The likely adoption of the IFRS Foundation's proposed sustainability reporting standards

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Global Reporting Initiative (GRI), IFRS Foundation International Sustainability Standards Board (ISSB), Sustainability Accounting Standards Board (SASB), Sustainable Development Goals (SDGs), Sustainability reporting, Taskforce on Climate-Related Financial Disclosures (TCFD)

Abstract
There has been a rising demand for the global convergence of sustainability reporting standards (SRS) to provide consistency and comparability. The International Financial Reporting Standards (IFRS) Foundation has stepped forward, formed the International Sustainability Standards Board (ISSB) and proposes to develop a global set of SRS. These standards will focus on the financial impacts of sustainability issues and are targeted towards the investor. However, this approach does not align with the Global Reporting Initiative (GRI), the most commonly used sustainability reporting framework globally, which adopts a multistakeholder focus. This study aims to analyse the SRS currently being used by the Johannesburg Stock Exchange (JSE) Top 100 companies, the respective focus of these standards, and suggest whether these companies are likely to adopt the ISSB standards over the frameworks currently being used. A content analysis approach is adopted. The reports and websites of these companies are examined to identify the sustainability reporting guidelines and frameworks currently being used and whether these companies submit disclosures to reporting bodies. The results show that regardless of whether the ISSB standards are adopted, companies are likely to continue using the current frameworks to report beyond the financial impact of sustainability issues.

Introduction

Demand from stakeholders for transparency on social and environmental issues has resulted in the rise of sustainability reporting over the last two decades (Siew, 2015). This demand has surged due to the emergence of environmental, social and governance (ESG) investing and the robust performance of ESG compliant companies through the shock of the COVID-19 pandemic (Whieldon, Copley, & Clark, 2020). The need for sustainability reporting has never been greater. Sustainability reporting is now widely considered a critical component of corporate reporting by financial and other stakeholders (KPMG, 2020). Companies report on sustainability issues due to demands from stakeholders and the impact these issues have on long term company performance (Wachira, Berndt, & Romero, 2020). The majority of studies have concluded a positive relationship between company performance and sustainability reporting (Al Hawaj & Buallay, 2021).

Companies use various frameworks and guidelines to report on sustainability, each with a slightly different focus and objective. These frameworks can broadly be separated into two classes: those that adopt an investor-related focus by reporting on the financial impact of sustainability issues and those that adopt a broader, multistakeholder approach. The sheer number of available frameworks has often been referred to as the sustainability 'alphabet soup' (Adams & Abhayawansa, 2021). The use of different guidelines and frameworks has caused a lack of consistency and comparability across organisations (Jose, 2017). After consultation with various stakeholders, the International Financial Reporting Standards (IFRS) Foundation has stepped in to create a global set of sustainability reporting standards (SRS) (IFRS Foundation, 2021b). At COP26 in November 2021, the IFRS Foundation formally announced the formation of the International Sustainability Standards Board (ISSB). The proposed ISSB standards will adopt an investor focus on sustainability issues (IFRS Foundation, 2021a). This narrower focus differs from the

multistakeholder approach adopted by bodies such as the Global Reporting Initiative (GRI). Therefore, this study aims to analyse whether companies would adopt the ISSB SRS over the reporting frameworks they are currently using, given the different focus.

This study takes place in South Africa, where integrated reporting is mandatory for listed companies (Johannesburg Securities Exchange Limited (JSE), 2018), but there is no requirement to produce sustainability reports. However, integrated reports should incorporate a holistic view of the full range of capitals (International Integrated Reporting Council (IIRC), 2021), and therefore should include sustainability disclosures. Therefore, this study allows an examination of a reporting environment where integrated reporting is mandatory, but sustainability reporting is voluntary. Data was collected from the annual reports, sustainability reports and company websites of the JSE Top 100 companies. This study first determined which sustainability reporting guidelines are currently used by South African companies, and the focus of the standards adopted. Thereafter, the study explored how the introduction of the ISSB standards may impact the guidelines used by South African companies going forward.

The study finds that the most commonly used sustainability reporting frameworks and guidelines are, in descending order, the United Nations Sustainable Development Goals (SDGs), CDP (formerly the Carbon Disclosure Project), GRI, Taskforce on Climate-Related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB) standards. Due to the differences in focus between the frameworks currently being used and the ISSB standards, regardless of whether the ISSB standards are adopted, companies are likely to continue using current frameworks to report beyond the financial impact of sustainability issues. This conclusion would cast doubt over the efficacy of the ISSB's investor-focused approach in converging frameworks into one set of global standards.

By analysing the sustainability reporting frameworks currently being used by South African companies, this study contributes to the literature on the sustainability reporting practices of companies where sustainability reporting is voluntary, although integrated reporting is mandatory, by providing a unique insight into which frameworks are predominantly being used. Furthermore, by assessing the impact that the ISSB standards may have on the choice of frameworks that South African companies use, this study contributes to the limited literature on the ISSB standards. It offers regulators a perspective to consider when deciding whether these standards should become mandatory.

Literature Review

Existing Sustainability Reporting Frameworks/Guidelines

In some environments, there are mandatory frameworks or guidelines that organisations must comply with. However, where reporting is voluntary, there is great value in having access to a variety of reporting frameworks and guidelines of high quality (Tilt, Qian, Kuruppu, & Dissanayake, 2021). The following frameworks and guidelines are examples of those used in voluntary and mandatory contexts. The available frameworks and guidelines can be either investor-focused or multistakeholder-focused.

The investor-focused guidelines include TCFD, SASB and integrated reporting (IR). Established in 2015 to address the need for improved reporting of the financial impacts of climate change, the TCFD has a target audience of investors (Elalfy & Weber, 2019). These recommendations improve climate-related disclosures for investors to make more informed investment and capital allocation decisions (TCFD, 2021). The SASB provide industry specific standards to guide organisations on how to disclose the financial impacts of sustainability issues. The standards suggest indicators for reporting on three categories: environmental, social and governance. However, the extent of reporting on these ESG issues are limited to those most relevant to the financial performance of the organisation (Elalfy & Weber, 2019; Sustainability Accounting Standards Board, 2021). Therefore, the SASB standards focus on the need of investors rather than a broader range of stakeholders. The IR Framework by the International Integrated Reporting Council (IIRC) has the objective of providing investors with better information to increase the efficiency of their capital allocation decisions (Elalfy & Weber, 2019). The Framework focuses on the six capitals and their combined role in value creation over the short, medium and long term (International Integrated Reporting Council, 2021). The Framework is not considered a sustainability reporting framework; instead, it is a general framework that provides a reporting mechanism allowing companies to communicate sustainability issues to their investors.

Multistakeholder guidelines include GRI, CDP and the SDGs. Organisations use the GRI standards to communicate their impact on sustainable development. The GRI emphasises reporting both positive and negative impacts an organisation may have from environmental, economic and social perspectives. The standards allow users to report on material issues under these three main elements, focusing on meeting the needs of all stakeholders. Siew (2015) refers to the GRI's approach to reporting as a multistakeholder consultation approach. The GRI also encourages using other frameworks to supplement the GRI standards (GRI, 2020b). The CDP manage a database of environmental disclosures submitted by organisations. Using the reports submitted to them, the CDP scores organisations based on the disclosures of their environmental impacts. By providing this independent scoring system, the CDP claims to incentivise organisations to take action on climate and other environmental issues. Although the CDP is aligned with the TCFD, they focus more broadly on stakeholders, rather than only investors (CDP Worldwide, 2021). The SDGs were introduced in 2015 as a call to action for organisations to contribute to achieving these sustainable development goals through their activities (Tsalis, Malamateniou, Koulouriotis, & Nikolaou, 2020). The SDGs are often referred to as the 'blueprint' to achieving a sustainable future; therefore, many organisations use them as a guide for reporting on their sustainability-related issues (KPMG, 2020).

An increased need for global consistency and comparability

The few frameworks and guidelines introduced above provide a brief insight into the multitude of options organisations have for reporting on sustainability-related matters at the start of 2021. The use of different guidelines by organisations has resulted in a lack of comparability between organisations (Jose, 2017). The increased interest in ESG investing has highlighted the issue, with calls intensifying for fewer sustainability reporting frameworks (Adams & Abhayawansa, 2021). Various initiatives have begun taking place globally, including calls for intervention by the IFRS Foundation, the international body responsible for international financial reporting standards (Jose, 2017). After consultation with many stakeholders, the IFRS Foundation has engaged with the issue and concluded that there is an urgent need to improve the comparability and consistency in sustainability reporting (IFRS, 2020).

In a landmark announcement, the leading voluntary standard setters, the Climate Disclosure Standards Board (CDSB), CDP, GRI, IIRC and SASB, released a statement outlining their intention to work together in harmonising the corporate reporting system (Impact Management Project, World Economic Forum, & Deloitte, 2020). This is a commitment towards a joint vision of a more comprehensive and consistent reporting system. In the announcement the standard-setting bodies involved welcomed the idea of working with the IFRS Foundation to form a set of global SRS (Impact Management Project et al., 2020). Subsequently, the IFRS Foundation task force released a consultation paper on sustainability reporting to determine if a global set of SRS is needed, whether the IFRS Foundation should play a role in setting those standards and, if required, what the scope of their role should be.

In response to the feedback received by the public and stakeholders, the IFRS Foundation concluded that there is a growing demand for a global set of SRS and that the IFRS Foundation have a role to play (IFRS Foundation, 2021c). After a consultation period, the IFRS Foundation announced at COP26 in November 2021 the formation of the International Sustainability Standards Board (ISSB) to sit alongside the International Accounting Standards Board (IFRS Foundation, 2021a). In addition, it was announced that the Value Reporting Foundation (VRF) and the CDSB would be consolidated into the IFRS Foundation. The IIRC and SASB merged to form the VRF in June 2021 (Markham & Medress, 2020). The purpose of this merger was to contribute to building a more cohesive corporate reporting system. Both the IIRC and SASB focus on enterprise value creation (investor focus rather than broader stakeholder focus).

The IFRS Foundation formed a technical readiness working group to create the global set of standards. This group includes the VRF (SASB and IIRC), CDSB, TCFD and WEF. The group is also in close liaison with the GRI and CDP on technical matters. Therefore, all of the major standard setting bodies are pulling together to contribute towards the proposed global standards (IFRS, 2020). This signifies a significant step towards the convergence of sustainability reporting guidelines.

The IFRS Foundation's proposed global SRS will adopt an investor focus and are aimed at the impact of sustainability-related issues on enterprise value. The International Organization of Securities Commissions (IOSCO) supported the formation of the ISSB, and aims to endorse the standards once

released (International Organization of Securities Commissions, 2021). However, this decision was not fully supported as many stakeholders disagree with the notion of global SRS having solely an investor focus rather than a multistakeholder focus (IFRS Foundation, 2021b). It is argued that to report on an organisation's contribution to the SDGs adequately, the blueprint for sustainable development, it is necessary to adopt a multistakeholder focus (Adams & Abhayawansa, 2021). Adams & Abhayawansa (2021) also argue that using financial materiality to determine which sustainability disclosures to provide contradicts the GRI's view that sustainability reporting provides critical information informing the decisions of a wide range of stakeholders including employees, policymakers and investors (GRI, 2020a). However, in March 2022 the IFRS Foundation announced that the GRI would collaborate with the ISSB to align their multi-stakeholder standards with the investor focused standards of the ISSB (IFRS Foundation, 2022), which provides grounds for an end product that will meet the needs of all stakeholder groups, if mechanisms can be found that accommodate the double materiality of both financial materiality and societal materiality. The differing views on materiality are one of the key tensions between the two focuses (Hjaltadottir, 2022). Before the current developments, the GRI was still the dominant standard for sustainability reporting globally (KPMG, 2020; Lozano, Nummert, & Ceulemans, 2016). It follows a multistakeholder approach that reports on the impacts of sustainability-related issues that are not limited to financial impacts relevant to market participants.

The discussion above raises the question of whether companies would adopt the ISSB standards over the existing voluntary frameworks available (e.g., GRI), given the differing focuses. This study aims to analyse the South African context and assess whether companies are likely to adopt the ISSB standards over the frameworks they are currently using.

Theoretical framework

Notwithstanding the recent trends in sustainability reporting regulations, the practice of sustainability reporting is primarily still a voluntary act globally (Mion & Adaui, 2019). Various theories have been used in the literature to explain the reasoning behind why companies choose to provide sustainability-related disclosures (Deegan, 2014; Fuhrmann, 2020). The most commonly applied theories are stakeholder theory, institutional theory, legitimacy theory and signalling theory (Hahn & Kühnen, 2013; Lakhani & Herbert, 2022). These theories intersect and overlap in some ways (Hahn & Kühnen, 2013).

Stakeholder theory, which is closely linked to sustainability theory suggests that organisations should play an active role within the society in which they operate (Omran & Ramdhony, 2015). The legitimacy of an organisation is closely linked to its relationship with stakeholders (Hahn & Kühnen, 2013). Legitimacy theory refers to societal expectations, whereas stakeholder theory narrows this down by referring to specific stakeholder 'groups' (Deegan, 2014). Therefore, organisations must be aware of stakeholder concerns, as addressing these concerns allows the organisations to continue operating (Wachira et al., 2020). Spence et al. (2010) found that stakeholder theory was described as the most helpful theory used to explain sustainability reporting in the literature.

Institutional theory refers to the formation of societal norms or expectations. Hahn and Kühnen (2013) refer to it as a phenomenon where an organisation's practices are performed based on institutionalised expectations rather than business rationale. Deegan (Deegan, 2014) proposes three 'pillars' that influence the institutionalisation of business practices. The *regulative* pillar, the *normative* pillar, and mimetic isomorphism. Mimetic isomorphism refers to the tendency of organisations to imitate the practices of other organisations that are seen as legitimate to attain legitimacy of their own (Martínez-ferrero & García-Sánchez, 2017). In the context of sustainability reporting, Hahn & Kühnen (2013) suggest that assuming institutional theory applies, the adoption of sustainability reporting practices would converge due to these mimetic phenomena.

Signalling theory suggests that organisations are incentivised to report information voluntarily to increase organisational value. The signalling theory has been used to explain voluntary sustainability reporting. Omran & Ramdhony (2015) found that organisations report sustainability issues to signal their superiority over others and compete for capital. This practice is especially relevant given the recent rise in ESG investing and capital inflow to ESG compliant companies (KPMG, 2020).

Method

This study aims to assess the alignment of the focus of the current SRS used by South African companies and the ISSB standards, thereby suggesting the likelihood of adoption of the ISSB standards. This study will first determine which sustainability reporting guidelines are currently being used by companies included in the sample, and the focus of those SRS. Thereafter, the study will explore if they are likely to adopt the ISSB standards.

A content analysis approach to data collection was adopted for this study. The annual reports, integrated reports, sustainability reports and company websites of the top 100 JSE-listed companies were examined to identify keywords indicating the sustainability reporting guidelines and frameworks currently used by South African companies and whether these companies submit reports to these standard-setting bodies. These locations are where most companies communicate their sustainability disclosures (Buhr, Gray, & Milne, 2014).

The top 100 largest companies on the JSE, by market capitalisation, as of 31 August 2021, were used as the complete sample for this study (Listcorp, 2021). The top 100 by market capitalisation serves as a proxy for the JSE as a whole, given that they account for approximately 97% of the JSE's total market capitalisation (EY, 2020). Data was collected during August and September 2021. From the reports of the 100 companies in the complete sample, 27 of them were 2021 reports, and 73 were 2020 reports. This inconsistency did not affect the study as the latest reports were required to assess the latest sustainability reporting guidelines used by the companies.

The keyword method used is similar to that used in Horne et al. (2020). In determining the keywords to collect the data, a sample test was conducted on ten JSE listed companies to establish keywords the author believes are most effective in identifying the relevant data. Upon completion of the sample test, the entire population of companies was subjected to the keyword search function for data collection using these keywords.

First, the use of the sustainability guidelines and frameworks released by bodies that have formed part of the IFRS Foundation's technical readiness working group (GRI, CDP, TCFD and the SASB) was analysed. These guidelines were chosen as companies currently using them would have to decide whether to continue using them once the ISSB standards are released, given that these bodies would have contributed to the development of the ISSB standards. SDGs were also analysed as the SDGs speak to a multistakeholder approach in contrast to the ISSB standards' investor focus. For each reporting guideline/framework, each company either satisfied the criteria (coded 1) by making use of this guideline or did not satisfy the criteria (coded 0) by not making use of this guideline in their sustainability reporting practices.

Second, the GRI, CDP, TCFD and SASB reporting bodies allow companies to submit reports to their databases. These reports would mostly be standalone reports that use the reporting guidelines offered by these bodies. A company satisfied the criteria (coded 1) by submitting reports to the reporting body or did not satisfy the criteria (coded 0) by not submitting reports to the reporting body.

The data collected in this study was analysed to determine the likelihood of South African companies adopting the ISSB standards over the frameworks currently being used. The data analysis included calculating the percentage of South African companies using each reporting framework, and the total number of frameworks used by each company was also analysed. The data was further analysed by classifying the reporting guidelines/frameworks into two classes, those that adopt an investor focus by reporting the financial impact of sustainability issues (TCFD and SASB) and those that adopt a broader multistakeholder view (GRI, SDGs, CDP). This classification will be used to determine how many investor-focussed frameworks and multistakeholder focussed frameworks each company is using. The average number of total, investor-focused and multistakeholder focussed frameworks used was calculated.

Findings and Discussion

This study analyses the current SRS adopted by South African companies. The focus of the SRS, being either investor-focused or multistakeholder-focused is analysed. Various theoretical lenses are used in assessing the likelihood of the companies in the sample adopting the ISSB standards.

The percentage of companies using each reporting framework and submitting reports to the standard-setting bodies was analysed. Figure 1 presents the results.

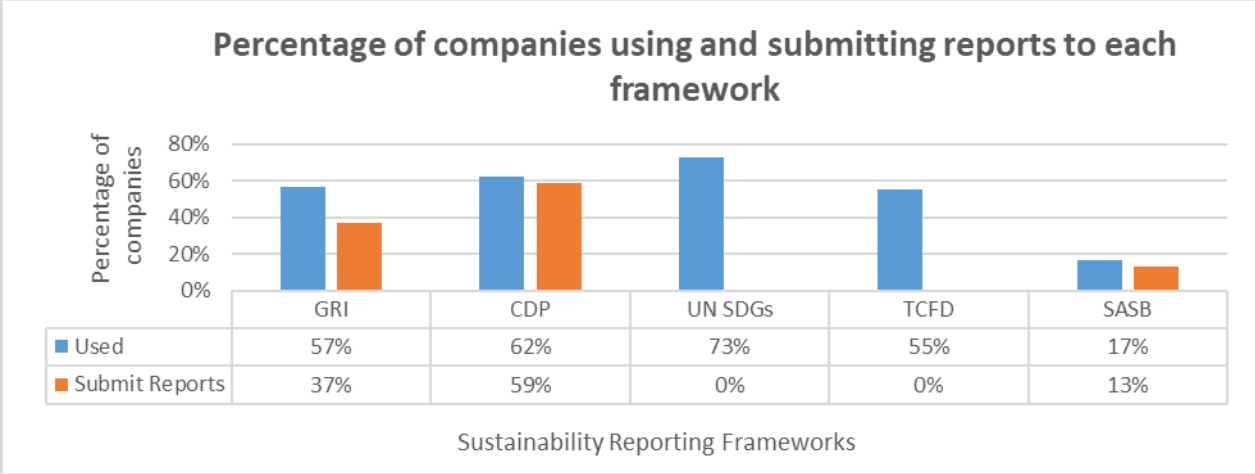

Figure 1 Percentage of companies in the complete sample using and submitting reports to each framework

Among the frameworks used in this study, the SDGs were the most commonly used sustainability reporting framework, with 73% of the complete sample using the SDGs in their reporting practices. This is expected as stakeholders have pushed for increased reporting on the SDGs. KPMG (2020) reported a 30% increase in the number of companies using the SDGs in their business practices from 2017 to 2020. The second most used framework is the CDP, with 62% adoption. This framework differs from the SDGs, focusing on reporting to the investor.

Surprisingly, the GRI was only adopted by 57% of companies in the study. This is somewhat unexpected as the GRI is often referred to as the 'benchmark' for sustainability reporting (Lozano et al., 2016). However, this conclusion was made before many of the current frameworks were entirely in use. It is also plausible that companies are using the GRI for general guidelines. However, they are not reporting in terms of the GRI standards and therefore do not mention the GRI in their reports. The nature of the collaboration between the GRI and the ISSB will need to be assessed as it materialises. The likelihood of companies moving from the GRI standards to the ISSB standards or using both will likely depend on how closely aligned they become over time.

The adoption of the SASB was low, with 17% of companies using these standards in their sustainability reporting practices. This lower adoption rate may be due to the SASB standards not being widely used in the region. According to SASB's data, only 0.5% of organisations using their standards are from the Middle East & Africa region (SASB, 2021). The SASB standards are American SRS initially developed for use by American companies. This provides context to the low adoption rate among South African companies.

The TCFD has a specific focus on climate-related sustainability issues instead of broader sustainability issues. 55% of companies in the complete sample use these guidelines in their sustainability reporting. This could be significant as the IFRS Foundation has emphasised their intentions to prioritise climate-related issues in developing their SRS. The TCFD recommendations will be used in developing the initial ISSB standards with a focus on climate-related issues (IFRS Foundation, 2021b). Therefore, companies currently adopting the TCFD guidelines may be more likely to be initial adopters of the ISSB standards given this alignment.

Of the frameworks analysed in this study, the GRI, CDP and SASB allow companies to submit separate reports to them using their frameworks and guidelines. Submitting reports to these bodies offers companies the benefits of increased exposure of their reports and an added level of assurance for the users (GRI, 2016). Therefore, companies currently submitting reports may not want to abandon these reporting frameworks for the ISSB standards. As shown in Figure 1 above, 62% of companies use the CDP

guidelines and 59% report to the CDP. Therefore, 95% of companies using the CDP guidelines are also submitting reports. In contrast, 65% and 76% of companies using the GRI and SASB frameworks respectively submit reports to these reporting bodies. Most companies using these frameworks are also submitting reports, which may decrease the likelihood of these companies adopting the ISSB standards over the current frameworks being used. Even if the ISSB standards are adopted, these companies may continue to submit reports to these bodies for the benefits of increased exposure and an added level of assurance. This will result in companies still using several different sustainability reporting frameworks – the dilemma the IFRS standards aim to eliminate.

Analysing the number of frameworks South African companies are currently using may inform whether they are likely to adopt the ISSB standards. The more frameworks a company is currently using, the more expensive sustainability reporting becomes. There are increased costs to gathering the information required to report using these frameworks. Therefore, companies are incentivised to adopt the proposed ISSB standards as a single framework, which will result in fewer costs incurred and an increase in the cost-benefit of sustainability reporting. Figure 2, below, shows that most companies are adopting at least two different frameworks for their reporting practices, with an average of 2.64 frameworks across the complete sample.

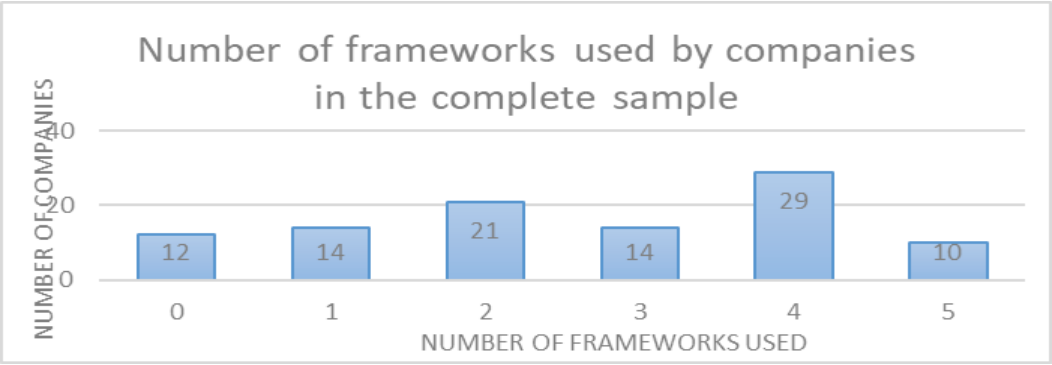

Figure 2 Number of frameworks used by companies in the complete sample

While there are potential cost-saving benefits from shifting to a single set of standards, this benefit can only be realised if the single set of standards sufficiently covers all the information currently being disclosed while using multiple frameworks. This has been a criticism of the proposed ISSB standards (IFRS Foundation, 2021b). According to the stakeholder theory, failure to provide sufficient disclosures could threaten the legitimacy of these companies if these disclosures are expected by stakeholders. Therefore, further analysis should be conducted before concluding that South African companies are more likely to adopt the ISSB standards for the cost-saving benefit.

The frameworks analysed in this study were split into two classes – those with an investor focus (TCFD and SASB) and those with a multistakeholder view (GRI, CDP, SDGs). The average number of totals, investor-focused and multistakeholder focused frameworks used was calculated for the complete sample. The results in *Figure 3* show that, on average, each company uses 0.72 investor-focused and 1.92 multistakeholder-focused reporting frameworks. For those companies that used four frameworks the most common combination (79% of companies) was to use all of the frameworks except for SASB, which is investor focused. For those companies using three frameworks 92% used both CDP and the SDGs which are multistakeholder-focused, and only 43% used TCFD and none used SASB, which are investor-focused.

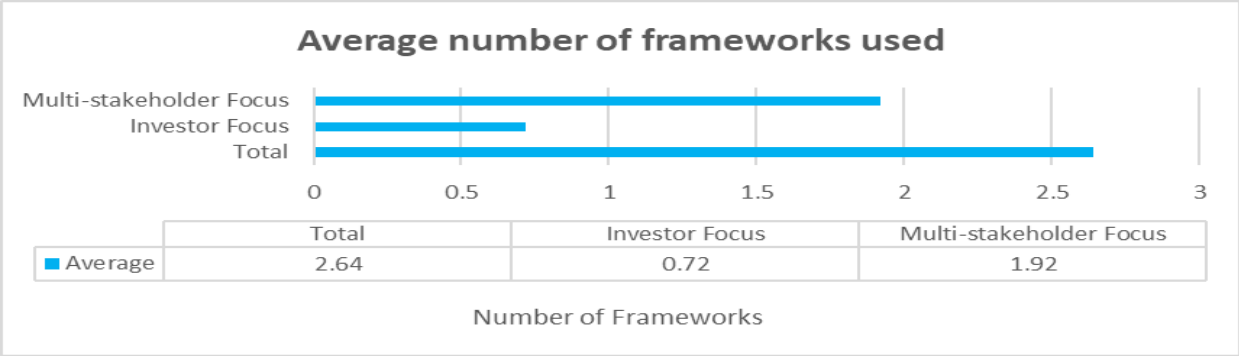

Figure 3 Average number of frameworks used for companies in the complete sample

This shows that companies may think twice about adopting the ISSB standards over the current frameworks, given the differing focus. This is compounded by some stakeholders already voicing concerns over prioritising investor-centric disclosures. There is a risk of losing legitimacy if companies adopt the IFRS standards and abandon the current standards with a multistakeholder view to reporting sustainability issues. Conversely, adopting the IFRS standards alongside some of the current frameworks does not solve the dilemma of too many reporting frameworks being used. It results in less cost-saving for companies as they will still use several frameworks.

The data was separated into two groups: Top 10 and The Rest, for further analysis. The Top 10 companies were the top 10 constituents of the FTSE/JSE Responsible Investment Top 30 index and therefore represent the leading companies in sustainability/ESG reporting in South Africa (FTSE Russell, 2021). The average number of the total, investor-focused and multistakeholder focussed frameworks used was calculated for both the Top 10 and The Rest. This was calculated by taking an average of the number of the total, investor-focused and multistakeholder-focused frameworks used by each company in the Top 10 and The Rest. This is presented in Figure 4 below.

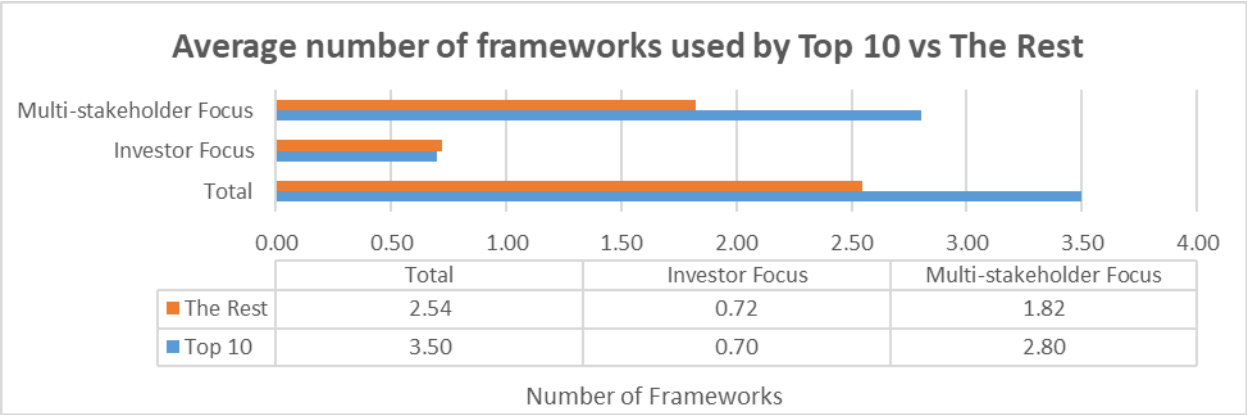

Figure 4 Average number of frameworks used by the Top 10 vs The Rest

Figure 4 shows that the leading sustainability reporting companies in South Africa, represented by the Top 10, are using more frameworks in their reporting practices (3.50) compared to The Rest (2.54). This may indicate that the leading sustainability reporting companies are less concerned with the cost saving of using fewer frameworks and instead are focused on the benefits of providing their users with more disclosures. Signalling theory could be used to explain why the Top 10 are adopting more frameworks. According to signalling theory, organisations may voluntarily report information to increase organisational value and signal superiority. The inclusion of these companies in the FTSE/JSE Responsible Investment Top 30 index may be evidence of their sustainability reporting superiority and contributes to their value.

Top 10 companies would want to maintain this superiority over The Rest. If they were to adopt the ISSB standards over the frameworks they are currently using, this standardisation may dilute their superiority and decrease their likelihood of adopting the ISSB standards initially. However, if the ISSB

standards are adopted, the Top 10 may elect to continue using more frameworks than The Rest to maintain their superiority through providing more disclosure.

Furthermore, *Figure 4* shows that while Top 10 companies use more sustainability reporting frameworks than The Rest, they also use more multistakeholder-focused frameworks. Eight of the companies used all three multistakeholder-focused frameworks (GRI, CDP and SDGs), and of the investor-focused frameworks, the TCFD was used by six of the companies, and SASB only by one. This further infers that the Top 10 are likely to continue to use other multistakeholder frameworks to sustain the multistakeholder reporting view while also adopting the ISSB standards.

Institutional theory can be used in discussing the likelihood of South African companies adopting the ISSB standards over the currently used frameworks. Institutional theory refers to a mimetic phenomenon where organisations tend to imitate the actions of other organisations that are seen as legitimate to achieve their own legitimacy. This is often referred to as mimetic isomorphism (Martínez-ferrero & García-Sánchez, 2017). According to this theory, the Top 10 group are seen as legitimate companies, given their inclusion in the FTSE/JSE Responsible Investment Top 30 index and The Rest would imitate the Top 10 actions to achieve legitimacy for themselves. Therefore, using institutional theory, the actions of the Top 10 group are critical in the overall likelihood of the ISSB standards being adopted over the current frameworks. Top 10 companies will want to maintain their superiority over The Rest (signalling theory) and their legitimacy by satisfying the expectations of stakeholders (stakeholder theory). They may continue to use multistakeholder frameworks such as GRI to achieve this. As a result, The Rest will imitate this to maintain their legitimacy, resulting in the adoption of the ISSB standards, but with the continued use of other frameworks as well.

Conclusion

This study aimed to analyse the sustainability reporting guidelines used by South African companies while also analysing the possible impact the proposed ISSB standards will have on guidelines used in future. With increased calls for consistency and comparability of sustainability reporting due to the rise of ESG investing, the IFRS Foundation is developing a set of global SRS. However, the investor-focus adopted by the IFRS Foundation differs from the multistakeholder view adopted by the most popularly used frameworks and guidelines, such as the SDGs and GRI. This study analyses the South African context and assesses whether companies listed on the JSE are likely to adopt the ISSB standards over the frameworks they are currently using.

This study found that the SDGs were South African companies' most common sustainability reporting guidelines, followed by the CDP, GRI, TCFD and SASB. The results also reveal that most companies using the CDP, GRI and SASB frameworks are also submitting separate reports to these reporting bodies. Companies using the SASB standards are expected to change to the ISSB standards, given that the SASB has been consolidated into the IFRS Foundation. Furthermore, with the collaborations between the IFRS Foundation and both TCFD and GRI companies are more likely to adopt the new standards.

This study also found that, on average, more multistakeholder frameworks were used than investor-focussed frameworks for the complete sample. The results show that an even higher percentage of the frameworks used adopted the multistakeholder view for a group of leading companies in sustainability reporting.

Exploratory discussions informed by the data and sustainability reporting theories such as stakeholder, signalling, and institutional theory were presented to determine the likelihood of companies adopting the ISSB standards over the currently used frameworks. It was concluded that the actions of the leading sustainability reporting companies would play a significant role in whether there is widespread adoption of the IFRS standards, as well as the form that the ISSB standards take when completed. This study also concluded that due to the differences in focus between the frameworks currently being used and the ISSB standards that even if the ISSB standards are adopted, companies are likely to continue using current frameworks to report beyond the financial impact of sustainability issues.

This study contributes to the literature on sustainability reporting practices by concluding which frameworks are most popularly used by South African companies and theorising on the likelihood of adoption if the ISSB standards remain voluntary. Given the recency of these developments, this study also

adds to the limited literature around the planned ISSB standards. It can provide insight to regulators as they consider whether these standards should be made mandatory.

Limitations and directions for future research

The complete sample consisted of the JSE top 100 companies by market capitalisation as of 31 August 2021 and was used as a proxy for the entire JSE. The sustainability guidelines used by these 100 companies may not represent the guidelines used by all South African companies. However, the JSE top 100 by market capitalisation accounts for approximately 97% of the total market capitalisation of the JSE (EY, 2020). The sources used to collect data for this study were the annual reports, integrated reports, sustainability reports and the company website. Of the analysed company reports, 73% were 2020 reports, with 27% being 2021 reports. This study can provide limited conclusions on the impact of the IFRS Foundation's SRS due to the continuously changing reporting environment. Further research could be conducted using interviews, articles, press releases to better understand the companies' view of the proposed standards. Further studies could also analyse the adoption of the ISSB standards once released, assess whether companies continue to use their current frameworks to satisfy the multistakeholder view, and use different countries and contexts for this fast-paced changing area of study.

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