chamber of Financial Auditors).

> “Developing an SSB will not only further the consistency and global comparability in sustainability reporting, but the board would also give it the focused attention needed to create, amend, implement and standardize reporting requirements; but not in direct contradiction to already established frameworks. An SSB will be useful in connecting sustainability information with financial reporting” (IFRS, 2020: World Council).

> “Yes. To uphold the integrity of capital markets, the system for corporate reporting must be transparent, independent and serve the public interest…widespread adoption of IFRS standards reflects certain key attributes, including: public accountability and independence; rigorous, transparent and

participatory due process; a clear mission statement and defined target audience; assurance standards; a robust process for the evolution of standards." (IFRS, 2020: FCA).

With quite a high percentage of agreement on this question, it indicates that stakeholders look forward to a comprehensive, high quality and credibility of sustainability standard being established. This is aligned with the study by Petcharat and Zaman (2019) which argued that an organization's main goal in reporting on sustainability is to improve stakeholders' investing decisions. Their main focus is to ensure that the proposed standard will not only be another standard but could be used globally and serve the purpose of its investment.

Respondents agree that IFRS has a role to play, particularly given its connection to the accounting community and the need for this stakeholder group to upskill and become more involved. Even though the creation of a new standards body might be appropriate as a stopgap measure, respondents believe that in the long run, full integration into the core IFRS frameworks would be more in line with the direction the industry is taking in terms of merging conventional financial reporting with ESG reporting. Environmental aspects such as governance, labor and macroeconomic performance should be considered as this is argued to have significant impacts on organisation ESG disclosure (Baldini et al., 2018).

In this regard, respondents would strongly support the creation of a second standard-setter operating under the supervision of the IFRS, one that would function in parallel with the IASB in a three-tier structure and, as a result, would also be governed and overseen by the Trustees and the Monitoring Board. Stakeholders believe that with the involvement of a new board under IFRS, the proposed standard will cover a greater view and will be properly managed. IFRS can use its standard-setting resources and skills to upskill the development of the standard and at the same time, this would provide greater involvement from stakeholder groups.

In addition, the third favourable question is Q10 which addresses whether the sustainability report should be subjected to external audit and assurance. This is a very controversial question as there are conflicts of opinion between stakeholders as to whether to agree or disagree for the sustainability report to be audited or obtain external verification. However, after analysing the comments from respondents, 84% of the respondents agree for the sustainability report to be subjected for external audit and 8% of the respondents disagree. The remaining responses are ambivalent (8%).

Quantitative ESG disclosures should be based on clear definitions that are consistently applied to enable investors to compare performance. Below are some of the concerns highlighted by respondents:

> "We believe any information contained in a sustainability report should be auditable, and whether positive or negative assurance is provided should make no difference. Auditing non-financial statements provides additional trust and confidence in the amounts and balances that are being reported on to all stakeholders, particularly investors" (IFRS, 2020: Grant Thornton International).

> "The experience of ISO is that this is strongly affirmative. It is a fundamental practice and requirement in the financial markets to have auditable information and assurance required. ISO standards in principle include and involve aspects such as Impact Assessment (IA) and Assurance & Verification (A&V). These are considered essential characteristics of any internationally accepted standard and sustainability standards should be no exception." (IFRS, 2020: ISO).

> "External assurance may play a role in supporting the quality of sustainability reporting; however, developing a common standard should be the first priority. We believe sustainability disclosures, or certain components of them, should be auditable or subject to independent verification, but we agree with the Foundation's view that there are conceptual and practical challenges to achieving such assurance…" (IFRS, 2020: CSA).

Based on the above comments, the main aim in auditing sustainability reports is to provide additional trust and confidence. In fact, in some countries, it is considered an essential characteristic for standards to include assurance and assessment in order to be accepted as an international standard. Apart from that, some of the respondents also highlighted that when it is audited and verified externally, it will enhance reliability and quality of the report to the users.

Investors and stakeholders are increasingly requesting that reporting entities improve the quality of the sustainability information they publish as a result of the increasing relevance and impact of sustainability reporting. The only way to ensure that sustainability information is credible, reliable, and transparent is to have it externally audited. This will reassure investors and stakeholders that the information presented is accurate.

In de Villiers et al. (2014), it was highlighted that sustainability information becomes more complex due to the environmental and social elements which results in companies facing difficulties to provide information needed by external users. Hence, external verification will provide assurance to users that the information disclosed in the sustainability report is indeed reliable and transparent.

Respondents expressed caution that any requirements for external verification should be carefully addressed from a cost-benefit viewpoint, despite their agreement that external certification would increase the trustworthiness of information reported under a sustainability framework.

The fourth favourable question is Q4 which addresses the relationship between IFRS and stakeholders in the adoption of the standard and to provide assurance on the consistency in applying the standard globally. 79% of the respondents agree for IFRS to use its relationship with stakeholders to maintain the adoption of the standard and at the same time ensuring the standard to be applied across the globe. In contrast, only 2% of the respondents disagree and 19% are ambiguous. Some of the comments from stakeholders are:

> "We believe the IFRS Foundation could use its relationships with stakeholders most effectively under the condition it adopts multi-preparer and multi-user perspectives. Existing stakeholders should not object to a more inclusive focus, including other stakeholders beyond investors, particularly if the IFRS Foundation can convince its stakeholders that a more inclusive focus will most quickly and effectively bring together the existing frameworks, via cooperation, and result in a generally accepted solution." (IFRS, 2020: Office of the Auditor General of Alberta).

> "In our view, the use of its relationships with different stakeholders is one of the main advantages of establishing the SSB. As previously mentioned, working under the well-established governance of the IFRS foundation should help to create synergies." (IFRS, 2020: Banco de Espana).

> "Given the track record of IFRS Foundation through the activities of its functional arm, the International Accounting Standards Board (IASB) in getting various jurisdictions and countries across the globe to voluntarily adopt IFRS Standards, the same approach could be adopted…The current engagement with institutions and institutional bodies is a good channel to foster awareness and obtain acceptability once the sustainability standards become effective." (IFRS, 2020: FRC).

In response to the comment letter, respondents emphasised that IFRS should utilise its existing ties with stakeholders to improve the adoption of a global sustainability standard and create broad consensus through its involvement with national regulators and financial markets around the world.

Thjssens et al. (2016) states that no matter what the goals of sustainability reporting are, the actual structure, mechanism, and process can differ. Therefore, it is essential that IFRS makes use of its relationship with other stakeholders to gather all the information required to ensure the new standard will receive global acceptance. This would also seem to be one of the biggest benefits as the IFRS should take advantage of its position with investors to obtain a comprehensive understanding of what investors want to see in reporting to support investor decision-making.

The next question that received high positive responses is Q5 which carries 79% of agreed responses, 2% that disagree and 19% ambivalent responses from interest groups. This question discusses the way that IFRS could work with existing initiatives in sustainability reporting to achieve global consistency.

Given that there is a pressing need to harmonise, accelerate, and expand sustainability reporting, it is both cost-effective and result-effective to use the work of existing organisations. Respondents advise IFRS to significantly build on the work of SASB/IIRC, the Climate Disclosure Standards Board (CDSB), and the Task Force on Climate-Related Financial Disclosure (TCFD), which have long been working on this topic in order to produce a standard for investor-oriented sustainability reporting.

Besides that, it is recommended that reporting entities and representatives of industry-specific standard setters form an advisory group under IFRS. These individuals frequently report to a variety of standards and frameworks and are well aware of the reporting issues and constraints. These prior experiences will facilitate improved synchronisation across sectors/geographies.

> "There is no need to 'recreate the wheel'. The existing initiatives in this space have laid much of the groundwork that would be required for producing a timely set of global sustainability standards. As noted in our response to Question 3, the Foundation could leverage the results of collaboration between current key voluntary sustainability standard-setters and frameworks (e.g., CDP, CDSB, GRI, IIRC and SASB) and draw from their existing knowledge base and labour pool." (IFRS, 2020: Carbon Tracker Initiative).

> "We recommend that the IFRS Foundation leverages the work that has resulted from the Corporate Reporting Dialogue (CRD) to understand where opportunities exist to streamline reporting. We would support efforts to consolidate the existing initiatives (paragraph 36) and build upon those established frameworks by addressing inconsistencies and reporting gaps…" (IFRS, 2020: QBE Insurance).

> "The IFRS Foundation should leverage on exiting initiatives and expertise that could be invited to directly participate in the standard setting process (e.g., expert groups etc) while ensuring transparent due process including field tests, impact analysis, outreach, consultation and adoption without undue influence. One important aspect that has proven important in the existing initiatives is to have not only globally applicable metrics and standards but also sector specific guidance and / or KPIs that reflect the particularly sustainability issues most relevant for a given sector." (IFRS, 2020: European Banking Federation)

In addition, Q6 also received high positive responses from respondents with 79% agreeing, 2% disagree and 19% ambivalent. This question addresses how IFRS could build upon existing initiatives to find a global solution for consistency. Respondents urged the IFRS to keep a close eye on developing jurisdictional measures such as the evaluation of the EU's Non-Financial Reporting Directive. In order to develop a comprehensive framework that can accommodate the needs of many countries and regions, it is crucial to comprehend the variations in progress for each country or region while taking into account existing jurisdictional initiatives. An alternative that gives jurisdictions the necessary flexibility is to permit jurisdiction-specific add-ons.

The fight against climate change and other environmental issues requires international cooperation. Companies look for funding from all around the world, and investors frequently do business in many countries. Governments all throughout the world will need to embrace new sustainability requirements.

> "At Financial Reporting Council of Nigeria, we believe that duly constituted SSB should liaise with the existing jurisdictional initiatives to avoid duplication of efforts, and leverage on their technical expertise as well as the best available resources to enhance global acceptance and adoption of sustainability standards." (IFRS, 2020: Financial Reporting Council of Nigeria)

> "The IFRS Foundation should consider defining key metrics, linking to and leveraging on existing standards and initiatives rather than producing standards from scratch. The IFRS Foundation could draw some best practices and include some good jurisdiction initiatives which could drive consistency at the global level." (IFRS, 2020: MIA)

> "The IFRS Foundation, through the work of the IASB, can leverage existing relationships with global regulators and its experience in international standard-setting to create consistent sustainability reporting standards. In this regard, it is necessary for the IFRS Foundation to build on the work of existing jurisdictions with the aim of providing the highest quality standards, so that all jurisdictions can reach the level of the most advanced jurisdictions." (IFRS, 2020: Clarity AI)

In Yunus et al. (2020), in order to implement appropriate methods for environmental disclosure, it was noticed that pressure from relevant stakeholders was a key motivator. It is crucial to comprehend how relevant stakeholders affect how businesses respond to climate change. The IFRS must work with the various organisations and jurisdictions to create a collaborative approach and not a competitive approach. Some flexibility or leeway in the global standards may be required for recognition of jurisdictional and other organisational reporting requirements. The IFRS may convene jurisdictions in the same way it did while creating its initial financial standards by drawing on its extensive and strong partnerships.

The IFRS might serve as the objective overseer and use its knowledge to expedite, harmonise, and standardise. Developing strong synergies within the current financial reporting mechanisms and applying their expertise in creating rigorous standards for financial reporting to the development of sustainability reporting would be two important benefits of the IFRS leadership in this regard.

By analysing these comments from respondents, it is proved that IFRS has a good reputation and credibility within stakeholders across the world. Most of the stakeholders agree for IFRS to use its good relationship in making sure that the proposed standard will be followed and achieve wide consensus around the world. IFRS is able to get consolidated views from various stakeholders and ensure the proposed standard meets their expectation and ultimately make them adopt it voluntarily.

Q3 also received high favourability, albeit the lowest among its counterparts with 53% in agreement, 6% in disagreement and 42% ambivalent. This question asked stakeholders on whether emphasis should be put towards the requirement of success listed in paragraph 31 that covers two requirements which are global support and working with regional initiatives to achieve global consistency.

Furthermore, IFRS highlighted in the question if there is a need of sufficient level of funding for the preparation of the proposed standard to achieve appropriate level of technical expertise. Individually, most of the stakeholders express their mix feelings towards this question, for instance,

> "While we agree with the requirements for success as outlined in paragraph 31 of the Consultation Paper, we do not consider those as prerequisites for forming the SSB but rather important factors that over time will contribute to the future success of the SSB" (IFRS, 2020: KPMG).

> "The requirements for success as listed in paragraph 31 are a good start. What is most critical is that the SSB should begin to use these criteria immediately to avoid delaying action. More requirements can always be added later, but the development and implementation of the SSB should not be stalled due to disagreements over adding additional criteria." (IFRS, 2020: Triodos Bank).

> "CGEE strongly supports the SSB initiative, based on the seven requirements for success identified by the Trustees in the Consultation Paper. However, success will also hinge upon having significant representation from SMEs and SMPs… In addition, we believe that there are other important factors to consider" (IFRS, 2020: CGEE).

Respondents personally consider the requirements set out in paragraph 31 of the consultation paper to be critical factors for success. In particular, respondents emphasise the need for global buy-in and support from a wide range of stakeholders including public authorities, regulators, investors, preparers and experts from existing sustainability framework organisations. Respondents believe that all the factors identified by the IFRS are material to the success of the sustainability reporting standard.

With the above comments from stakeholders, it shows that there is a need for additional factors to take into consideration and not only focus on the requirement listed in paragraph 31 during the development process of the standard. However, most of the respondents agree that the success requirement listed in paragraph 31 is important and should not be neglected in the establishment of the sustainability reporting standard.

4.2.2.2 Respondents Comments: Unfavourable Responses

By applying the same method from the study by Harber and Maroun (2020), available comment letters are scrutinised several times before identifying the arguments for or against the proposal. As a result, as per the stakeholder's disagreement comments tabulated in Table 4.6, the most opponents' responses received are on Q8 (39%), followed by Q9 (36%) and Q6 and Q7 (33%). As for Q8 it discussed whether IFRS should focus on definition of climate-related risk or to consider broader environmental factors. Respondents argue that, although climate issues are common in many companies and would be easy to handle during standardisation, IFRS should have a broad scope of non-financial elements which may lead to value creation. In fact, focused definition might imply restriction and limitation on the new sustainability standard.

> "Given the large variety of environmental factors and risks, there is a risk that the focused definition might imply limitation, oversight and may be very restrictive. A broader definition is more likely to be in-line with the "principle-based approach used by IASB in Standard setting process." (IFRS, 2020: CAFR)
>
> "We would advocate for broader environmental issues than climate-related risks to be considered by an SSB." (IFRS, 2020: Morningstar)
>
> "On all ESG topics, the objective is to develop a common language for all stakeholders. For that, the first step is to define the underlying metrics. So, the answer is: yes, the SSB would have to be focus on the definition of all ESG metrics." (IFRS, 2020: Candriam)

It is understandable that climate issues are common in many companies and easy to handle in the process of standardization based on existing various attempt. However, IFRS should have a broad scope on non-financial elements which may lead to enterprise value creation. The Sustainability Standard Board (SSB) ought to prioritise more extensive environmental considerations. Recently, social factors have become more important, in part because of COVID-19. Given their significance, the SSB should broaden its purview to cover governance- and social-related issues, giving each equal weight.

Next question that received the highest opponents' comments is Q9 which discussed the materiality approach under paragraph 50. In order to promote a standard for non-financial reporting, opponents believed IFRS should focus on a double materiality approach instead a single side of materiality. A worldwide sustainability reporting standard won't be achieved if IFRS adopts a single materiality approach because reporters would still need to take into account additional disclosure and data from other stakeholders.

> “The FFA believes the double materiality perspective is key and represents a core aspect of non-financial information. The focus on materiality only for investors is one the criticism addressed to existing non-financial standards…The concept of materiality for sustainability should include the relevance for the company’s financial performance and the consequences for society and the environment. By working on a ‘single side’ of materiality, the essence of non-financial reporting will be lost.” (IFRS, 2020: FFA)

> “AIAF believes that in order to promote a standard for non-financial reporting, we need to refer to a notion of double materiality that is capable of seizing both the impacts that ESG factors have on the reporting entities as well as the impacts that such entities have on the environment.” (IFRS, 2020: AIAF)

> “…but our view is that there are many different forms and requirements for sstainability reporting which is currently creating confusion and burden on reporters. If the standards aim to focus only on that which is material to investors, this would mean that reporters would still need to consider additional disclosure and information for other stakeholders, thereby detracting from creating a global set of sustainability reporting standards.” (IFRS, 2020: ACF)

The participation of all stakeholders in a company's non-financial reporting is essential for an ESG standard to be successful. Therefore, it is essential that such a standard allow businesses to report all impacts, including those brought about by the value creation process of the business and those that the business creates on the outside environment. In this scenario, respondents also recommend building on currently used best practises, such as the "double materiality." In any case, a lot of investors think that knowing how a firm affects society and the environment is crucial to understanding the business.

The final questions that receive the highest opponents from respondents is on Q7 which discussed whether IFRS should initially develop climate-related financial disclosure before potentially expanding its competency to other areas of sustainability reporting. Respondents claim that if IFRS were solely focused on climate-related disclosure, it might not align with other jurisdictions' interests and concerns and could harm the goal of achieving global consistency. They also claim that IFRS should not be focused on climate risk at the expense of other crucial sustainability areas.

> "Current regulatory requirements in Europe for sustainability reporting are not limited to climate-related disclosures, but also encompass Governance and Social aspects. If the IFRS Foundation receives a mandate to develop non-financial standards, as stated above, the SSB should consider broader sustainability factors and not only climate-related risks." (IFRS, 2020: Insurance Europe)

> "Climate-related financial reporting is important. However, other areas of sustainability reporting are not of secondary importance. The assumption is that an integrated approach should be pursued." (IFRS, 2020: CPA Russia)

> "ICPAU disagrees with the proposal for the SSB to initially develop climate-related financial disclosures as this would be seen as an addition to the list of differing frameworks for entities to choose from-a risk of not effectively addressing the issue of fragmentation in sustainability reporting today." (IFRS, 2020: ICPAU)

The initial focus on climate risk at the expense of other critical sustainability areas may be detrimental to the objective of achieving global consistency. A focus solely on climate-related disclosures could misalign with interest and concern of other jurisdictions. Hence, respondents would encourage the SSB to be given a broader remit than "climate-related financial disclosures", a remit that better captures the range of sustainability concerns.

4.3 The Need for Formalized Standard on Sustainability Reporting Standards

After further analysis on the responses received from the comment letters, most of the proponents rationalize their choice on the pressing and urgent need of a formalised Sustainability Reporting Standard. Respondents recommend that IFRS expansion of its standard-setting activities into this area be pursued cautiously and done through collaboration and inclusiveness. Respondents also recommend IFRS to focus its intention on building upon what is already established and work between existing frameworks.

> "Yes, there is a need for a global set of internationally recognised sustainability reporting standards. We believe that the IFRS Foundation (Foundation) has established expertise in standard setting of IFRS standards and its relationships with global regulators and governments around the world could be useful for setting sustainability reporting standards" (IFRS, 2020: SAICA).

> "Yes, we believe there is a pressing need for the development of a global set of high quality, authoritative sustainability reporting standards. Issues such as climate change, environmental degradation, human rights and other social issues are a growing concern to a wide range of stakeholders. Yet at the same time, the non-financial reporting landscape appears more fragmented than ever, with new requirements, initiatives and guidelines continuing to emerge on a regular basis". (IFRS, 2020: ICAEW).

This is further supported by NGO and Lobby Groups whereby respondents believe that a sustainability reporting standard is needed and crucial in the current environment. An inside-out reporting scheme must have some sort of worldwide uniformity in order to give investors enough information to address global challenges like climate change, antimicrobial resistance, and inequality. Inside-out reporting will enable investors to work with businesses to cut down on actions that have negative social and environmental externalities that put diverse portfolio assets at risk. For instance,

> "Yes, there is definitely a need for a global set of internationally recognised sustainability reporting standards, even more urgent in the post-COVID19 era to collectively (business, governments, civil society) address the old and new challenges facing humanity." (IFRS, 2020: IEF).

> "We see a clear need for a global set of internationally recognised sustainability reporting standards and given IFRS's role as an independent, internationally recognised standards settings organisation, we believe the IFRS Foundation should play a role in setting these standards." (IFRS, 2020: Ellen MacArthur Foundation).

Besides that, the Regulatory Body interest group has also significantly agreed with the proposal by IFRS. They express the strong need of the globally-accepted standardised framework on sustainability report. "Internationally recognised" is a matter for each jurisdiction to design and adopt, but the approach of the IFRS together with the laws of respective countries will have a bearing on that. Given that the IFRS Standards are adopted by many jurisdictions; it creates an opportunity for the sustainability reporting standards to also be adopted by those jurisdictions.

> "Yes. We see a strong need for a global set of internationally recognised sustainability reporting standards and consider that the IFRS Foundation should expand its standard-setting activities into this area." (IFRS, 2020: FCA)

> "We agree that there is a need for a global set of internationally recognised sustainability reporting standards. As a starting point, we suggest that a standardised conceptual framework for sustainability reporting should be developed. A standardised conceptual framework will provide a set of fundamental concepts on sustainability reporting which would ensure that preparation of sustainability information is conceptually consistent, so as to provide useful and consistent information to users of the sustainability information." (IFRS, 2020: IRBA)

Given the abundance of domestic and regional reporting standards, respondents think there is a need for a worldwide set of widely-accepted sustainability reporting standards. The essential need for uniformity and comparability is described in the consultation paper. The global set of set of internationally-recognised sustainability reporting should meets the information needs of providers of financial capitals. In fact, respondents believes that this is the right time to pursue these initiatives.

There are several reasons highlighted by respondents on why do organisations need a formalised standard on sustainability reporting in their responses through the consultation paper, for instance, (1) Ensure Comparability, Consistency and Transparency of Sustainability Report (2) Improve Credibility and Quality of The Sustainability Report (3) Harmonising with Existing Initiative to Reduce Complexity (4) Provide Holistic Viewpoint of ESG Factors (5) Global Adoption and Standardisation of Sustainability Reporting Framework.

All the responses received from stakeholders were analysed, which is ultimately able to answer RQ1 designed in this study at the beginning of Chapter 1.

4.3.1 Ensure Comparability, Consistency and Transparency of Sustainability Report

One of the reasons highlighted by respondents on the need of a formalised standard on sustainability reporting is to ensure comparability, consistency and transparency of the sustainability report being produced by an organisation. To establish a sustainability report with such criteria, it would need to have a proper guideline and standard in order for all preparers or users can refer. With the proposal by IFRS, it opens the opportunity to realise this initiative.

Commercial organisations in the letter showed their agreement that the proposed standard is in a growing and urgent demand to ensure comparability and harmonisation. Furthermore, this interest groups argue that by having a standardised framework, this would increase transparency as well as comparability of the sustainability report. For example,

> "Yes, there is a need for a global set of accepted standards to ensure comparability and harmonization. They should be in line with legal requirements and new regulations (e.g., EU Taxonomy) as well as be harmonized with all existing standards. Additional efforts for the reporting companies should be kept to a minimum. Definitions, expectations and the goals of the reporting standards should be clear." (IFRS, 2020: Infineon Technologies).

> "Yes, we share the view that there is a growing and urgent demand of sustainability reporting as well as assuring consistency and comparability in sustainability reporting. The aim of the initiative should be to raise the importance of sustainability reporting, to streamline, create transparency and comparability and at the same time reduce complexity of disclosures." (IFRS, 2020: Vattenfall).

> "There is a growing demand for a globally consistent standard for sustainability reporting, unsurprising given an increasing emphasis on the importance of sustainability." (IFRS, 2020: Samsung Life Insurance).

Respondents also highlighted that global issues such as climate change and the United Nations Foundation Sustainable Development Goals require a global solution. This global solution needs to include consistent, comparable sustainability information across all jurisdictions. Besides that, a rigorous global framework for sustainability reporting will be developed, which will contain robust reporting requirements on sustainability. This is because numerous stakeholders have been showing an increased interest in sustainability reporting in recent years.

The respondents highly believe that there is a need for a set of internationally-recognised reporting standards. Locally, entities that produce sustainability reports do so largely based on what they believe would be useful to their stakeholders. Such a standard would enhance comparability and consistency globally and encourage entities that do not prepare such reports to do so.

Besides that, Commercial Organisation interest groups also express their agreement on the establishment of an independent board is an appropriate measure taken by IFRS in order to obtain desired consistency and comparability in sustainability reporting. Moreover, by having an independent sustainability board, it would ensure that there is appropriate expertise included in the governance process and SB may also help to ensure adequate expertise and funding is acquired rather than having to share resources with the IASB.

> "It is essential to ensure that the appropriate expertise be included in the governance process of any sustainability reporting standards, and the creation of a specific SSB is one such way to help achieve that." (IFRS, 2020: B Lab).

> "Yes, we believe that the approach outlined in the consultation is suitable for achieving the desired consistency and comparability in sustainability reporting. We are convinced that the IFRS Foundation have the experience and authority to coordinate and preferably unite existing reporting frameworks in order to leverage from the important work already accomplished by existing standard setters." (IFRS, 2020: Confederation of Swedish Enterprise).

> "Establishing an SSB under the governance of the IFRS Foundation would be an appropriate approach to achieve independence and acceptance across different jurisdictions given IFRS has global reach and credibility for standard setting." (IFRS, 2020: Burberry Group).

In addition, developing a set of internationally-recognised global sustainability reporting standards would bring sustainability reporting better in line with the existing IFRS Standards and other accounting standards, to reduce the complexity of sustainability reporting standards and improve the comparability and consistency of information. In fact, a single framework of sustainability maintains global consistency. This will ensure that the standards speak a single language and consolidate the current fragmentation in sustainability reporting.

In this regard, respondents point out that international standards help to prevent disintegration of global market unification, which therefore guarantee that investors and other stakeholders may rely on similar information. This is especially crucial in light of the fact that the global financial markets face problems that are universal in scope, like climate change.

Besides that, these are some of the responses received from Regulatory Body interest groups whereby these groups significantly agreed with the proposal by IFRS. They express the strong need of the globally-accepted standardised framework on sustainability report that will enable reports to be comparable, as the existence of multiple sets confuses consumers and makes it difficult for those who provide sustainability data to decide which set to use. The majority of respondents concur that the IFRS Foundation should take part in establishing these standards and increase its standard-setting efforts in this field.

> "Yes. We see a strong need for a global set of internationally recognised sustainability reporting standards and consider that the IFRS Foundation should expand its standard-setting activities into this area." (IFRS, 2020: FCA)

> "As indicated in multiple public positions, ESMA supports the development of a set of international standards for disclosures relating to Environmental, Social and Governance factors (ESG) or, as referred to in the Consultation Paper, sustainability reporting2. ESMA also believes that the IFRS Foundation could be in a favourable position to play a role as international standard-setter in this area, subject to the considerations provided further below and in response to the other questions." (IFRS, 2020: ESMA)

> "We agree that there is a need for a global set of internationally recognised sustainability reporting standards. As a starting point, we suggest that a standardised conceptual framework for sustainability reporting should be developed." (IFRS, 2020: IRBA)

Respondents also highlighted that sustainability reporting tends to remain a siloed activity within companies. Cho et al. (2009) noticed that firms' sustainability disclosures are still unreliable and insufficient, and they still don't give the markets the information they need to make informed judgments.

Apart from that, Institutional Investors in the comment letters highlighted that investors support the need for globally recognized framework to be established as suggested by IFRS. This is because while ensuring comparability, consistency and transparency of the sustainability report produced by the organisation, this will also reduce global disintegration and improve investment decision making. Investors believe a global framework would potentially reduce global fragmentation, integrate sustainability risks and opportunities into capital flows and achieve sustainability targets. Many businesses conduct business abroad, and investors have global investment portfolios. Fragmented sustainable reporting standards increase costs and uncertainty while undermining the market's capacity to function successfully.

> "The banking industry strongly supports efforts to establish a generally accepted international framework for sustainability reporting in order to promote consistency and comparability across organisations and reduce the potential for global fragmentation" (IFRS, 2020: International Banking Federation).

> "Yes, we agree there is a need for a global set of internationally recognised sustainability reporting standards." (IFRS, 2020: QIC).

> "Yes. To effectively create a sustainable global financial system, we need global and harmonized standards for sustainability reporting. We think it is most effective when sustainability information is incorporated in accounting standards, thereby ensuring that they are an integral part of (audited) annual accounts of companies." (IFRS, 2020: DNB).

Cortese and Andrew (2020) contends that the disclosure of sustainability reporting will always subject to the lobbying behaviour of interested parties and most of the time these parties have significant influence over the outcome. In this case, investors showed high agreement for the proposed standard with the aim to enjoy the benefit of better investment decisions can be made with a proper and standardised framework established. Consistency in standards, higher certainty, and better comparison would be advantageous to investors.

On top of that, Institutional Investors in the comment letters showed significant agreement with IFRS proposal to establish a separate sustainability board (SSB) because investors believe it would be an appropriate approach to focus only toward the sustainability standard to achieve greater consistency and comparability.

> "Establishing a separate Sustainability Standard Board (SSB) under the direction of the IFRS Foundation seems appropriate, since this allows building on governance structures already known and proven; it can thus be expected that most practitioners and stakeholders would accept the SSB's statements." (IFRS, 2020: The German Banking Industry Committee).

> "We believe that developing a SSB under the governance structure of the IFRS Foundation is an appropriate approach as the governance structures of the IFRS Foundation have proved successful and effective in achieving a global set of International Financial Reporting Standards and adopting the same approach for

> the SSB is expected to yield similar outcomes of transparency, consistency and eliminate complexities." (IFRS, 2020: South African Reserve Bank).

> "There is no question that the development of an SSB by the Foundation would produce greater consistency and comparability…" (IFRS, 2020: CalPERS).

This arrangement would enable IFRS to have a designated body to focus on sustainability reporting with the required expertise. Since a large range of stakeholders are impacted by sustainability reporting, it is crucial that a SSB have a suitably-diversified set of representatives to guarantee that fair, high-quality standards are developed. Both ESG and non-ESG specialists from various locations and industry should be represented on the SSB. Thus, this would promote transparency and comparability of the sustainability standard developed.

Additionally, the role that the IFRS should play in this situation is pertinent and suitable. The IFRS is the perfect organisation to generate financially-material sustainability reporting because its goal is to create standards that increase transparency, accountability, and efficiency in financial markets around the world.

On the other hand, Auditor interest groups suggesting IFRS to continue its planning in designing a global framework. Respondents are of the opinion that IFRS should play a vital role in designing and planning the sustainability reporting standards as they believe IFRS has the expertise, technical know-how, due process and governance structure to properly investigate and establish a single framework that would be accepted globally.

> "Yes, there is a need for a global set of internationally-recognised sustainability reporting standards. The IFRS Foundation has a vital role to play in creating the necessary standard-setting, governance and oversight architecture." (IFRS, 2020: DTTL)

> "Yes. There is an urgent need for internationally recognised sustainability reporting standards. Global issues such as climate change and the United Nations

Foundation Sustainable Development Goals require a global solution. This global solution needs to include consistent, comparable sustainability information across all jurisdictions." (IFRS, 2020: BDO)

> "There is an urgent need for a global set of internationally recognised sustainability reporting standards. We believe that the IFRS Foundation has a key role to play in setting these standards considering its capital markets focused mission, its expertise, know-how, due process and governance structure." (IFRS, 2020: KPMG)

By utilising IFRS expertise, stakeholders believe this would help in creating a global framework that is consistent across the world, can easily be compare with other international similar sustainability report produced and provide sufficient level of transparency to all stakeholders regardless preparers or users. At the same time, all the information disclosed in the sustainability report can be used globally without hesitation or doubt by stakeholders.

In fact, respondents are in favour of formal, independent standard-setting for sustainability reporting in the private sector. This procedure should be driven by the market, involve a large number of stakeholders, and adhere to the strict due process requirements required for high-quality standards. Members of the SSB should be qualified professionals with recent, pertinent work experience in fields connected to sustainability.

Public monitoring is necessary to give the process legitimacy, allowing governments who choose to legislate to support it to do so by including the standards in their regulatory enforcement and/or reporting system. Having global standards developed through a formal private sector independent standard-setting process as described above also gives companies who wish to report on sustainability issues on a voluntary basis certainty and confidence on the information disclose in the sustainability report

Furthermore, Professional Body groups believe that by establishing a separate board, the sustainability standard will achieve greater coherence and global comparability. At the same time, the proposed standard would receive wider acceptance as during the development process, all areas or aspects have been taken into account since this board focuses only on developing sustainability reporting standard.

> "Yes, the development of a sustainability standards board (SSB) to operate under the governance structure of the Foundation is an appropriate approach to achieving further consistency and global comparability in sustainability reporting." (IFRS, 2020: SAICA).

> "Yes. The IFRS Foundation should create a new sustainability standards board alongside the IASB. A coordinated, global approach for developing high-quality sustainability standards, led by the SSB, can prevent regulatory fragmentation, can address global sustainability topics like climate, and can best foster consistency and global comparability." (IFRS, 2020: IFAC).

> "Yes, we embolden the initiative to the development of a sustainability standards board (SSB) to operate under the governance structure of the IFRS Foundation. In our opinion, the scope of sustainability report will be clearer with a specific board." (IFRS, 2020: ABRASCA).

An SSB governance structure could be a suitable strategy to increase uniformity and global comparability in sustainability reporting, much like the governance structure of the present IFRS standards, which reflect strict transparency and participatory due process. Additionally, stakeholders consider the establishment of an SSB to be a fair strategy for enhancing global comparability and consistency in sustainability reporting.

NGO and Lobby Groups also agree on the need for a separate sustainability board. The best method for creating uniform and comparable global sustainability accounting and reporting standards is to use the IFRS structure. By establishing a single, internationally acknowledged source for guidance on both financial and sustainability reporting, standardisation would advance the objective of comprehensive corporate reporting and make it easier to provide integrated reports.

> "We also agree to the proposed structure of the SSB that provides the independence needed for the SSB to be effective. By having an independent standard-setting boards of experts overseen by a global set of Trustees, this will effectively establish the standardized credibility of financial reporting around Sustainability." (IFRS, 2020: GoImpact).
>
> "Yes. CDSB very much agrees with the argument that the governance structure of the IFRS Foundation is a highly appropriate approach to achieving consistency and comparability in sustainability reporting globally." (IFRS, 2020: CDSB).
>
> "Formation of SSB under the governance structure of IFRS would be appropriate to determine sustainability reporting standards which would improve comparability between reports and would enable all stakeholders to develop a common understanding." (IFRS, 2020: ARGE Consulting).

Stakeholders claim that the creation of an SSB would be beneficial because it appears to guarantee financial reporting's coherence with IFRS. To achieve compatibility and synergies with financial reporting and Governance protocols suitable in IFRS, the SSB must work separately from IASB with a high specialisation in sustainability issues but under the same umbrella, giving public authorities the option to monitor the developments of the new standards. SSB will be monitored by an organisation with experience in standard setting, including the due processes involved to reach consensus and develop high quality standards which result in transparency and comparability.

Furthermore, with the independent board established, it will focus on sustainability reporting and provide assurance that adequate expertise and resources will be used in the development of the standard. A coordinated, global approach for developing high-quality sustainability standards, led by the new sustainability standards board, will prevent regulatory fragmentation, address global sustainability topics, and foster consistency and global comparability. Hence, it will be crucial for IFRS in ensuring that sustainability standard-setting processes are accountable, transparent, and subject to full and fair consultation.

4.3.2 Improve Credibility and Quality of Sustainability Report

Another reason highlighted by respondents on why organisations require a single framework is to improve credibility and quality of the sustainability report produced. In order to ensure the reliable information disclosed by organisations in their sustainability reports, IFRS suggested for the sustainable report to be subject to external verification or independence assurance.

This received strong agreement from the Auditor interest groups on the basis that independent assurance can enhance the reliability of information that companies disclose, provide greater confidence in that information and demonstrates the seriousness of the reporting. In fact, auditors believe there will be a market for sustainability information assurance, and some jurisdictions or regions may make it mandatory in the future.

> "In our view, the sustainability information disclosed in annual reports should be capable of being audited or subject to external assurance. Independent assurance can enhance the reliability of information that companies disclose. Assurance reflects the seriousness of the reporting and provides a greater confidence in the non-financial disclosures. We note that, at present, very little of the sustainability information provided by companies is assured." (IFRS, 2020: Deloitte Touche Tohmatsu Limited).

> "We consider that sustainability information should be audited or subject to external assurance. This could enhance the reliability of information disclosed, and would provide greater confidence in that information." (IFRS, 2020: BDO)

> "Given the decision-usefulness of the sustainability information that is intended to be produced by the SSB, we believe that such information should be capable of being subject to external assurance. We also sense that there will be market demand for assurance over sustainability information, and that in some jurisdictions/regions it may become mandatory." (IFRS, 2020: KPMG)

Third party certification is complicated as a result of the absence of common, obligatory reporting frameworks for sustainability disclosures. This is made worse by the fact that different countries have different standards and guidelines for independent certification of sustainability disclosures, leaving the sector open to organisational interpretation. As a result, there is an uneven playing field, which affects the comparability and dependability of various kinds of disclosures.

Respondents feel that the trustworthiness of disclosed information is paramount since investors and stakeholders value it so highly. As a result, the credibility of the information is a fundamental requirement for developing a high level of "trust" in the information disclosed. In order to be subject to assurance and/or regulatory control, standards should be defined with the goal of being robust enough and sufficiently specified.

To maintain its credibility among internal and external users of that information, stakeholders feel that the sustainability report should be subject to internal assurance and audits. Users must be certain that the reported data is accurate and comparable. Data worthiness is mostly dependent on compliance with existing standards. As a result, external assurance and auditability are a crucial component of effective and practical sustainability reporting standards. Experience suggests that independent third-party verification does improve the accuracy and legitimacy of information, and should therefore be made essential.

In addition, Commercial Organisation interest groups also show high agreement whereby respondents state that it is essential to have an externally-audited sustainability report as this can be the added value. On the other hand, respondents in the opinion external assurance would be required to achieve or support comparability among companies. In that respect, respondents think it is essential to improve the quality and credibility of the sustainability report generated.

Sustainability reporting needs to be auditable and subject to outside assurance, just like financial reporting does. The general legitimacy and comparability of sustainability reporting are called into doubt if there are no such standards for consistent auditing processes.

> "Yes, it is essential to have external audited data." (IFRS, 2020: Groupama AM's).

> "We acknowledge that audit/assurance can add value. What form it takes may depend on what form the sustainability standards take. We suggest that overall audit/assurance needs are considered as the underlying sustainability standards conceptual framework is developed." (IFRS, 2020: ABI).

> "The LME believes the sustainability information should be auditable or subject to external assurance, provided the firms giving that assurance/audit have the requisite skills and understanding of the climate risks disclosed to provide adequate assurance." (IFRS, 2020: LME).

> "The sustainability information to be disclosed should definitely be auditable and subject to external assurance, similar to financial information that companies report. This will improve reliability and comparability of the data, and in general, builds trust in capital markets and investment decisions." (IFRS, 2020: Refinitiv).

Respondents support the notion that sustainability information should be auditable. As sustainability information is heavily relied upon by institutional and retail investors in the context of their investment decisions, respondents believe that such information should be auditable and subject to an adequate review process to ensure that it is appropriate for investors to reasonably rely upon it when making investment decisions.

Besides that, Institutional Investor interest groups in the comment letters also agree for the new sustainability report to be audited. This is to increase reliability and credibility of the reports; thus, investors would be able to make better investment decisions. At present, investors are taking into consideration sustainability factors when making any investment decision, despite sustainability reporting not being mandatory.

Investment decision-makers are increasingly reallocating their portfolios and incorporating environmental, social, and governance ("ESG") considerations. Investors are also becoming more aware of the wider systemic effects these choices have on the financial markets, external stakeholders, and the natural world.

> “There is an equally important need for sustainability reporting to receive a reasonable level of assurance. External assurance is key to the quality and reliability of sustainability reporting. It provides an independent, third-party view of the sustainability systems, data, and thoroughness and relevance of approaches adopted.” (IFRS, 2020: World Bank Group).

> “The sustainability information should be auditable and the standard should be developed with assurance as a target. External verification is a key condition to ensure reliability of disclosures and transparency of methodologies” (IFRS, 2020: BVI).

> “Yes, the minimum required disclosures should be subject to audit and assurance. Of particular importance would be the collection, calculation and accountability for the data behind the disclosures.” (IFRS, 2020: Jarislowsky Fraser Global Investment Management).

Investors expect businesses to provide reliable sustainability data that has undergone the same level of scrutiny as their financial data. To meet this expectation, businesses must obtain the same level of external assurance for their sustainability reporting as they do for their financial reporting. The completion of auditability and assurance will cover the gap in present sustainability reporting information, making an investment choice a relevant sustainability report, and foster trust in its contents. Therefore, from an Institutional Investor point of view, a global framework for sustainability is crucial and in high demand.

In addition, NGO and Lobby Groups emphasised that the sustainability report should accurately reflect the true, fair, and balanced state of the business by taking into account both the effects of the company on stakeholders and the environment as well as the company's vulnerability to external factors like extreme weather events. Therefore, in order to assure its integrity, sustainability information should undergo similar processes and receive similar attention as financial information.

> "We believe that it would be useful for disclosed information to be subject to assurance. (IFRS, 2020: IBRI).
>
> "Assurance would support the development of an environment where sustainability-focused disclosures are valued and trusted by the market as much as traditional financial disclosures. Lack of assurance may bring into question the validity, credibility and utility of ESG data available in the market." (IFRS, 2020: Moody's ESG Solutions Group).
>
> "To have sustainability reporting as reliable and decision-useful as financial reporting, obtaining assurance from an unbiased and independent expert is essential" (IFRS, 2020: CSES).
>
> "Yes. Investors require reliable, accurate, and complete information to facilitate effective allocation decisions. Audits and/or external assurances will work to enhance the quality of sustainability information." (IFRS, 2020: Ontario Teachers' Pension Plan Board).

Investors expect companies to disclose high quality and reliable sustainability information to ensure that it facilitates effective allocation decisions. Thus, on top of having a single framework, stakeholders agree with IFRS including a requirement for external assurance in the proposed sustainability reporting standard.

Furthermore, Professional Body interest groups believe that assurance is critical to confidence in corporate reporting and providing relevant, reliable, and comparable information. The ultimate objective should be to disclose information that is subject to external assurance. A high-quality set of sustainability reporting standards will provide a sound basis for future assurance standards. Independent assurance can both enhance the reliability of the information disclosed and make that information more useful. In the same way users place reliance on the financial reporting information, an equivalent level of reliance should be attached to sustainability reporting

> "There are clearly benefits if core information in reports can be subject to assurance. The extent to which sustainability information is mandatorily subject to assurance is a matter for regulators, having regard to their policy objectives in relation to company and other entity behaviour in relationship to sustainability." (IFRS, 2020: CIPFA).
>
> "An important principle in financial reporting is reliability. Therefore, also non-financial reporting should be confirmed by a statutory auditor within the meaning of EU directive 2006/43/EC to enhance the credibility of the published information." (IFRS, 2020: German Cooperative and Raiffeisen Confederation).
>
> "Sustainability information should be subject to external assurance in order to improve its credibility and reliability." (IFRS, 2020: BICA).

Investors and stakeholders are increasingly requesting that reporting entities improve the quality of the sustainability information they publish as a result of the growing relevance and impact of sustainability reports. Only by external audits, can the quality of sustainability reporting be improved: as a result, giving stakeholders and investors the confidence that the revealed information is credible, trustworthy, and transparent.

By having a single framework, companies can improve the quality of sustainable business information by designing, implementing, and maintaining internal controls and oversight. Any corporate reporting system must be built on the principles of assurance, confidence, and trust, especially when discussing business sustainability. This appears to be true for both publicly-disclosed information and information provided to management for use in making risk, innovation, and strategy decisions.

The assurance providers need also be qualified, accredited, and constrained by ethical standards, including independence, in order to guarantee the quality of the assurance offered. Training and experience in ESG reporting, corporate governance, risk management, audit methodology, and, to some extent, IT systems, is a must when considering the individuals qualified to provide assurance of sustainability standards. Understanding the organization's sector, strategy, governance, and economic concerns would also be ideal.

4.3.3 Harmonising with Existing Initiative to Reduce Complexity

Since there are many existing initiatives available, respondents raised concerns on the risk of duplication of the standard with other existing frameworks. Hence, respondents highly suggest for IFRS to consolidate or harmonise with existing frameworks in developing the sustainability reporting standard. This will eventually provide for a comprehensive standard; thus, reducing current complexity issues faced by stakeholders.

Currently, there are various important but unconnected initiatives that aim to standardise sustainability reporting. From the Professional Body interest group's point of view, streamlining and bundling the existing initiatives will have several striking advantages. Despite this, there needs to be a coordinated effort to create global sustainability reporting standards in order to prevent duplication of standards. While there are already organisations focused on establishing sustainability standards like the Sustainability Accounting Standards Board (SASB), they have their limitations that could be mitigated by inter-institution collaboration. Such cooperation would enhance the standard-setting process to incorporate qualitative reporting, as demonstrated by the recently announced merger of the IIRC and the SASB.

> "CIPFA is somewhat cautious about supporting the creation of another corpus of standards unless this can be done in a way which supports rationalisation and alignment. There may be advantages in having the IFRS Foundation behind an SSB, as discussed below, but there would be a more convincing basis for change if this could be taken forward combined with other rationalisation – for example by having the new SSB take forward and build upon the ambit, staff and existing body of pronouncements of one of the current standard setters." (IFRS, 2020: CIPFA).

> "We agree that to avoid causing more fragmentation, it is of paramount importance that any standards developed by the IFRS Foundation must strive to be the single most widely adopted standards globally, which may be accomplished by using its relationships with stakeholders and building upon and working with existing initiatives." (IFRS, 2020: ISCA).

> "It is important to note that this diversity of frameworks responds to the large spectrum of stakeholder expectations, which does not facilitate the adoption of standardised content. Some actors are extremely knowledgeable on certain subjects, like specialised rating agencies or NGOs committed to specific themes and ask for ad hoc information. In our view, an internationally recognised set of standards should aim at rationalising and collaboration with existing initiatives" (IFRS, 2020: EDF Group).

Internationally recognised standards for sustainability reporting are necessary in an ideal society as it would lessen the expenses and complexities of the present reporting obligations. By eliminating the requirement to investigate which reporting regime or regimes are the most appropriate to report against, it would lower reporting barriers for people and entities who are new to sustainability reporting. The existing landscape makes it difficult for businesses seeking to establish their own sustainability reports to determine which format will best benefit their stakeholders. According to stakeholders, there must be collaboration between businesses, investors, and regulators in order to produce a worldwide set of standards that take stakeholders' requirements into account.

Another criticism from the respondents is that the existence of multiple differing standards burdens organisations as they are forced to cater to each in order to maintain a sustainable profile. There also seems to be lack of comparability between current guidelines as there is no common objective of standardisation in regards to non-financial reporting.

According to respondents, there has been a significant global increase in investor understanding of climate-related risks. Respondents concur that the best foundation for globally-harmonised sustainability reporting is an established set of sustainability standards. Additionally, it would level the playing field for businesses operating in various countries and avoid putting those compelled to provide more information than others in a precarious position due to the required degree of transparency.

> "Too many initiatives and standards, unfortunately, however, have led to the imposition of excessive burdens on companies in terms of disclosure of such information, which is deemed inefficient and ineffective" (IFRS, 2020: KICPA).
>
> "As many companies act globally or are somehow part of global trade, we believe that there is an urgent need for a global set of sustainability reporting standards to avoid a situation where local and regional standards lead to different requirements and a lack of comparability" (IFRS, 2020: KSW).
>
> "Although there are several initiatives providing guidance, there is not a common objective of standardization of non-financial reporting" (IFRS, 2020: EFFAS).

In addition, NGO and Lobby Groups also express their support on the collaboration and harmonisation with the existing framework to avoid duplication which ultimately leads to confusion and high complexity imposed on stakeholders. At the same time, this interest group suggests that IFRS to work with institutions within the European jurisdiction to provide an international base and considered them as a model to aspire to, with regards to a single framework.

On the other hand, respondents fully understand that there is a long process to be done in the way of consolidation for IFRS to create a system of sustainability reporting that would fit all needs and wants, especially investors, companies and the rest of the stakeholders' groups. However, in their defence, this is crucial because having a multiplicity of competing frameworks makes target setting more challenging and is more vulnerable. A robust reporting framework is crucial to enable systematic change and remove unnecessary confusion among stakeholders.

> "The existing system of disclosure and reporting on sustainability topics has improved over the last five years, as has collaboration between the major reporting bodies…However, much remains to be done in the way of consolidation, to create a system or systems of sustainability reporting that are fit for purpose for investors, companies and stakeholders including, stock exchanges, customers and communities, as well as policy makers and regulators." (IFRS, 2020: City Hive).

> "The feedback provided by our members frequently cites the unnecessary confusion created by numerous reporting frameworks and the need to incorporate impact-linked metrics in accounting standards. Having a multiplicity of competing frameworks makes target-setting more challenging and is more vulnerable to gaming at a time when a common, robust reporting framework is crucial to enable systemic change." (IFRS, 2020: The Climate Governance Initiative).

> "However, we strongly emphasise that full international harmonisation around a recognised sustainability reporting standard cannot become an end in itself. It should not deter or preclude jurisdictions with a higher level of ambition…On the contrary, the most ambitious and advanced frameworks – such as the European one – should set the base for the international dialogue and be considered as a model to aspire to, with due regard for the peculiarities of the single jurisdictions." (IFRS, 2020: Eurosif).

Furthermore, Institutional Investors also raise the same concern despite agreement with the proposed standard. Investors believe that a global standard is highly necessary as it would be greatly helpful in investment decision making. Similar to the other respondent groups, investors are afraid that the new standard will be a duplication of the existing standards. Institutional investors would prefer that IFRS continue to develop a streamlined method for consistent and coherent global sustainability reporting and to closely interact with the current framework to ascertain how this work can inform future adjustments to the interpretation or even amendment of the sustainability reporting rules.

> "We would echo the concerns raised by stakeholders as noted in the Consultation Paper (para. 32) that introducing the Foundation as a standard setter could put at risk the current momentum created by other frameworks and standard-setting bodies. We believe there is great potential for the IFRS Foundation to have much impact in facilitating consistency among existing initiatives..." (IFRS, 2020: NEI Investment).

> "We feel the IFRS Foundation should leverage its widespread contacts, collaborate with other relevant industry organisations and utilise existing work to create a consistent global sustainability reporting standard." (IFRS, 2020: Schroders).

> "IFRS standards are applied globally which might make it easier to anticipate an extension of a familiar system rather than to comply with an unfamiliar standards system. Additionally, IFRS offers advantages for investors when comparing companies around the world and an inclusion of sustainability standards could expand this benefit to sustainability and non-financial information. Ultimately, this could serve better investment decisions and evaluation purposes on risks and opportunities related to E-S-G." (IFRS, 2020: DWS Group).

Respondents within the Institutional Investor interest group believe that IFRS should also ensure that the considerable work already done in the field of sustainability disclosures by the European Union be taken into account in the design of these sustainable reporting standards. This would enable IFRS to develop a sustainability standard that is less complex, easier for stakeholders to follow and internationally accepted.

Besides that, respondents from Commercial Organisation interest groups shared the same concern on the proposal. They argue that the new standard should be based on the existing standard or IFRS should harmonise the existing standard to come out with a single global framework. The key sustainability frameworks and standards that now exist should be leveraged and built upon, and the IFRS should take the lead role in developing these standards and increase its standard-setting operations in ESG reporting.

> "There are currently many developments to establish a standard for sustainability reporting. We would appreciate if the IFRS Foundation would actively engage in one of the already existing processes – tentatively to the standard to be established by EFRAG. This would allow an EU-wide standard to be applied at all sustainability reporting within the European Union." (IFRS, 2020: RWE).

> "There are already many existing widely-recognised standards for sustainability reporting (more than 600). What is required is…harmonising of these standards to meet the objective of comparability and consistency." (IFRS, 2020: Sunway Berhad).

> "Beyond the ambition to improve comparability through standardization, a new ESG standard should be built on existing best practices, both in the regulation field, such as the European Directive on Non-Financial Information and other European laws (such as Taxonomy) and with reference to generally accepted standard/guidelines, in order not to overburden companies that have already set up complex reporting processes to deal with current ESG disclosure requests." (IFRS, 2020: Just Energy Transition).

At the same time, Regulatory Body interest groups also state their opinion on the collaboration and harmonising the current existing standard. They believed existing standards could be the starting point in developing an internationally-recognised sustainability standard. Respondents believe that IFRS is properly positioned to champion this initiative for the harmonisation of sustainability reporting, given their experience and expertise in standard setting. Respondents also strongly support that the IFRS should expand its standard-setting activities into the area of sustainability reporting.

> "Existing frameworks and standards that produce information relevant to enterprise value creation should be the starting point in developing internationally recognised sustainability standards, rather than creating new standards from a standing start. This will generate energy and enable the IFRS Foundation to draw on expertise, practice and evidence." (IFRS, 2020: IIRC).

> "Global standards in response of issues such as climate change and financing for development should be set under the existing framework of the United Nations and the leadership of member states and adhere to the core principles of equity, common but differentiated responsibilities, and respective capability." (IFRS, 2020: Ministry of Finance, China).

> "To cater for industry specific circumstances, we suggest that the sustainability reporting standards be supplemented by industry specific

supplements/guidance/standards, as this will make consistency and comparability between industries more achievable. Further, considering the connectivity of the world through multinationals and group structures, this will also ensure consistency and comparability between various jurisdictions." (IFRS, 2020: IRBA).

On the other hand, respondents believe that the existing frameworks and standards that produce information relevant to enterprise value creation should be the starting point in developing internationally-recognised sustainability standards, rather than creating new standards from scratch with the aim to obtain global support and collaborate with existing frameworks. The main question is whether there is a method for harmonising these existing standards into one comprehensive set of sustainability reporting standards.

The rationale of respondents' arguments may be explained by a desire to position their support within the established norms of public interest and investors protection. For example, British Columbia Investment Management Corporation (BCI) highlighted that this initiative could eventually lead to global standards being consistent and comparable which is lacking in the current reporting guidelines.

> "A globally recognized standard would bring the consistency and comparability that we currently lack based on today's largely voluntary and diverse landscape of disclosure requirements. Considering that the SASB IAG now consists of 55 global investors managing over $41 trillion in assets under management in addition to SASB's identification of reporting companies in 37 countries, we would suggest that there is widespread demand for a global set of standards. The IFRS Foundation could help accelerate this even further given its reach and credibility" (IFRS, 2020: BCI).

Introducing another set of standards will only add to the current confusion and conflict among would-be standard-setters. Instead of developing another set of reporting standards, the IFRS Foundation could provide value to the standard-setting process by convening competing standard-setting organisations with the twin goals of agreeing on the targeted audience for sustainability reports and developing appropriate reporting objectives for that audience.

Sustainability reporting is at a point where there are too many reporting standards, each pursuing a distinct purpose and supported by a different methodology, notwithstanding the flurry of innovation. Therefore, the IFRS, with its acknowledged significance in financial reporting, may have a function to play, provided that its initiative is to coordinate and ensure mutual understanding amongst various approaches. Otherwise, it would merely add to the current initiatives and further saturate the field.

4.3.4 Provide Holistic Viewpoint of ESG Factors

As per Buallay et al. (2020), a sustainability report presents non-financial information which consists of a firm's economic, environmental, social and corporate governance (ESG). Sustainability reporting is not solely focused on climate change-related information or disclosure but also covers other ESG areas. The existing approach of sustainability reporting is mainly voluntary and does not have specific guidelines for an organisation to abide by.

Some organisations might only focus on certain areas instead disclosing all the ESG aspects which sometimes imposes difficulties for investors and users to understand the business' sustainability practices. Hence, the IFRS proposal to develop a single framework on sustainability reporting will assist stakeholders in ensuring a standardised sustainability report which covers the same areas especially on the ESG related matters.

Some of the respondents from Professional Body interest groups highlighted that IFRS should consider a two-stage approach and not limit the proposed sustainability standard to a narrow definition of climate change only. In their outreach, stakeholders largely considered 'sustainability' to cover the variety of ESG important matters. In Europe, the demands are more advanced due to the years of adoption of the Non-financial Reporting Directive (NFRD). Europe requires a broader scope at the topic level and also target audience.

> "…we see no reason for the envisioned SSB to limit its remit to only climate-related disclosures." (IFRS, 2020: NYSSCPA)

> "NRF does not recommend defining climate-related risks. These risks will vary depending on the industry and region and will change over time. This question should rather be reconsidered when developing a conceptual framework." (IFRS, 2020: NRF)

> "SSB should have a definition which consider broader environmental factors." (IFRS, 2020: National Board of Accountants)

Although, climate-related risk is becoming the first priority at the global level, respondents from Professional Body groups justify that IFRS should focus its standard-setting efforts to reflect the reality that companies are facing in terms of sustainability risks and conditions and to cover the items listed under UN's Sustainable Development Goals (SDG). It must be acknowledged that sustainability issues are much broader than only climate change.

> "IFRS Foundation should focus on a broader disclosure than only climate-related financial disclosure. FAR acknowledges that climate-related disclosures are a priority for many, but an only climate-related approach would not meet stakeholders' expectations and needs." (IFRS, 2020: FAR)

> "Climate-related information should be at top of the list in establishment of sustainability reporting standards. The disclosures should not only be climate–related financial but should include non-financial information as well. Having financial disclosures only will not satisfy the current desire for users of financial statements for the financial statements to be improved by adding non-financial information" (IFRS, 2020: BICA)

> "The sustainability standards board's objectives, under paragraph 24 and Part 5, should not be limited to climate-related risks its objectives, from the outset, should cover the items listed under the UN's Sustainable Development Goals (SDGs). In the third world, the SDGs are more comprehensive and reflect the issues that any reporting entity must deal with." (IFRS, 2020: Ernest & Martin Associates)

Climate-related disclosures are a priority for many, but an only climate-related approach would not meet stakeholders' expectations and needs. In the third world, the SDGs are more comprehensive and reflect the issues that any reporting entity must deal with. Thus, the new sustainability initiatives are developed with the aim to provide a holistic viewpoint of all ESG-related matters instead of only focusing on climate-related information.

Additionally, NGO and Lobby Groups emphasised the importance of focusing on more extensive environmental problems rather than just the risk posed by climate change. The most effective sustainability reporting framework will be able to address all industries, all regions, and all ESG concerns. Prioritising certain elements could lead to misunderstanding on how to concentrate on developing solutions for sustainability-related problems.

> "Yes, you have to consider broader environmental factors, given the interdependence between the various elements of nature. Climate change affects flora, fauna, human living conditions, and other factors. However, the gradual dedication to topics can create a growing line of knowledge and solutions." (IFRS, 2020: CSCA)

> "Since the ultimate target of global sustainability reporting standards should be to cover sustainability in a broader sense, including economic, social and environmental issues and beyond, we believe that starting with the broader environmental factors would be closer to that ultimate perspective than a narrow definition of climate-related risk" (IFRS, 2020: Value Balancing Alliance)

> "SSB should focus on broader environmental factors rather than focusing on climate related risks. Sustainability reporting needs to have a holistic perspective where each material issue would be part of the report." (IFRS, 2020: ARGE Consulting)

In order for IFRS to ensure that the new sustainability standard considers broader environmental factors, IFRS should adopt a similar approach to its accounting standards, which are conceptual in nature versus prescriptive. This approach helps ensure environmental standards are more comprehensive

Reimbsbach et al. (2019), a sustainability report consists of diverse topics which might be the interest of many different stakeholders, thus the NGO and Lobby Groups believed that IFRS should address a full range of sustainability factors that are material to enterprise value creation. The interconnectedness and dependence of sustainability issues, such as weather and biodiversity and just transitions, are ignored when there is a restricted focus on climate change. Additionally, it ignores how eager users of sustainability data, like investors, are for corporate reporting to cover a far wider range of topics.

> "BASF is of the opinion that the SSB should not initially focus on climate-related financial disclosures only before broadening its remit into other areas of sustainability reporting. BASF is of the opinion that such an approach would be too narrow," (IFRS, 2020: BASF)

> "While Climate Changes is important and is viewed as time sensitive, we believe it is pertinent for the SSB to address the full range of sustainability factors that are material to enterprise value creation." (IFRS, 2020: CAPP)

> "We advocate for adopting a wider focus on environmental and social risk beyond just climate change, given the strong interlinkages between climate change and other environmental and social issues, as well as the inherent risks associated with issues like air/water pollution and deforestation/biodiversity." (IFRS, 2020: Sustainable Initiative)

In addition, responses received from the Institutional Investor interest groups also emphasised the urgency and significance of numerous environmental risks and causes. They contend that despite IFRS' emphasis on climate risk, it is crucial to take into account the larger environmental and social context. Sustainability issues may vary based on the sector and geography-specific context of different organisations; thus, a broad sustainability approach should be considered.

> "As a responsible investor, we emphasize the urgency and importance of a broad range of environmental risks and factors, including climate-change. We also note that how sustainability issues are exhibited may vary based on the sector and geography specific contexts of different companies. As such, we are in support of an approach that considers sustainability issues more broadly." (IFRS, 2020: NEI Investment)

> "In DWS' view, there should not be only a focused risk definition but also broader environmental factors such as water, waste and biodiversity as well a focus on the opportunities that stem from ESG aspects similar to the TCFD requirements that require both risk and opportunity disclosures." (IFRS, 2020: DWS Group)

> "SSB needs to address the fuller suite of ESG factors that it wishes to be reflected in sustainability reporting. In case not self-evident, we would further add that even when focusing upon climate-risk, it is important to consider the broader environmental and social backdrop." (IFRS, 2020: UK Finance)

Institutional Investors believe that by overly focusing on climate related information, it could hinder or halt progress on the disclosure of other material ESG issues. Besides that, investors believe a more inclusive definition is required to encompass all environmental concerns. By doing this, stakeholders can be sure that any reporting methodology that they choose will adequately account for any risks that might be connected to sustainability and ESG concerns.

> "Focusing on single-issue topics such as climate change could hinder or halt progress on the disclosure of other material ESG issues. The practicalities around resourcing and funding may make it difficult to work on climate-related issues and other ESG topics in tandem." (IFRS, 2020: WFE)

> "We believe that the area of sustainability reporting is broad and in its scope of work the SSB should not limit itself to climate-related financial disclosures only" (IFRS, 2020: South African Reserve Bank)

> "No. If the IFRS Foundation establishes an SSB, it should focus on sustainability in a holistic approach. There are several reasons a climate-first policy is problematic. The first is that the other sustainability issues may be perceived as

> having less importance when in fact many issues are interconnected.'" (IFRS, 2020: CalPERS)

Instead of a definition that is narrowly focused on dangers related to climate change, respondents think that broader environmental variables should be taken into account to guarantee that any reporting system can adequately account for prospective risks that may be pertinent to sustainability and ESG risks that are unlikely to originate primarily from climate-related concerns.

> "SSB should consider both climate-related risks and broader environmental factors and impacts." (IFRS, 2020: CLP)

> "We support the Foundation focusing on the development of an integrated sustainability reporting framework/standards, within which climate-considerations are an essential component – rather than pursue an explicit climate-first approach" (IFRS, 2020: Guardians of New Zealand Superannuation)

> "While the WFE understands the urgency around climate-related financial disclosures, a SSB should be careful not to let this hinder progress around the (S) and (G) of the ESG reporting. The WFE encourages simultaneous work on climate-related and other ESG factors. As events could rapidly change disclosure priorities for stakeholders, the IFRS Foundation could consider consulting regularly (perhaps on an annual basis) on the ESG reporting topics it should pursue, to ensure any work it undertakes on sustainable reporting is useful and up to date. We have seen how priorities could shift rapidly, with the social aspect of the debate becoming more prominent following the outbreak of Covid-19." (IFRS, 2020: WFE)

Cho et al. (2009) opines that reports on environmental and social disclosure are increasingly being issued separately and stand alone in companies' websites. A balance needs to be maintained between other areas of sustainability such as environmental, social and governance to ensure the content disclosed in the report covers all of the aspects, allowing users to enjoy the richness of the information being presented.

Climate-related issues, according to respondents, are unquestionably significant, particularly when determining whether a jurisdiction is on pace to fulfil its international obligations. There is little debate that climate-related issues are essential because the severe effects of climate change have already apparent in numerous areas and sectors.

However, respondents do agree that climate-related problems cannot be considered in isolation; many of the "E" issues taken into account by ESG are linked to "S" and "G". If an organisation is trying to reduce its carbon footprint by closing plants and freeing workers, for instance, focusing only on the (good) impact this has on 'E' would not give the complete picture.

The majority of ESG concerns, in the respondents' opinion, cannot be addressed in a silo-based manner, where "E" is first considered, followed by "S" and then "G." Stakeholders are interested in how organisations are handling the issue of climate change. They also want to know what additional effects that issue is having on organisations' environments as well as how organisations deal with its effects on their environment.

> "We believe that a sustainability standard should be developed on all the non-financial information, in order to be assured by a third Party to enable the use of the standard to be in compliance with existing law." (IFRS, 2020: Just Energy Transition)

> "IFRS could, however, go beyond these minimums by taking a broader lens from the outset." (IFRS, 2020: B Lab)

> "But climate should not be the only focus. We are strongly convinced that the importance of the environmental issue must not lead to any lower consideration of social and governance criteria. A balance needs to be maintained between (E) (environmental), (S) (social) and (G) (governance) issues, by encouraging interconnection between these matters, to enable a just ecological transition." (IFRS, 2020: B Lab)

In order to effectively fulfil informational needs on other important ESG issues in addition to climate change, an SSB should actively adopt an inclusive and long-term perspective. Respondents fully accept that current methods for measuring and revealing other environmental elements, such as biodiversity or social issues, are less sophisticated than those for factors relating to the climate.

The scope of the SSB will need to be expanded nonetheless as these approaches develop. Additionally, respondents point out that if the SSB decides to concentrate just on climate, the issue of the proliferation of reporting standards for other ESG concerns outside of climate will persist and likely worsen, causing the SSB's utility will be considerably reduced.

Respondents advise the IFRS to broaden the scope of its initial research beyond climate-related financial transparency. A greater breadth of disclosure is required for the impetus for sustainability reporting, and other movements have already cast a wider net. Additionally, the impact of this effort would be limited by strictly climate-related financial disclosures, and such disclosures do not necessarily transfer into social and governance components, which are necessary for long-term sustainable value. IFRS must concentrate on the overall picture of how an organisation creates value.

The objective of developing a sustainability reporting standard should be the consolidation of existing standards; hence, reducing the ESG criteria into only climate change is not acceptable. The sustainability standards should be able to provide comprehensive view of all environmental factors and aspects to stakeholders. Therefore, to restrict it to climate-related financial disclosure is not understandable. The European Union (EU) already regulates climate change disclosure in an excessively strict manner, so catching up with them is pointless.

4.3.5 Global Adoption and Standardisation of Sustainability Reporting Framework

The objective of the IFRS proposal is to develop a single sustainability reporting standard with the aim that it could be accepted globally. This proposal received significant agreement from various stakeholders' groups.

In order to achieve global acceptance and standardisation, Institutional Investors agreed for IFRS to fully utilise its fellowship with other stakeholders to ensure the new sustainability standard can be accepted without hesitation. At the same time, by contacting the stakeholders, IFRS would be able to understand their approaches to reporting and this would help in developing global standards and align reporting of various companies.

> "The IA and its members are keen for the development of a single global set of reporting standards that can be adopted by companies and investors around the world. It will be important that the IFRS Foundation use its existing relationships to ensure that this happens." (IFRS, 2020: IA).

> "We view the utilisation of the relationships held by the IFRS Foundation with stakeholders as a pre-requisite to the adoption and consistent application of SSB standards globally" (IFRS, 2020: UK Finance).

> "We expect the IFRS Foundation to leverage its global network established throughout the 140 jurisdictions where IFRS standards are used to build buy-in with stakeholders and encourage adoption of the SSB standards once they are available." (IFRS, 2020: Beutel Goodman, Investment Counsel).

The IFRS must fully leverage its connections with all stakeholders to ensure that there is complete backing, support, and involvement in order to achieve a worldwide set of consistent and comparable sustainability standards. To guarantee that the sustainability standard board has the necessary technical competence represented, important stakeholders may be invited to join. Respondents believe that the IFRS Foundation is appropriately positioned to leverage its relationship with stakeholders to aid the adoption and consistent application of its standards globally.

From the Commercial Organisation perspective, they highly recommend for IFRS to use its relationship with stakeholders to ensure the adaption, consistent application and wider social acceptance of the sustainability standard as IFRS' key strength is its network of stakeholders. In fact, respondents believed this will also ensure uniformity and consistency across all the sustainability standards.

Respondents believe the IFRS can use its existing relationships with stakeholders to assist with the adoption of future sustainability standards. Many stakeholders are familiar with the IASB's due process steps as they are similar to IFRS, including the publication of exposure drafts, multi-lingual information sessions, inclusion of sufficient timelines to adopt new standards and post-implementation reviews.

> "We support the use of IFRS Foundation relationships with stakeholders to ensure the adoption, consistent application and wider social acceptance of SSB standards. For this, we recommend following an open and transparent process, with a special focus on the research and consultation phases with preparers and other stakeholders." (IFRS, 2020: Novartis International AG).
>
> "We consider that the IFRS Foundation could use its relationships with stakeholders from around the world to help setting the SSB standards. Stakeholders for the non-financial reporting may slightly differ from those for financial reporting standards. However, the IFRS Foundation would benefit from the relationships since both IFRSs and SSB standards serve the purpose of informing and aiding investors in making decisions." (IFRS, 2020: Samsung Life Insurance).
>
> "Since the ultimate objective of the Standard is to ensure uniformity and consistency across all the sustainability standards, therefore, SES is of the opinion that there is no harm in utilising the relationships with stakeholders to aid the adoption of SSB standards globally." (IFRS, 2020: SES).

The likelihood of success will be considerably increased by the relationships IFRS has with central banks, market regulators, public policy makers, and the accountancy and audit professional organisations. The demand for investor sustainability reporting standards has advanced due to the efforts of numerous stakeholders and investor initiatives. The distinction will be made by IFRS's influence and presence.

One option could be to allow stakeholders to participate in the SSB discussions through group representatives such as the International Organization of Securities Commissions (IOSCO), the Network for Greening the Financial System (NGFS), the Institute of Chartered Accountants in England and Wales (ICAEW), the CFA Institute, the Principles for Responsible Investments, and the EU Commission. Alternatively, an advisory group could channel the views of the stakeholders' members.

Furthermore, the responses received from NGO and Lobby Groups also showed agreement on IFRS to use its relationship with stakeholders in ensuring global adaptation on the new standard. In fact, respondents also suggest that IFRS build a new relationship with stakeholders who are imperative for sustainability reporting but do not play a role in financial reporting.

Its connections could be beneficial for the IFRS. International organisations like the UN and governments must establish the proper framework conditions that allow business to utilise their best capabilities in ways that the capital market can finance in order to achieve the SDGs and meet the climate ambitions. The IFRS is well-positioned to assist in securing this and serving as the proper foundation for Sustainability Standard Board reporting due to its connections with the capital market.

> "IFRS Foundation can use its relationships with stakeholders and embark as many stakeholders as possible. To involve as many stakeholders as possible, the reporting must be used by investors and accessible to the largest number of people. This is why we consider necessary that the IFRS Foundation receives a specific mandate and that the application of SSB standards should become mandatory." (IFRS, 2020: EDF Group).

> "Yes, the IFRS Foundation could leverage on its existing relationships with preparers, users, auditors and regulators to achieve this aim" (IFRS, 2020: CAN).

> "We believe that the IFRS Foundation should use its relationships with stakeholders to aid the adoption and consistent application of SSB standards globally. In addition to the relationships that already exist, we advocate strongly for the need to build new relationships to stakeholders who are imperative for sustainability reporting, but do not play a role in financial reporting." (IFRS, 2020: Value Balancing Alliance).

The new standard will have a flexible definition and application. This new standard will be enhanced using all the information and expertise gathered throughout the procedure. It is necessary to create a timeline for the new standard's adoption, along with yearly intervals for review and potential revisions. According to respondents, one of the IFRS's most important contributions is its ability to persuade regulators and standard-setters to increase the application and implementation of existing guidelines in a uniform and standardised manner.

At the same time, Professional Body interest groups agree for IFRS to use its good relationship with the stakeholders to enforce businesses to comply with the new sustainability standard. Respondents believe IFRS could use its relationships with stakeholders acknowledging the financial reporting and sustainability reporting are part of a comprehensive corporate reporting and emphasizing its benefits.

Additionally, through engaging with national regulators and global financial markets, IFRS should utilise its existing ties with stakeholders to enhance the adoption of a global sustainability standard and reach a broad agreement. Therefore, with a single framework designed by IFRS and a global acceptance by all stakeholders, this will eventually standardise the sustainability report produced by an organisation.

> "…the IFRS Foundation relationships and the global network is a great opportunity to aid the adoption and consistent implementation of SSB standards on a global scale." (IFRS, 2020: Turritopsis).

> "Yes. The IFRS Foundation and the IASB have managed to secure the use of IFRS and IFRS for SMEs in over 140 jurisdictions around the world. They enjoy constructive and collaborative relationships with national standard setters, regulators, other public authorities, and market participants worldwide, many based in the EU." (IFRS, 2020: CGEE).

> "We believe that the IFRS Foundation can certainly use its existing relationships with stakeholders to aid the adoption and consistent application of SSB standards globally" (IFRS, 2020: VMEBF).

In the process of adopting and implementing disclosures after pronouncing disclosure standards, it is expected that IFRS' relationships with existing stakeholders could work in various areas (based on the condition that disclosure would be achieved as a form of including sustainability information to the existing financial filing). IFRS's relationship build-up, particularly with international bodies, national pension funds, and institutional investors that could have direct influences over respective governments, would be very important, and it would be equally essential to come up with ways to engage and collaborate with existing professional standard-setters.

4.3.6 Summary of The Need of Formalised Standard on Sustainability Report

As discussed earlier, the majority of the respondents showed high agreement on the IFRS suggestion to create a single international framework with reason that sustainability reporting is in great demand and current reporting lacks consistency and comparability. In Isaksson (2019), despite a growing need of sustainability reporting standard, the reports were perceived to have a lack of focus on customers and stakeholders and it is often criticised for low quality and credibility. Thus, with the effort by IFRS to create a global framework, this would help to increase the credibility and quality of the sustainability report produced.

The above responses from the interest groups shows that stakeholders believe that a single framework for sustainability report is increasingly necessary and crucial in the industry. The respondents are of the opinion that the establishment of the framework would benefit all groups and not merely a few parties. This is in line with principal hand doctrine proposed by Farmer (2005), whereby according to the invisible hand theory, pursuing individual self-interest eventually results in a socially-desirable outcome. In this case, stakeholders will obtain a single globally-accepted framework with the intention to fulfill their interests but will have a positive knock-on effect to other interest groups.

4.4 Stakeholders Comments Influence the Standard Development

To answer Research Question 2 on the influence of stakeholder beliefs and interests, comments submitted by respondents for all the selected sample questions were further analysed to evaluate how respondents articulate their position on the choices that they made.

This study evaluated the decision taken by the IFRS in relation to the matter consulted in these questions, with the aim of verifying how comments provided by those interest groups and with regards to whether lobbying strategies will influence the decision made by IFRS.

4.4.1 Action Taken By IFRS: Convergence with Existing Initiatives

The GRI, a respondent of the Professional Body interest group, agrees on the importance of a globally-accepted sustainability reporting standard and acknowledges the growing demand from various stakeholders for businesses to disclose their sustainability reports. In fact, GRI also believes that there is an articulated and growing demand for information on the impacts of corporate activities. The goal now is to match the level of consistent use that the IFRS has attained across nearly all jurisdictions worldwide, which has been attained by GRI and has achieved high global acceptance rates, for this form of reporting in a mainly voluntary setting.

To develop a future corporate reporting regime in which financial and sustainability reporting are required globally, GRI welcomes IFRS for closer collaboration on the establishment of the new sustainability report by articulating their success in achieving high acceptance rates for the similar reporting process.

> "There is a clearly articulated and growing demand for financial reporting to address the financial implications of sustainability issues…In parallel to these efforts, GRI would welcome closer collaboration with the IFRS Foundation to establish a future corporate reporting regime in which financial and sustainability reporting are mandated globally…" (IFRS, 2020: GRI).

Apart from that, respondents suggest for IFRS to collaborate or harmonise the sustainability standard with the existing standard available. For example, the International Monetary Fund (IMF) highlighted that central banks and regulators would substantially benefit from a worldwide standards framework in determining how vulnerable and resilient financial institutions are to climate risk. It was confident that other stakeholders would warmly welcome and global uniformity. With this comment, the IMF is making the assumption that all stakeholders, not only investors, would accept and benefit from the new sustainability standard. However, the IMF actually speaks from the company point of view which represents Institutional Investors.

> "A global standardized framework would also be helpful to central banks and regulators in assessing financial institutions exposures and resilience to climate risk…a set of global sustainability reporting standards would be very welcome and helpful to achieve these objectives..." (IFRS, 2020: IMF).

In addition, the German Banking Industry Committee also emphasised the urgency for the formalised standard as proposed by IFRS despite numerous standards and guidelines existing on sustainability reporting. This to guarantee comparability and transparency as well as strengthen public trust. Although there are already several standards and rules for providing sustainability-related information, some of their objectives and metrics differ significantly. By having a globally-accepted standard, this would help banks to assess financial requests more systematically and effectively in regards to ESG information.

> "We believe it is expedient that the IFRS Foundation also develop a set of internationally recognised sustainability reporting standards, and set up this task parallel to developing global accounting standards." (IFRS, 2020: The German Banking Industry Committee).

> "Developing a globally recognised sustainability reporting standard makes sense because it allows for maximum transparency and comparability, and thus strengthens the general public's trust." (IFRS, 2020: The German Banking Industry Committee)

Besides that, comments from the European Real Estate Association (EPRA) demonstrate that a sector-specific focus is needed. The organisation tried to lobby IFRS to develop an accessible tool which can make the ESG process cheaper, simpler, more comparable and even possible for SMEs. The firm also added, it has introduced EPRA Sustainability Best Practices Recommendations (sBPR) which was built on GRI for the European property sector's public disclosure. Hence, firms believed it would be beneficial if IFRS could use GRI as a starting point in developing the proposed standard.

> "Sector-specific standards will all have to be based on the one standard developed by IFRS. This will ensure greater clarity and flexibility for companies to report considering their size, sector and status. In our view, GRI could be a good starting point for this." (IFRS, 2020: EPRA)

The Australian Accounting Standard Board (AASB) expresses strong agreement with the proposed standard and rationalise its support of the IFRS proposal by claiming that AASB received cooperation and agreement from other stakeholders.

> "We strongly agree that there is a need for a global set of internationally recognised sustainability reporting standards. Our outreach identified support amongst all stakeholder groups for a global set of sustainability reporting standards as a way of improving transparency, consistency and comparability between entities." (IFRS, 2020: AASB)

The main reason for these groups of stakeholders showing high agreement on the proposed standard is to benefit themselves but they also believed what is the best for them would be the best for the rest of the stakeholders. Thus, this appears to compliment the individualism assumption of the rational choice theory, whereby stakeholders pursue their own individual interest while believing this is the best course of action that would greatly benefit other groups of stakeholders

On the other hand, the California Public Employees Retirement System (CalPERS) also strongly believes the global sustainability standard as proposed by IFRS is vital in order for investors to make better investment decisions and risk assessment. The firm fully supports the IFRS initiative as it sees this initiative as an extension of current responsibilities to ensure corporate reporting is both true and fair. CalPERS acknowledges that other parties have an interest in more comprehensive reporting, and CalPERS sees this as crucial to upholding their own fiduciary duties given their position as a universal owner with intergenerational liabilities. With this assumption, CalPERS believed pursuing their own self-interest will eventually lead to a socially optimal result in accordance with the invisible hand doctrine.

> "We see the vital importance of ensuring that investors are provided with both the qualitative and quantitative information needed to assess risk and return for both capital allocation and stewardship… We also accept that other stakeholders have an interest in wider reporting and CalPERS considers this to be important to our own fiduciary responsibilities given our status as a universal owner with intergenerational liabilities." (IFRS, 2020: CalPERS)

Taking into account the comments from the interest groups, the IFRS' final position regarding the establishment of a global framework was maintained in the final version with the inclusion to converge with other existing standards to drive international consistency of sustainability related disclosure. This was done in March 2021 where IFRS announced a working group to accelerate convergence in global sustainability reporting standards.

4.4.2 Action Taken By IFRS: Creation of new International Sustainability Standard Board (ISSB)

The IFRS acknowledged the comments from the interest groups to establish a separate international foundation to monitor the new sustainability framework to achieve greater comparability and transparency. ACCA expressed their agreement on IFRS proposal to create a separate board for sustainability reporting and asked for a revision of the proposal by connecting both IASB and SSB to ensure sustainability standard-setting processes are accountable, transparent, and subject to full and fair consultation.

> "Some modifications are needed to reflect the widening of the IFRS Foundation's remit, including reviewing the composition of the IFRS Foundation Trustees and rebranding the IFRS Foundation (for example, as the Corporate Reporting Foundation2). The oversight exercised by the Foundation needs to ensure connectivity between the activities of the IASB and the SSAB. This may further require a revision of the IFRS Foundation's Constitution." (IFRS, 2020: ACCA)

SBM Offshore also suggested that IFRS to merge the Sustainability Standard Board (SSB) with existing entities such as GRI, SASB or TCFD to limit the risk of stacking frameworks and it would help keep the additional administrative burden to a minimum.

> "…the creation of the proposed Sustainability Standards Board (SSB) would be useful if merged or at least aligned with existing entities such as The Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI) and the Task Force on Climate-Related Financial Disclosures (TCFD), with the SSB and the IFRS foundation assuming a leading role." (IFRS, 2020: SBM Offshore)

Furthermore, B Lab highlighted that it is crucial to guarantee that the governance process of any sustainability standards includes the necessary competence. The company also emphasised that it is appropriate to communicate with the IASB and any other organisations already in existence that focus on sustainability reporting.

> "It is essential to ensure that the appropriate expertise be included in the governance process of any sustainability reporting standards, and the creation of a specific SSB is one such way to help achieve that. Depending on the specific framing and content of the standards, it is appropriate to think about how there can be defined mechanisms to ensure the appropriate interaction and connection with both the IASB, as well as with existing organisations who work in sustainability reporting and their own governance structures for standard setting." (IFRS, 2020: B Lab)

As a result, in 3 November 2021, IFRS decided to form a new International Sustainability Standards Board (ISSB) with the aim to offer a thorough worldwide baseline of sustainability-related disclosure requirements that inform investors and other capital market players about the potential and dangers associated with sustainability in organisations so they may make wise decisions. ISSB members consist of 14 board members with diverse geographical backgrounds to maintain overall international balance.

The action taken by IFRS to establish a new ISSB shows that the lobbying activities performed by stakeholders are recognised and proves that these groups of stakeholders have the power to influence the decision made by standard setters. This further supports Cortese and Andrew (2020) whereby disclosure regulation is always subject to lobbying behaviour of interested parties and most of these parties have significant influence over the outcome.

4.4.3 Action Taken By IFRS: External Audit and Assurance

According to PwC, standards should be created with the intention of being strong and explicit so that they may be subject to regulatory or assurance scrutiny. PwC is aware that regulatory authorities in a particular jurisdiction or region will decide whether or not information will be subject to assurance. For this reason, PwC emphasises in the letters that the sustainability board should keep a close working relationship with the International Auditing and Assurance Standards Board (IAASB) to assess whether changes to the assurance framework are necessary to be able to vouch for the reported information.

> "The SSB ultimately will not be the one to decide on whether the information is subject to assurance; this will be determined by jurisdictional or regional regulators. However, as mentioned it is important for the SSB to have a close relationship with the IAASB to monitor and evaluate the need for changes to assurance frameworks or existing standards for auditors" (IFRS, 2020: PwC)

Besides that, in the letters, Ernst & Young (EY) made the observation that international sustainability standards ought to be published in accordance with the same or a similar set of quality criteria as those that govern financial reporting. Standards for competence, high ethical standards (including independence), quality, and external monitoring should be applied to assurance on sustainability reporting in a manner similar to that which governs assurance on financial reporting.

Limited assurance might be a short-term strategy that develops over time into a reasonable assurance. Comparability between the level of assurance for sustainability engagement and the level of assurance to be applied in the audit of financial statements is therefore essential to prevent confusion for users.

> "To avoid confusion for users, comparability between the level of assurance for sustainability engagements and the level of assurance to be applied in the audit of the financial statements is critical. In recognition of the fact that reasonable assurance on sustainability reporting, at least in the short term, may be challenging due to the relative lack of maturity and lack of suitable skills, limited assurance might be a temporary approach, provided that a minimum level of work effort (including substantive testing) is performed which should then turn into a reasonable assurance in the mid to long term." (IFRS, 2020: EY)

In the final standards, the IFRS expressed their belief that the new board should benefit from the experience of the IASB in working with the auditing profession to achieve standards that are subject to third party assurance. IFRS acknowledges that to avoid confusion among users, similar assurance should be put in place. In fact, IFRS also acknowledges the importance of delivering an effective system to support the development of an audit and assurance framework for sustainability related disclosure.

4.4.4 Action Taken By IFRS: Climate Related Disclosure

IFRS suggested to focus on the definition of climate risk and sustainability board to initially develop climate-related disclosure before expanding its competence to other areas of sustainability reporting.

The main arguments brought forward by the French Association of Private Enterprises (AFEP) is to balance between ESG issues as not taking into account all the aspects will lower the relevance of non-financial reporting for both companies and its stakeholders.

> "…we consider that all environmental matters should be tackled. More importantly, we would like to insist again on our conviction that a balance needs to be struck between the E, S and G issues, as all the environmental, social and governance factors contribute to enable a just ecological transition. Not taking them into account might not only lower the relevance of the non-financial reporting both for companies and their stakeholders, but also penalize most advanced companies to the benefit of companies following only this environmental standard." (IFRS, 2020: AFEP)

In addition, Refinitiv claims in the letters that over the past few years, the sector has placed a lot of emphasis on reporting connected to climate change. They do not see the real advantage in the IFRS spending extra time trying to define a field that is already fairly developed because there is enough clarity and proof available. In fact, a broader ESG framework is what investors are looking for as it involves a holistic approach around material ESG factors. Thus, it helps investors to make better decisions and be able to compare the business sustainability performance.

> "Secondly, there has been a lot of focus in the industry on climate related reporting during the past few years. There are enough clarity and evidence are available on which data metrics are important, how to account for them and report to stakeholders. We do not see the real value add for the IFRS Foundation in spending more time of attempting to define an area that is already relatively mature." (IFRS, 2020: Refinitiv)

Despite agreeing with IFRS suggestion, the ICAEW also emphasises the need to develop the standard with a wider plan to cover a broader range of environment and social matters. In fact, the Institute of Management Accountants (IMA) and the Hong Kong Institute of Certified Public Accountants (HKICPA) also mentioned that limiting the standard to only climate-related disclosure is short-sighted. Sustainability is a broad concept and there are other areas of sustainability reporting apart from climate risk that IFRS should expand to.

> "We agree that the immediate focus should be on climate-related risk. However, this should be developed in the context of being part of wider plan to develop standards on a broader range of environmental and social matters." (IFRS, 2020: ICAEW)
>
> "Although we agree that climate is an area of great urgency, we also note that limiting this work to climate may be short-sighted. There are environmental concerns around biodiversity losses, which many scientists view as even more severe than climate effects." (IFRS, 2020: IMA)
>
> "The majority of our stakeholders agreed with initially prioritising climate-related financial disclosures given the SSB's limited time and resources, but also noted that sustainability is a broad concept and there are other areas of sustainability reporting that the SSB should ultimately expand into." (IFRS, 2020: HKICPA)

The need for the new board to create IFRS sustainability requirements that are applicable to investors was emphasised in the final standard by the IFRS. According to IFRS, the new board would put a priority on efforts connected to climate reporting while also attempting to satisfy investor disclosure requests on other sustainability and ESG issues. This indicates that, IFRS acknowledges the comments provided by stakeholders to cover a broad range of environmental factors, in contrast to their initial prioritization of climate-related disclosure.

4.4.5 Summary of Stakeholders Comment Influence Standard Development

The majority of respondents mention that the distinction between single and double materiality may be ambiguous in reality. Companies will need to provide information on other sustainability priorities since IFRS recognises that materiality is dynamic and that investors' information demands go beyond the climate priority. In the final standards, IFRS created a multilateral working group and a technical readiness working group to investigate and ensure all comments highlighted were addressed while preparing the sustainability standards. Although IFRS has not decided on the final concept, action taken by IFRS to investigate the comments provided by stakeholders show that every comment from stakeholder might be able to influence the standard-setting due process. All the changes made by the standard-setting body after analysing the comments letters issued by interest groups during the public consultation process indicate that the selected interest groups (dominant players) could influence the standard setting due process as it has high power, greater resources and influence.

These results confirm the categorization used by Djelic and Quack (2003) to classify the respondents according to its power continuum suitable to study lobbying behaviour of stakeholders. Moreover, this is consistent with the rational choice theory, specifically optimality assumption, whereby interest groups will do their best to influence the standard due process as long as it would greatly benefit them in the end. In fact, as a result, this also compliments individualism assumptions in rational choice theory whereby interest groups aim to pursue their own individual interest by considering their action is the best course of action that will benefit all of the interest groups.

4.5 Discussion of The Research Findings

The previous section discussed the analysis and findings of this study by analysing all the interest groups comments according to the selected sample questions presented by IFRS during the standard setting due process. In this section, further discussion will be done on the results obtained.

4.5.1 Discussion of The Research Objectives and Research Questions

The primary objective of this study is to assess the comment letters that stakeholders with the intent of focusing on their views on the consultation paper published by IFRS in order to establish a globalised framework on sustainability reporting standards that is believed to benefit the stakeholders as well as influence the standard due process.

In addition, this study also attempts to address two research questions designed in Chapter 1 which are (1) why do organisations need a formalised standard on sustainability reporting and (2) in what ways does stakeholders' belief and interests included in their comments influence the development of the standard.

This study used the 577 comment letters submitted to IFRS during the period from September 2020 during the standard setting due process from various stakeholders' groups. From the analysis, this paper has addressed the issue of whether there is a need for a globally formalised standard on sustainability by investigating the interest groups (dominant players) comment letter submitted to IFRS. In particular, this study focuses on the comments presented by stakeholders related to the demand on internationally recognized sustainability reporting standards. At the same time, to develop understanding of stakeholder's views on IFRS proposal to establish a new sustainability reporting standard that could be used by all organisations all over the world. Therefore, this aligns with the research objective and questions designed in this study.

4.5.2 Discussion of The Research Study

According to the result presented in sub-section 4.2, the IFRS proposal received significant agreement from stakeholders' groups on developing a single framework for sustainability reporting. The primary argument is that the current sustainability reporting guidelines imposed an excessive burden to preparers due to the various sustainability guidelines and standards available. As discussed by Isaksson (2019), existing sustainability reports lack focus on customers and stakeholders and are often criticised for lack in quality and credibility.

Apart from that, this study also discussed the lobbying behaviour articulated by respondents during the standard-setting due process with the aim to influence the decisions made by standard setters. As discussed by Flasher et al. (2020), many organisations that develop standards utilise comment letters as part of the proper procedure when modifying or introducing new accounting rules and processes.

4.5.2.1 The Need of Single Framework for Sustainability Reporting

Stakeholders believe there is a pressing and urgent need for a formalised standard as it will enhance stakeholders' confidence and it is crucial for organisations to have proper guidelines in preparing the sustainability report. This is consistent with Mynhardt et al. (2017) which found that in order to ensure that all organisations adhere to the same values and practices, it is essential to have a framework that all stakeholders can use. In addition, Freeman et al. (2010) noted that the organisation should publish relevant information to foster confidence among stakeholders.

There are several reasons highlighted by stakeholders on the demand of a single reporting framework on sustainability reporting. For instance, to ensure comparability, consistency and transparency of the sustainability report. Although there are multiple recommendations, Mynhardt et al. (2017) noted that there are problems raised owing to the various formatting, scope, and techniques on the sustainability report produced by organisations.

Similar to the study's findings, stakeholders contend that the present report lacks standardisation and is inconsistent and inadequate, which makes decision-making difficult. In fact, stakeholders' groups also highlighted that existing sustainability reporting standards are unable to provide sufficient consistency and comparability.

In order to improve credibility and quality of sustainability reporting, stakeholders also highly believe that a global acceptance sustainability reporting standard is essential. This is further supported by Amran et al. (2013) which urged for the sustainability report to provide accurate and transparent information to be constituted as an acceptable quality.

One of the methods suggested by IFRS is to get external verification on the sustainability report produced by the organisation. This suggestion received tremendous agreement from various stakeholder groups, especially auditors. From the stakeholders' point of view, assurance boosts trust in the non-financial disclosure and shows how serious the report is handled. In reality, according to auditors, there will be a market for sustainability information assurance, and some regions or jurisdictions may eventually make it a requirement.

Another substantial reason for the urgent need of sustainability reporting standards is to reduce complexity by ensuring the new proposed standard harmonises with existing available standards. Respondents raised concerns on the risk of duplication of the standard with another existing available standard. According to Lozono et al. (2016), the GRI criteria are the best choice and the most commonly used for sustainability reporting. However, reporting that follows the GRI rules has a number of issues, particularly from the viewpoint of the reader. In order to decrease complexity or any risk of duplication on sustainability reporting standards, it was recognised from the study's outcomes that IFRS should be harmonised with already-existing initiatives like GRI.

Apart from that, due to multiple initiatives and standards globally, respondents criticised current reporting guidelines' lack of comparability which was further supported by Cho et al. (2009), whereby sustainability reports such as environmental or social disclosure are often being issued separately and stand alone in an organisation's website. Thus, it is difficult for stakeholders to view the report comprehensively. As such, from the findings of the study, stakeholders highly encourage IFRS to consolidate or harmonise with the existing frameworks to create a widely adopted standard globally which ultimately ensures greater comparability and reduces complexity of the report.

On the other hand, stakeholders also express their support on the collaboration initiatives and harmonisation with existing framework. Respondents state that having a multiplicity of competing frameworks makes target setting more challenging and is more vulnerable to enable systematic change. Hence, by converging with the rest of the existing framework reduce unnecessary confusion among stakeholders. By doing so, IFRS would be able to draw on expertise, practice and evidence from the existing frameworks and connect its relevance on the enterprise to achieve value creation.

Apart from that, stakeholders also highlighted on the need to provide a holistic viewpoint of ESG factors in an internationally-recognised sustainability reporting framework. Sustainability reports should consist of all ESG factors such as Environment, Social and Governance as explained by Buallay et al. (2020). However, currently some organisations only emphasise particular topics rather than reporting all the ESG factors, which can make it challenging for users or investors to comprehend the corporate sustainability policies. Therefore, the IFRS proposal to create a common framework for sustainability reporting will help stakeholders ensure that sustainability reports are standardized and include the same topics, particularly when it comes to ESG-related issues.

Furthermore, as explained by Petcharat and Zaman (2019), the aim of organisations regarding sustainability is to enhance investment decision making. By covering all the ESG aspects, stakeholders would have a holistic view on the organisation's sustainability condition and practices while making any investment decision as discussed in the comment letters.

In addition, a single global sustainability framework will promote standardisation and eventually lead to global adaptation. In order for IFRS to achieve global acceptance, stakeholders highly encourage IFRS to use its existing relationships with stakeholders to assist with the adoption of future sustainability standards. In fact, stakeholders recommend IFRS to take advantage of its connections with stakeholders to ensure that the sustainability standard is adapted, applied consistently, and received more favourably by the public.

However, respondents' primary concern is on whether the new sustainability reporting standard would be able to cover all reporting companies' laws and regulations. They fear the IFRS initiative might simply become another reporting standard and a duplication of the existing standards unless there is global support for the development and adoption of such standard. It is essential to maintain consistency among existing initiatives which ultimately could serve better investment decisions and evaluation purposes on risk and opportunities related to sustainability reports.

4.5.2.2 Lobbying Behaviour of Interested Parties on The Standard Due Process

There are several previous studies from Watts and Zimmerman (1978), Koh (2011) and Bamber and McMeeking (2016) presumes the driving force to be influencing the standard-setting due process because of economic incentives, self-interest or to confer legitimacy upon the standard setting and their activities. From the findings of this study, it is evident that most of the stakeholders participating in the standard-setting due process have their own agenda.

For example, the Institutional Investor interest groups lobbied IFRS to establish a standard that covers all ESG aspects instead of only focusing on climate-related disclosure. This is to ensure the sustainability reporting generated by organisations in the future will provide sufficient information for investment decision making.

Not only that, Auditors in the comment letters responded for IFRS to ensure that the new sustainability reporting to be subjected to external audit or assurance with reason to promote confidence among stakeholders on the information disclosed in the sustainability report. As evident from Francis (1987), those who will be impacted by the changes in reporting requirements are the ones that start the lobbying behaviour among stakeholders and are motivated to push for regulatory outcomes that advance their interests.

Besides that, stakeholders in the comment letters raised concern on the development of the standard from scratch. Stakeholders suggested IFRS to converge with existing framework rather than building up the standard from beginning. For instance, in their statement, institutional investors claim that central banks and regulators would greatly benefit from a global standards framework for assessing the resilience of financial institutions to climate risk. It was clear that other interested parties would enthusiastically support and urgently demand global consistency.

Investors are assuming that the new sustainability criteria will be well-received and beneficial to all stakeholders, not only investors. Therefore, investors' responses are aligned with individualism assumption under rational choice theory as the interest groups believed by having a single framework it will definitely benefit all stakeholders' groups not only investors.

In addition, the IFRS established the (SSB) at the beginning of the standard due process; however, after active participation and criticism from respondents, in the final ruling, IFRS created a new board which was called as International Sustainability Standard Board (ISSB). With the changes made by IFRS, it is evident that stakeholders have a great influence over the standard due process. As per Cortese and Andrew (2020), despite the democratic participatory method, lobbying activity by interested parties always affects disclosure laws, and the majority of these parties have a big impact on the outcome.

To summarize, Matsubara and Endo (2018) opined that interested stakeholders may lobby either to assist the development of the standard by IFRS or to disagree with the proposed standard. This has been shown from the analysis and result disclosed in the study. The reasons of the proponents or opponents on the IFRS proposal varies from each group of stakeholders and even between the interest groups themselves. Therefore, it can be concluded that, interested stakeholders perform lobbying behaviour to maximise their own benefit while assuming it is the best solution suitable for all as explained in rational choice theory individualism assumption.

4.6 Summary

This chapter presents the result of the study by utilising all the information obtained from the study sample. From the findings, it shows that most of the stakeholders show high agreement on IFRS proposal to create globalised sustainability guidelines with the aim to achieve greater coherence and comprehensiveness in presenting the sustainability report. Subsequently, in this chapter, the research objectives as well as research questions were explained in detail in the discussion section. As a result, lobbying behaviour was actively portrayed by stakeholders during the standard due process with the objective to satisfy their own personal needs.

CHAPTER 5: CONCLUSION

5.1 Conclusion of The Research Study

With the research on all the comment letters submitted by stakeholders on IFRS consultation paper, it is evident that sustainability issues have become a major concern for all organisations nowadays. Stakeholders such as customers, suppliers, investors are aware of the importance of ensuring global sustainability while performing their day-to-day business operations.

In order for organisations to maintain their business and obtain support, firms are encouraged to disclose their sustainability report to the public and ensure its credibility and validity. There are several guidelines available but there is no one standard that an organisation must follow globally. Hence, IFRS decided to create one global standard that could be used by all organisations world-wide to maintain comparability and avoid further confusion on users.

Based on the analysis and findings of this study, a majority of the stakeholders believe there is a need for a formalised sustainability reporting standard. This is because by having a single framework, it will ensure comparability, consistency and transparency of the sustainability report produced by organisation. At the same time, it will also improve the credibility and quality of the sustainability report as the existing initiatives have been harmonised during the development of the new sustainability reporting standard which has the added effect of reducing complexity. On top of that, a single framework would also be able to provide holistic viewpoint of all the environmental factors by not only focusing on the climate risk disclosure.

Moreover, from the analysis, the study reveals that stakeholders pursue their own self-interest with the assumption that the choices that they take will benefit the society as whole, verifying that Abell (2000) which proposed that these actions by stakeholders are align with rational choice theory individualism assumption whereby individuals are assumed to behave and always act rationally, are self-interested, self-calculating and self-maximizing. With the pressing and urgent need of a global framework on sustainability, stakeholders assume the global framework would be able to provide a true and fair view of sustainability report compared to current existing guidelines.

Apart from that, this study also reveals the ways stakeholders articulate their beliefs and interests in their comment letters would be able to influence the standard due process. These responses, especially from dominant player groups, are proven to significantly impact the standard due process. Standard setters acknowledge their concerns and try to take action based on the suggestions and criticisms highlighted in the letters. This can be seen in the amendments made to meet the highlighted concerns by stakeholders. For instance, IFRS included in the final version of the proposal to converge with other existing frameworks with reason to drive international consistency of sustainability related disclosure as suggested by stakeholders.

In addition, due to various criticism by stakeholders on the sustainability board, IFRS decided to form a new International Sustainability Standards Board (ISSB) to replace its predecessor SSB with the focus to offer thorough worldwide baseline of sustainability-related disclosure requirement that informs investors and other capital market players about the potential and dangers associated with sustainability in organisations, allowing stakeholders to make wise decisions.

IFRS also believes that the new board should benefit from the experience of the IASB which is subject to external assurance; thus, working with the auditing profession will be one of the ways in achieving this goal. At the same time, to avoid further confusion from stakeholders, similar assurance should be put in place. Taking into account the criticism by stakeholders on IFRS proposal to focus on the climate-related information, IFRS emphasised the new board (ISSB) to prioritise work on climate-related reporting while also working towards meeting the needs of investors in other sustainability areas.

Additionally, the IFRS announced in their final ruling that there was to be a creation of a multilateral working group with the adequate technical expertise to investigate and ensure all the comments highlighted by stakeholders were addressed while preparing for the sustainability standards. This evident, lobbying behaviour performed by stakeholders, especially dominant player groups, significantly influence the standard-setting due process. As explained in the study by Matsubara and Endo (2018), interested stakeholders may lobby either to assist or to oppose the development of the standard.

After all, harmonising these various reporting requirements has its own benefit, and establishing a set of internationally-recognised sustainability reporting standards will enable more comparative and uniform reporting, as well as help organisations reduce their reporting burden. However, doing so will raise some concerns from stakeholders and this issue should be discussed thoroughly before IFRS decided to establish the standards.

In this situation, it is clear that the IFRS worked to address the interests of the many groups involved in the standard-setting process, guaranteeing the legitimacy of its position as standard-setter while avoiding being dominated by any interest group or their coalitions. This supports Durocher et al. (2007) that found a number of factors, including personal interest, a sense of ability to influence the result, and existing consensus on the issues, as motivating factors for stakeholder engagement in the standard due process.

5.2 Implications of The Study

This study contains important implications related to non-financial standard-setting which can be categorised into theoretical and practical implications.

5.2.1 Theoretical Implications

From the findings of the study, it is evident that stakeholders can highlight various concerns regarding sustainability reporting standards. For instance, from the study by Isaksson (2019) the existing sustainability report was criticised for lack of focus and quality. Furthermore, Cho et. al (2019) states that sustainability reporting disclosure is always issued separately and stands alone in companies' websites. Apart from that, study by Lozono et. al (2016) considered GRI guidelines to be the best option used for sustainability reporting. Hence, some of the stakeholders showed their concern on the risk of duplication of the standard. They are afraid the new proposed sustainability will just be one of many standards if no global initiative is pursued. Furthermore, stakeholders also highlighted for the standard setters to cover broader environmental factors instead of focusing only on climate related disclosure.

Apart from that, there are multiple existing initiatives on sustainability reporting standards which increase confusion and complexity towards stakeholders especially preparers, users, and investors. From the findings of the study, by having a single framework this issue will be resolved. The new sustainability framework will be used all across the globe and standardisation could be achieved by utilising IFRS' good relationship with other stakeholders. Moreover, IFRS has the initiative and platform to harmonise all existing standards and ensure the new sustainability reporting standard is accepted internationally. This action is aligned with the study by Pfeuti (2021) whereby all stakeholders will have to follow the same standard and the sustainability report will be accepted globally.

On the other hand, while actively providing comments on the proposal by IFRS, stakeholders were also believed to pursue their own self-interest and self-maximisation during the standard due process. However, stakeholders' individual behaviour is not always assumed to be selfish but rather self-interested as discussed in individualism assumption of the rational choice theory.

5.2.2 Practical Implications

The study contributes to a rich understanding of how stakeholders engage in the development of new sustainability reporting standards and articulate which areas standard setters should take into consideration when developing a global framework. In the articulation, standard setters might demand more transparency in stakeholders’ discourse and question the preferences exhibited by stakeholders.

If the stakeholders' mandate is to act in the public interest, even if that includes acting in their own interests, then their discussion of the sustainability reporting standard may indicate to pursue their own self-interest. This study finds stakeholders frequently speak from their own perspectives but at the same time, believe that their action is also the best course of action for others.

Besides that, from the research outcome, standard setters are able to come out with necessary amendments to cater to all the concerns highlighted by stakeholders in the consultation paper. For example, creation of a new ISSB to replace the SSB to ensure adequate skills, expertise and broader geography are covered with the new proposed sustainability standard.

Ultimately, all the responses received will help standards setters to establish a sustainability reporting standard that is comprehensive and can be accepted globally. At the same time, the new sustainability standard could inform stakeholders in making better decision, especially institutional investors. On top of that, from the findings, stakeholders are aware that the new sustainability framework will cover current existing initiatives limitations as the new standard develops with more extensive criteria and consideration.

5.3 Limitations and Avenue for Future Research

This study demonstrated certain limitations. First, this research study has numerous respondents from interest groups from various backgrounds and expertise. This study focused on categorising the respondents according to their power continuum as per the study by Djelic and Quack (2003). Future researchers might consider using other categories of stakeholders which might provide different outcomes from the research study. By using different categories, it might provide a greater view and be able to demonstrate better lobbying behaviour by stakeholders.

Secondly, potential stakeholders affected by the proposed change who chose not to participate in the due process cannot be examined using current study’s methodology. It is possible that stakeholders who chose not to participate have a different perspective on the proposed change than those who do participate.

In addition, the lobbying methods employed by interest groups present additional initiatives, including participation in IFRS meetings during the public session to discuss the projects during the public audience period, funding of regulatory bodies, actions through associations and class entities, and board, committee, or supervisory body member nominations, among others, which have the potential to influence the final version of the standards.

Finally, based on the observed behaviour of comment letter submissions, stakeholder beliefs must be inferred. It is worth noting that the presence of involvement and the submission of actual comments allows for a limited conclusion regarding stakeholder beliefs in the process. Some respondents provide anecdotal evidence to support their participation in the letter's content, including motivations that are not always entirely economic.

Future research could focus on comments from stakeholders by categorizing the respondents according to their geographical area. For instance, developed countries or developing countries as the result of the research study between both areas might vary significantly. Furthermore, rather than focusing on general comments, future study can also think at investigating more specialised sectors. For instance, as the extractive industry has long been involved in ESG, this section focuses on stakeholder organisations' remarks. Finally, future research could implement a qualitative method to provide statistical evidence which ultimately strengthens the results obtained.

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