

ESG REPORT

In today's fast-changing business world, companies are expected not only to make profits but also to act responsibly. Environmental, Social, and Governance (ESG) factors have become an important way to measure how well organizations meet these responsibilities. Managing ESG issues is no longer optional, it's essential for long-term success. This shift also changes how accounting and auditing professionals work, requiring new skills and responsibilities.

Finance teams now have to manage ESG data with the same care as financial data. This means putting in place strong policies, systems, and controls to make sure sustainability information is accurate, reliable, and comparable. The International Sustainability Standards Board (ISSB) has introduced new global ESG reporting rules to help with this. Because of these changes, finance teams need to lead the way in making sure ESG reports meet regulations and give investors what they need.

In 2023, ISSB released two key standards: IFRS S1 and IFRS S2. IFRS S1 asks companies to disclose important sustainability risks and opportunities that might affect their future. It recommends using industry-specific guidance like the SASB standards to figure out which topics matter most to their business, so the reports are focused and relevant.

IFRS S2 builds on the widely accepted Task Force on Climate-related Financial Disclosures (TCFD) framework. It also points to SASB standards to make sure climate-related reports match the risks and opportunities specific to each industry. Together, these standards help companies provide clear and comparable information about climate risks and strategies, which helps investors understand what's happening.

These two standards work together to help finance professionals create consistent and useful sustainability reports, no matter which accounting rules a company follows.

The American Institute of Certified Public Accountants (AICPA) and the Center for Audit Quality (CAQ) highlight how important it is to have strong ESG governance. This includes doing thorough ESG risk assessments using frameworks like SASB, GRI, and the International Integrated Reporting Framework. It also means improving board oversight, embedding ESG into risk management, and using control systems like COSO for non-financial data.

Voluntary ESG reporting hasn't been enough to make data comparable worldwide, so the move to IFRS-based sustainability standards supported by groups like IFAC and IOSCO is a big step forward. Finance professionals now need to build ESG knowledge across different areas to make sure reports meet international standards and align with company goals for long-term value.

ESG covers how companies handle their environmental impact, social relationships, and governance practices beyond just financial results. For example, the environmental part looks at how companies reduce emissions, manage waste, and fight climate change. The social part focuses on labour practices, diversity, and community involvement. Governance is about how companies are run—board makeup, ethics, transparency, and shareholder rights.

Using ESG criteria helps investors spot companies that operate responsibly and avoid risks, supporting long-term growth. A good example is Bank of America in 2015, when it invested more in renewable energy, improved diversity, and enhanced employee benefits. This boosted both its reputation and financial success, leading to \$16.5 billion in profits.

Ignoring ESG can cause legal troubles, reputational harm, and financial losses. On the other hand, companies that manage ESG well protect and grow their value over time.

Europe is leading the way with strict ESG rules, like the Corporate Sustainability Reporting Directive (CSRD), which requires detailed, audited ESG information. The EU Taxonomy helps define what activities are truly sustainable, and the Corporate Sustainability Due Diligence Directive (CSDDD) will make companies responsible for risks in their supply chains and require plans to reach net-zero emissions by 2050.

In the U.S., ESG regulations are evolving, focusing on climate disclosures. The SEC has proposed rules for climate risks and emissions reporting, and SASB standards are popular for industry-specific ESG reporting. While federal rules are still developing, states and stock exchanges are already pushing for stronger ESG transparency.

These regulations show that ESG is becoming a key part of corporate responsibility, and accounting professionals must ensure ESG reports are accurate and meet these new standards.

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The Global Reporting Initiative (GRI) is one of the most common frameworks for sustainability reporting. It helps companies share their ESG impacts clearly and consistently, building trust with investors and regulators.

ESG reporting frameworks, including GRI, SASB, and TCFD, provide companies with ways to measure and disclose important sustainability data, such as emissions and board diversity—and guide when and how to report. This ensures reports are reliable and meet stakeholder expectations.

Globally, ESG rules are tightening. Europe's CSRD and U.S. SEC proposals are good examples, with SASB gaining more acceptance. Adopting frameworks like GRI, SASB, and TCFD helps companies meet regulations and investor demands, promoting transparency and sustainable growth.

In the UAE, ESG is gaining traction as part of the national sustainability goals. While ESG reporting isn't mandatory everywhere yet, regulators like the Securities and Commodities Authority (SCA), Dubai Financial Market (DFM), and Abu Dhabi Global Market (ADGM) encourage companies to use internationally recognized frameworks such as GRI, SASB, and TCFD. This supports the UAE's Net Zero by 2050 and Green Agenda 2030 targets. Many UAE companies in finance, energy, and real estate already voluntarily report on ESG to attract investors and support climate goals. The UAE is also watching the global rollout of IFRS S1 and S2 and may align with these standards in the future to improve ESG reporting consistency.

Overall, ESG has become essential for businesses to balance making profits with being responsible. As regulations get tougher and stakeholders expect more, finance and accounting professionals need to develop strong ESG expertise. Using global standards like IFRS S1 and S2 to include ESG in decision-making and reporting helps companies increase transparency, reduce risks, and create long-term value. Embracing ESG is not just about following rules, it's a smart investment in the company's future.

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1. Environmental Initiatives

- Reduce paper usage, by providing reports digitally whenever possible, promoting digital documents, double-sided printing, and recycling.
- Optimize energy use of office and IT systems supporting accounting operations.
- Explore eco-friendly options for client documentation and internal processes.
- Engage employees in sustainability awareness and encourage eco-friendly initiatives.
- Manage waste responsibly: provide recycling bins, minimize non-recyclable waste, refurbish technology where possible.



2. Workforce Diversity & Engagement

- Encourage a supportive, valued, and skilled workforce.
- Promote diversity at all levels, with a focus on senior management roles.
- Ensure fair pay, equal opportunities, and access to professional development for all employees.
- Foster engagement and recognition through surveys, feedback, and career development initiatives.

3. Data Security & IT

- Safeguard sensitive client and business information; maintain strict confidentiality.
- Conduct regular cybersecurity checks, including vulnerability assessments and penetration testing.
- Establish and maintain clear incident response protocols for potential data breaches.
- Provide ongoing employee training on data protection and privacy.
- Keep disaster recovery and data management plans up to date.



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4. Professional Integrity

- Maintain high professional standards to build client trust and loyalty.
- Ensure compliance with IFRS, local accounting regulations, and auditing standards in all engagements.
- Prevent conflicts of interest, bias, and negligence in services provided.
- Provide regular ethics, professional conduct, and standards-related training for all employees.
- Ensure services, advice, and audit work are delivered fairly, accurately, and without error.
- Strengthen client relationships and support business continuity through integrity practices.

5. Social Responsibility

- Ensure compliance with labour laws (salaries, working hours, safety, anti-discrimination).
- Maintain updated employee handbook, policies on flexible work, and anti-harassment procedures.
- Track workplace safety incidents, provide HR training, and monitor employee well-being.
- Conduct engagement surveys, exit interviews, and career development reviews regularly.



6. Diversity, Equity & Inclusion (DEI)

- Close gender pay gaps and refine recruitment and promotion processes.
- Assess diversity at senior levels and implement measures to address gaps.
- Ensure communications and workplace practices are inclusive and bias-free.
- Provide training on unconscious bias and monitor employee demographics.

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7. Client / Service Responsibility

- Keep client financial information secure and confidential at all times.
- Ensure service information is accurate, complete, and clearly communicated.
- Address client concerns or discrepancies in services quickly and efficiently.



8. Governance

- Maintain a diverse and functioning board with clearly defined reporting lines.
- Implement internal controls, conflict of interest policies, and whistleblower protection.
- Provide ESG-related and ethics training to employees.
- Link management remuneration to ESG and professional performance.
- Assign a compliance officer or team to monitor adherence to accounting and audit regulations.
- Establish protocols for reporting accounting errors, fraud, or compliance breaches internally.
- Review audit and financial reporting processes regularly to ensure accuracy and transparency.

9. Internal ESG Culture

- Offer training on professional ethics, auditing standards, and ESG topics.
- Set ESG goals: define purpose, methods, responsibilities, and timelines.
- Encourage mentorship and knowledge sharing among staff.
- Monitor employee performance and provide feedback for continuous improvement.



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10. Risk Management

- Identify, assess, and manage ESG-related risks (climate, reputational, operational, compliance) and data privacy/cybersecurity risks.
- Record, monitor, and review risk management processes regularly.
- Identify and manage risks related to financial reporting and audits.
- Incorporate ESG considerations when evaluating client processes.

11. Succession Planning

- Identify internal and external succession options for key positions.
- Consider taxation and regulatory implications in succession planning.
- Map critical roles in accounting, auditing, and compliance functions to ensure no disruption.
- Develop mentorship programs to prepare junior staff for senior roles.
- Document standard operating procedures (SOPs) for key tasks to aid smooth transition.
- Review succession plans periodically and update based on staff turnover or regulatory changes.



12. Business Strategy

- Update mission statement to reflect ESG commitments.
- Evaluate the environmental and social impact of office operations and business practices.
- Align strategic decisions with sustainability and ethical standards.
- Integrate ESG risks and opportunities into long-term planning and decision-making.
- Monitor progress toward ESG goals and adjust strategy as needed.