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**Agenda item 3. Review of progress in harmonization and
practical implementation of sustainability reporting,
assurance and ethical considerations**

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Intergovernmental working group of experts on
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Review of progress in harmonization and practical implementation of sustainability reporting, assurance and ethical considerations

By

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Harmonization of Sustainability Reporting Standards

The landscape of sustainability reporting has been characterized by a multitude of frameworks and standards, leading to confusion and inconsistency in reporting practices. Key initiatives have emerged to promote harmonization:

- 1- **The Sustainable Development Goals (SDGs)**
- 2- **Global Reporting Initiative (GRI)**
- 3- **Sustainability Accounting Standards Board (SASB)**
- 4- **Task Force on Climate-related Financial Disclosures (TCFD)**
- 5- **(IFRS) Foundation (ISSB)**

These initiatives have fostered a more cohesive approach to sustainability reporting, although challenges remain in achieving universal adoption and integration among diverse reporting standards.

Practical Implementation of Sustainability Reporting

The practical implementation of sustainability reporting has evolved, driven by regulatory changes, stakeholder expectations, and technological advancements. Key trends include:

- 1- **Integration into Business Strategy**
- 2- **Digital Reporting Tools**
- 3- **Stakeholder Engagement**
- 4- **Regulatory Developments** The European Union's Corporate Sustainability Reporting Directive (CSRD) is a prime example of regulatory efforts to enhance sustainability reporting requirements.

Assurance and Ethics in Sustainability Reporting

Assurance and ethics play a critical role in enhancing the credibility of sustainability reports. This growth reflects stakeholders' desire for verified information that supports strategic decision-making. Key developments include:

- 1- **the International Auditing and Assurance Standards Board's (IAASB):** proposed new standard for sustainability Assurance Engagements, International Standard on Sustainability Assurance 5000 (ISSA 5000)
2. **Standardization of Assurance Practices:** Various frameworks, such as the International Standard on Assurance Engagements (ISAE) 3000, provide guidelines for assurance practitioners. However, there remains a need for standardized assurance practices specific to sustainability reporting.
3. **Challenges in Assurance:** Despite the growth in assurance services, challenges persist, including the lack of universally accepted metrics and the subjective nature of certain sustainability claims. Assurance providers must continuously adapt to evolving reporting standards and stakeholder expectations.

Ethical Considerations

At its December 2023 meeting, the IESBA approved the proposed new International Ethics Standards for Sustainability Assurance (including International Independence Standards) ("IESSA") and proposed Revisions to the International Code of Ethics for Professional Accountants ("the Code") on sustainability reporting.

Key ethical challenges include:

1. **Greenwashing**
2. **Data Integrity**
3. **Stakeholder Inclusivity**
4. **Long-term Commitment**

How the accountancy profession can play on this subject and the challenges they will face? And How are we going to get where we want to go?

As individuals, as firms, as companies, and as a profession — we face four key challenges on this path, each requiring certain evolutions these are:

1- Sustainability starting inside of companies.

- companies need to break down internal silos between the collection, assessment, and reporting of financial and sustainability information adopting an Integrated Mindset. It is the best way to support decision making by senior management, oversight by boards, external reporting that meets the needs of all stakeholders, and, ultimately, assurance.

2- Global adoption the ISSB standards.

- the ISSB is not the only standard setter at work. we strongly encourage alignment. It would be an enormous, missed opportunity if companies — which raise capital globally — are forced to keep multiple sets of books: one to satisfy their local reporting requirements and another to provide information to investors globally.

3- Capacity building in the sustainability space.

- Keep in mind that sustainability starts inside of companies. Individual accountants need to seek out and acquire the skills and competencies that will make them better enablers of sustainability. Education and up-skilling are key, with PAOs in the lead as the actors with the best knowledge of the specific needs of their members — and the greatest ability to support them

4- Trust and confidence in sustainability assurance services.

- While we pursue mandatory assurance, we must also guard against standard fragmentation, which creates unnecessary cost, complexity, and confusion and will not serve the public interest. We should push for adoption of ISSA 5000 as the global baseline for broad scope sustainability assurance engagements.
- We also need a level playing field that supports consistent application of ISSA 5000 and of the Code Ethics.

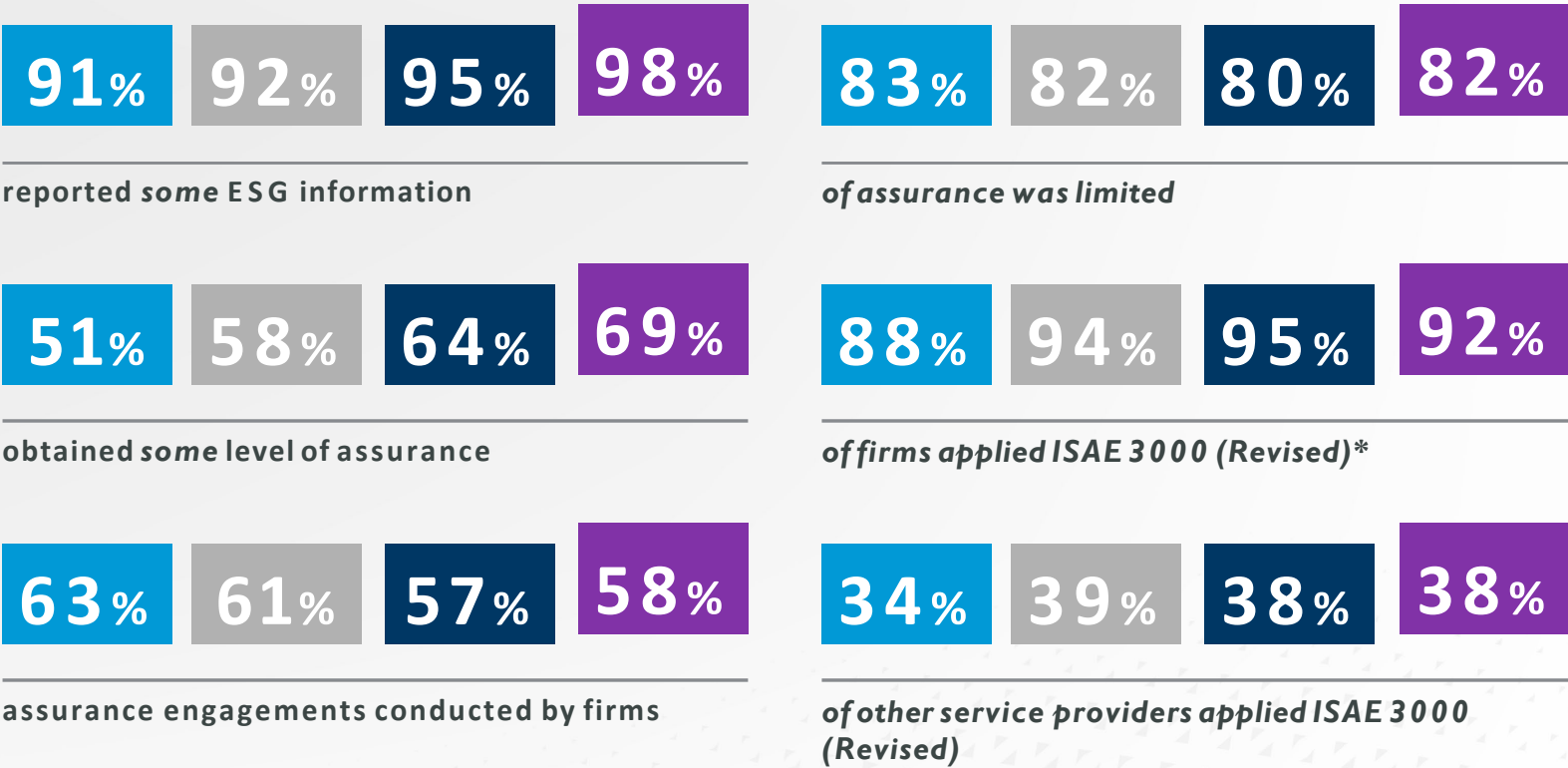
Global sustainability disclosure and assurance practices

The fourth annual IFAC and AICPA & CIMA State of Play of global sustainability disclosure and assurance practice shows that nearly all companies reviewed report at least some ESG information and an increasing majority of companies obtained assurance on at least some of that ESG information. But there is still work to do as only three jurisdictions reviewed had assurance rates of 100%.

This study updates understanding based on 2022 reporting of market practice by 1,400 companies across 22 jurisdictions. (see Methodology Section for additional details).

* Including all standards issued by accounting and audit bodies—such as the AICPA's attestation standards and IAASB's ISAE 3410—Firms applied accounting and audit body standards, **96%** in 2019, **96%** in 2020, **99%** in 2021, and **99%** in 2022.

KEY FINDINGS: 2019 | 2020 | 2021 | 2022



https://ifacweb.blob.core.windows.net/publicfiles/2024-02/IFAC-State-Play-Sustainability-Disclosure-Assurance-2019-2022_0.pdf

Thank you

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