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Article

Sustainability Reporting Ecosystem: A Once-in-a-Lifetime Overhaul during the COVID-19 Pandemic

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Abstract: The preparation of sustainability reports, which a negligible number of organisations had been doing until recently, will soon be the new reality for many more organisations. This research aims to present changes during the COVID-19 pandemic in the ecosystem of sustainability reporting pronouncements, especially those used by organisations. In our research, we compare important information about two different periods and the content demands in reporting on sustainability. Changes in the ecosystem are fundamental and unique. Based on the analysis of events and documents, the current research shows the changes in the ecosystem and the future dynamics in the ecosystem, including the principle standard setters (i.e., International Sustainability Standards Board and European Financial Reporting Advisory Group, EFRAG). The research shows that although the changes occurred during the COVID-19 pandemic, they did not significantly impact the ecosystem's development or slow down or stop their development. The COVID-19 pandemic did not affect the speed or dynamics of changes. In the last few years, EFRAG and the European Union established their position and gained a significant influence in sustainability reporting, with EFRAG at the forefront. The European Sustainability Reporting Standards will be mandatory for organisations doing business in the European Union. At the same time, we do not expect that the IFRS Sustainability Disclosure Standards will be directly endorsed for use in the European Union. The paper presents a new perspective on examining sustainability via developing organisations' reporting demands within the framework of the uncertain environment caused by COVID-19. In this context, our research also contributes to the literature. The study also has a potential practical impact on organisations and management since it illuminates a wide range of selected sustainability viewpoints and their reporting.

Keywords: sustainability; sustainability reporting; standard setting; reporting standards; disclosure standards; nonfinancial information; regulation; COVID-19; ISSB; EFRAG

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1. Introduction

Different organisations in the private and public sectors, differing in size and business activity, are exposed to various risks, including growth in risks related to sustainability issues, sustainable development, and sustainability of organisations' operating activities. Not only risks (such as market risk, risk deriving from the energy crisis, liquidity risk, currency risk, interest rate risk, cyber security risk, and others) but also uncertainties, are present in organisations (such as uncertainty in supply chains, supply of materials, uncertainty regarding the possible armed conflicts, uncertainty regarding state interventions or regulation, and others). Directly and indirectly, risks and uncertainties impact organisational behaviour and business conduct. One of the effects is financial, while several other effects are not monetary, which does not mean that they are not material and do not have a multifaceted impact on an individual organisation. The organisation's sustainability reporting, including reporting on sustainable development, environmental, social, and governance issues (hereafter ESG issues), are usually classified as issues which cannot be quantified monetarily. However, over the last few years, organisation sustainability reporting has been a field of reporting that is constantly gaining importance and has become one of the significant issues that all organisations face globally [1,2]. Financial reporting is a subject of criticism as it limits an organization's business operations to a narrow perspective, deeming profit and profitability as priorities, ignores social and environmental events, and is lacking in assessing the environmental impacts of organisations' business activities [3] (p. 376). In this regard, Herzig and Schaltegger state that due to the underestimated relevance of sustainability reporting for the organisations' reputation and social acceptance, an increasing number of organisations are expected to address this topic [4]. Namely, various organisations' stakeholders demand this type of reporting, and at the same time, awareness regarding the importance of sustainability reporting is growing. Sustainability reporting affects the organisation, among other things, by encouraging it to behave more sustainably, and at the same time, the organisation also regularly reports on its behaviour (this is a goal included in SDG 12—the United Nations Organisation has set sustainable development goals (SDGs) and goal 12, SDG 12, is related to responsible consumption and production). Periodic sustainability reporting can be interim reporting, formal, and informal, with the interconnection of accounting and nonfinancial information being encouraged (the explanation of principle 21 of the U.N. Guiding Principles on Business and Human Rights encompass this). The organisation has to achieve the set goals for its sustainable operations, and as a result, the organisation's success in realising set goals must also be measured and disclosed. Reporting, however, not only enables the reporting of past matters related to sustainability (such as data and the performance of the organisation in the area of sustainability) but also enables the organisation to report on matters related to the organisation's strategy and strategic goals, as well as the disclosure of the organisation's plans and operational goals, all concerning its sustainable operations. Such information is supposed to reveal much more useful information regarding an organisation's performance and behaviour to various stakeholders than the usually disclosed information via financial reporting [5].

The COVID-19 crisis is a stress test for organisations in several ways, among others, for organisations' sustainability reporting [6]. In reality, it is a stress test in all areas of the organisation's activities: for the organisation's performance, a test of its business model, its agility and robustness, and its governance. Due to the disruption and constant changes in the organisation's environment and within, the COVID-19 crisis impacted all levels of the organisation's performance, consequently impacting the decision-making process and the decisions of the organisation's management. Some past governance and leadership practices and business models proved to be nonoperable, unsuitable, and no longer acceptable due to the outbreak of the pandemic and after the COVID-19 crisis [7]. Organisations' managements must therefore reconsider their behaviour regarding sustainable activities and sustainability reporting [6]. The COVID-19 crisis has caused, among other things, a shift in the sustainable-reporting paradigm. Concerning business and performance in the COVID-19 crisis, organisations report primarily on matters of the working environment and safety, especially aspects related to COVID-19 (i.e., COVID-19 imposed measures, position, effectiveness, etc.). It is about the organisation's reporting on sustainability matters, which are in the interest focus of various stakeholders, so the importance of these matters is particularly emphasised [2,6,8]. The COVID-19 crisis, therefore, represents an important additional factor that accelerates the process of organisations' sustainability reporting and its further development. Sustainability reporting enables the organisation to reveal its strategies, goals, and plans, which it has determined to achieve through its more sustainable activities. The organisation's future vision is thereby disclosed. Therefore, sustainability reporting is becoming a new cornerstone in the reporting field that will be part of every organisation's reporting [4,6], be it compulsory or voluntary reporting [9]. For example, see the introduction text of Directive 2022/2464/EU regarding corporate sustainability reporting (*Official Journal of the EU*, No. 2014/L 330/1, 16 December 2022). Investors and potential investors also support this process by actively adjusting and accelerating adjustments of their investment strategies by demanding a larger volume of sustainable, green investments [10] (p. 320). Financial institutions act in the same way by setting conditions for following the goals of more efficient use of energy and green investments. All with the goal of ensuring more responsible organisational behaviour and, consequently, more a sustainable development of society [11].

The result of all the changes in recent years, including changes due to the COVID-19 crisis, is the change in the nonfinancial reporting pronouncements landscape, including various sustainability reporting pronouncements (hereafter: sustainability reporting ecosystem). An organisation prepares information related to sustainable development and its sustainable performance in compliance with sustainability reporting pronouncements the organisation has determined. The sustainability reporting ecosystem has changed significantly during the COVID-19 crisis. This paper's premise is that preparing new supranational sustainability reporting standards is a unique historical event, a once-in-a-lifetime milestone. Such an event is comparable to, for example, the U.S. Securities and Exchange Commission's rule from 1933 that introduced the listed companies' obligation to prepare financial statements following the U.S. Generally Accepted Accounting Principles (US GAAP). In the short term, more national or supranational entities will require sustainability reports from organisations according to some pronouncements of sustainability reporting that are generally accepted [12].

The paper aims to present notable changes during the period of the COVID-19 crisis in the ecosystem of nonfinancial reporting pronouncements that organisations use for sustainability reporting. There are several research dilemmas. The question is, what has changed in the ecosystem of nonfinancial reporting pronouncements? Does the COVID-19 crisis impact change, and if so, what kind of impact? What will organisations' reporting look like in the post-COVID-19 era regarding sustainability reporting? Will sustainability reporting improve the interest of various stakeholders in the disclosures? Will the transparency of sustainability disclosures improve? Will the trust of various stakeholders in sustainability reporting improve? These are just some of the main dilemmas when examining organisations' sustainability reporting in the post-COVID-19 era. In this paper, we limit our research to organisations doing business in the European Union and will report on sustainable development and sustainability. This paper has the following structure: the introduction is followed by the second and third parts of the paper. They briefly present the applied methodology and the reporting of organisations concerning sustainable development and sustainability, as well as the impact of the COVID-19 crisis on this field of reporting. The fourth part of the paper outlines the pre-COVID-19 ecosystem with nonfinancial reporting pronouncements, while the fifth part presents the changes in this ecosystem during the COVID-19 crisis and its expected further development. The activities of two substantial prospective standard setters, the International Sustainability Standards Board (ISSB) and the European Financial Reporting Advisory Group (EFRAG), are mainly presented. The paper's conclusion includes final thoughts regarding a post-COVID-19 ecosystem of nonfinancial reporting pronouncements established during the COVID-19 crisis and its impact on organisations. The paper concludes with possible future areas of research.

2. Methodology

We use a descriptive approach to conduct our qualitative study (our study is not an archival study). In our research, we identify and analyse the processes impacting the development of sustainability reporting, especially concerning the COVID-19 pandemic and its possible influences on changes in the ecosystem of sustainability reporting pronouncements. The paper synthesises previously published research and reports and highlights current events and players in reporting issues and landscape changes. We use a mix of qualitative methods, such as textual analysis [13,14] to describe, interpret, and understand selected limited research content and policy evaluation [15] to, as much as possible, highlight various stakeholders' views and demands, and also pay attention to possible policy-implementation outcomes.

On the other hand, the phenomenon of sustainability reporting is a plethora of different terms and processes, which we can research from various points of view. Many players, decision- and policymakers, stakeholders and users of disclosures, different legislative framers, standards, and pronouncements are important for studying in this field. Moreover, shocks, such as the COVID-19 pandemic, can also have a decisive role in achieving a common ground for reporting on sustainability. In order to understand and encompass this more folded phenomenon of the sustainability reporting ecosystem (such as variations in the sustainability reporting utilized by organizations during the COVID-19 pandemic), we used theoretical triangulation and multiple methods in qualitative research, to develop a comprehensive understanding of the phenomenon [16,17]. This methodological approach has been previously admitted in finance and accounting [17,18].

This paper presents an insight into possible developments in the field based on a review of prior evolutions in the sustainability reporting ecosystem and a study of the arguments for and against common reporting pronouncements; for example, the policy's goal of making financial reporting and sustainability reporting equal in the long run. In addition, it highlights the main decisive players and prospective organisations as standard-setters for sustainability reporting.

Subsections are organised by beginning with a short introduction and followed by deductive and inductive reasoning interconnected with descriptive and comparative analysis. We limited ourselves to the sustainability reporting phenomenon in the context of current changes, the once-in-a-lifetime momentum of COVID-19 and its potential impact on this ecosystem.

3. Organization, Sustainability Reporting, and the COVID-19 Pandemic

The following section deals with two content contexts and points out the relationship between organisations, the COVID-19 pandemic, and sustainability reporting. We discuss both connections in light of current events in the subpoints. The sustainability behaviour of organisations has been a great concern lately mainly due to the growing awareness that our kind has only one planet, one habitat that must be preserved to preserve life. COVID-19, as one of the greatest threats to humanity in recent decades, has been seen as an accelerator of change and a major impact factor on various levels of society and the economy globally. Therefore, we discuss its impact on the field of sustainability reporting.

3.1. Sustainability Reporting in Organisations

Organisations' behaviours concerning sustainability (so-called sustainability behaviour) have been put in the foreground recently, especially from 2020 onwards. The reasons for sustainability being at the forefront are various. Above all, there is a growing awareness that the prevailing past treatment and practices concerning the planet's conservation were inadequate and must change. In addition, there is a shift in social paradigms towards sustainability issues. Furthermore, there is a shift and growth of political and social engagement in sustainability. Herzig and Schaltegger [4] (p. 302) list the most important goals and benefits of sustainability reporting for an organisation, such as strengthening the legitimacy of business activities; reporting on products and services that have a social and environmental impact; positive impact on the organisation's reputation, its brand, and the organisation's values; gaining competitive advantages compared to competitors; signalling sustainable areas for the organisation; increasing the transparency and responsibility of the organisation; establishment and support of employee motivation; and establishment of internal information and control. Humphreys and Trotman [19] emphasise that the performance of an organisation in the field of sustainable business and social responsibility has an impact on the organisation and its operation in several aspects, including its business performance [20,21], costs of financing [22], and organisational culture [23–25].

The organisation, therefore, discloses to its stakeholders its operations and performance in the area of sustainability. Thus, among other things, in addition to the organisation's financial reporting from 2020 onwards, sustainability reporting is prioritised. Sustainability reporting goes beyond merely reporting on the organisation's business activities, the financial aspect of its transactions, and its financial position and performance. Sustainability reporting represents, content wise, different reporting according to different sustainability reporting pronouncements [26], whereas reporting on sustainable activities, operations, and development is focused on reporting on environmental, social, and governance issues (ESG issues). If, in the past, sustainability reporting was limited to large multinationals operating in the private sector, today sustainability is an issue that a variety of organisations (with different characteristics: size, industry sectors, and geographical areas of operation) should report on, both in the private and also in the public sector [27]. The stakeholders to whom the organisation discloses information about its sustainable activities and development are different: investors, employees, suppliers, customers, regulators, civil society, and others. For the reasons sustainability reporting is at the fore, the organisation has a moral responsibility (obligation) to report on sustainability, and various stakeholders have the same duty (obligation) to demand the organisation's sustainability disclosures [6]. The organisation must prepare its sustainability disclosures, and stakeholders must demand balanced sustainability disclosures. Balanced sustainability reporting reveals, on the one hand, the positive contribution of the organisation and, on the other hand, the possible adverse effects of the organisation on sustainable development and the associated risks and opportunities [19]. Sustainability reporting is a primary tool that enables an organisation to report its performance and impact, both positive and negative, concerning sustainability matters [6]. Sustainability reporting reduces information asymmetry and uncertainty between the organisation's internal stakeholders and between the organisation and its external stakeholders. At the same time, it enables better planning of the organisation's cash flows after it discloses information about its potential economic, environmental, and social risks [19]. The latter means that sustainable reporting helps the organisation identify and improve risk management, both to identify and improve risk management of financial and nonfinancial risks [19]. Thus, communicating sustainability-related information provides stakeholders with the information they can use in their business decision-making processes.

Sustainability reporting must be assessed in any organisation from several points of view: what is the effect on the organisation's value, and what is the impact on the strategic directions, strategy, and goals of the organisation [28]. It reveals factors that are key to the organisation's values regarding sustainability and its performance in adding value. Past research [29,30] shows a relationship between sustainability reporting and a listed company's share price, financing costs, and the company's value estimates. However, Dienes et al. [31] suggest that the most important drivers of the disclosures in sustainability reports are the organisation's size, media visibility, and ownership structure, while corporate governance seems to influence merely the existence of audit or sustainability committees. Christensen et al. [9] differentiate between the potential effects on the stakeholders: investors and consumers. They especially emphasise the connection between the socially responsible activities of the organisation and its value and financial results.

Even stock exchanges, as an organised part of the capital market, have a historic opportunity to set sustainability requirements for listed companies. Additional transparency and helping potential investors to acquire additional information input for their sustainable decision making [32] are the main goals. Even particular rankings (ESG rankings) and agencies have been developed, similar to credit rating agencies (regarding the probability of debt repayment), which classify organisations according to various sustainability criteria, taking environmental impacts and the sustainable aspect of the business into account. Institutional investors, asset managers, financial institutions, and other interested parties increasingly use environmental, social, and governance rankings. Such rankings are helpful when comparing certain organisations' performance over time or comparing different organisations among them. Interindustry comparisons are also interesting [33–35]. Flower [36] states that the professions of accounting and financial reporting face constant challenges and pressure for adequate information for stakeholders.

Above mentioned is an additional reason for the organisation to provide credible and balanced sustainability reporting. Sustainability reporting quality is an opportunity and a necessity that allows an organisation to present its strategy through the prism of long-term sustainable performance and value creation [19]. There are many other benefits of sustainability reporting. Sustainability reporting enables an organisation to engage more deeply and successfully with its stakeholders in a way that considers its impact on various matters related to sustainability in its activities [6]. Furthermore, organisations can operate more transparently regarding risks (threats) and opportunities. Greater transparency of the organisation's performance leads to better business decision making and maintains and increases trust in the organisation's activities [6]. Sustainability reporting increases the possibility of understanding the organisation's strategy concerning sustainable activities, goal setting, performance measurement, and change management towards a more sustainable business model [6]. An organisation with a straightforward and successful approach to sustainability reporting stands out [6]. Among other things, the idea of sustainability reporting is that sustainability reporting plays a vital role in attracting investments to an individual region, country, or continent and attracting long-term capital that organisations need [6,37,38]. Organisational image is another foundation that promotes sustainability reporting. The latter influences the organisation's reputation, also named sustainable reputation, which plays a vital role in brand awareness, stakeholder satisfaction, and customer loyalty. These factors contribute to the organisation's income growth [6].

An organisation should be proactive regarding matters related to sustainability activities, including sustainability reporting, to ensure that the organisation is agile, resilient, and capable of corrective action. That means the organisation can carry out activities that enable progress in the organisation's sustainable activities. Information related to sustainability performance is also information on the organisation's strategic matters. It is information that increases the transparency of the organisation's activities and adds to its credibility. Concerning the organisation's reporting on sustainability, one of the usual dilemmas is presenting information on sustainability of the highest possible quality for its users. The information should also be verifiable (audited). The question for the organisation is, in general, which sustainability reporting pronouncements should the organisation apply? The pronouncements around sustainability reporting vary (more on this in Sections 4 and 5). Still, the key is that the pronouncements are such that if the organisation applies them, the information produced will be high quality. In other words, such so that they adequately supplement the organisation's financial reporting and help their users make better business decisions. Sustainability reporting can be part of the organisation's annual report, a standalone document, such as the organisation's sustainability report, or the organisation can also prepare an integrated report. According to Eccles and Krzus [39], transparency should be the primary guide in preparing such reports.

3.2. Impact of the COVID-19 Pandemic on an Organisation's Sustainability Reporting

The emergence of the COVID-19 crisis represented disruption for countries, people and, last but not least, various organisations. Never before have there been such governmental actions in terms of the type and scope of interventions in economic, fiscal, and monetary intervention measures [40]. Countries and central banks have adopted a variety of measures to help organisations cope and operate during the COVID-19 crisis (for example, state reimbursement to employees for workers waiting for work at home, incentives in the form of COVID-19 allowances for work during the crisis, quantitative easing activities, the establishment of guarantee schemes for organisations, etc.). Due to the COVID-19 virus, organisations also had to adapt quickly to their measures (for example, enabling or encouraging working at home, arranging the possibility of shift work, digitisation and digitalisation of business activities, improving safety measures in the workplace, etc.).

In organisations, it is about changing processes and operating models, as well as strategies and goals of organisations. The COVID-19 crisis, therefore, had impacts on the organisation that were financial and nonfinancial, direct and indirect.

The COVID-19 crisis has had several impacts on organisations. The same applies to other crises and one-off events that have occurred in the world (for example, the Russian occupation of Ukrainian territory and battles in Ukraine, the energy crisis, the crisis in logistics supply chains, and, ultimately, also the problem of high inflation and the resulting inflationary spiral). These events and crises, including the COVID-19 health crisis, have forced organisations to change their operations and have set future frames and guidelines for their activities [19]. Thus, the COVID-19 crisis also forces the organisation to prepare at least some sustainability-related information and impacts how investors use this information [19]. There are both positive and negative effects of the COVID-19 crisis on organisations' sustainability behaviours and reporting. A positive effect is that organisations disclose matters related to their response to the COVID-19 crisis in various areas of their operations, not only about the economic and financial effects on the individual organisation. Such disclosures allow stakeholders to understand better the organisation's behaviour or responses to the COVID-19 crisis. Related reporting also allows stakeholders to be aware of the organisation's past responses and, nevertheless, how the organisation plans to respond to future crises. Sustainability reporting gives critical information regarding accountability when understanding an organisation's crisis measures [6]. On the one hand, sustainability reporting enables an organisation to report truthfully and timely on sustainability matters [6]. Still, on the other hand, sustainability reporting also tests the organisation's values and social engagement [19].

Before the COVID-19 crisis, organisations prioritised sustainability goals related to economic growth, climate change, and responsible consumption [41]. The demanding conditions for organisations during the COVID-19 crisis, including economic and business circumstances, led organisations to change their behaviour. Researchers Humphreys and Trotman [19] show that we cannot be sure organisations will maintain the same extent and quality of sustainability reporting in the short term. Reducing the volume and quality of disclosed sustainability information would represent an unfavourable change in the organisation's sustainable behaviour. During the COVID-19 crisis, organisations were forced to make trade-off decisions regarding their activities in the sustainability field and regarding sustainability reporting. A reduction in sustainability activities is what the organisation needs to disclose. When reporting on sustainability, the organisation must report in a balanced manner, following balanced sustainability reporting. It is reporting where the organisation reports its positive contributions and possible adverse effects on sustainable development, as well as the associated risks and their management [19] (see standard GRI 1: Foundation 2021, Section 2.1 on impact [42]). In the recent period, stakeholders are demanding more and more detailed information regarding the risks and opportunities for the organisation in matters related to sustainability, as well as in maintaining and adding value to the organisation [43–45]. In particular, they want to better understand the connection between financial risks and sustainability issues [21,44,46–49]. In addition, stakeholders also require other information regarding the performance of the organisation's activities in the field of sustainability [50]. Stakeholder demands for information of high quality related to sustainability are growing [38,50–53].

Mirza et al. [54] found that the COVID-19 crisis significantly impacted organisations' solvency and liquidity in the European Union. The research conducted by Su et al. [55] shows that during the COVID-19 crisis, measures such as border closures and more extended closures of districts, that is, lockdowns, had an impact on how organisational leaders focused on the solvency and liquidity of their organisations and the sustainability of their business models.

The COVID-19 crisis significantly impacted organisations' governance, management and oversight, and performance assessment. Therefore, organisations' managers must detect and assess sustainability risks in the organisation's businesses. Organisations had to adapt, become lean, agile and leagile, for example, in their supply chains, to achieve sustainable supply chains [56]. At the same time, leaders of organisations must also assess the organisation's social purpose and values to make important decisions regarding which factors of long-term sustainability (in economic, environmental, and social matters) are most important for organisations today and in the future. These decisions of organisational leaders are those that have an impact on priorities concerning sustainability reporting, organisational budgeting, resource allocation, and sustainability-related investment decisions [19]. Leadership behaviour contributes to the sustainable behaviour of an organisation [57]. The decisions of organisational management lead to organisations reporting differently within the same industry sector and differences in the scope and detail of information between sectors. It can be stated that the COVID-19 crisis has impacted the organisation's behaviours, directly and indirectly, including its sustainability reporting. In addition, matters related to the COVID-19 crisis are matters that the organisation must report when reporting sustainability matters. Moreover, Hoang et al. [58] found, for listed companies in Great Britain, that reporting on the sustainability aspects of an organisation's activities is of great help when it comes to absorbing strong external adverse shocks such as COVID-19.

4. Former Pre-COVID-19 Fragmented Sustainability-Reporting Ecosystem

Before the COVID-19 crisis, various pronouncements related to sustainability reporting and other nonfinancial reporting pronouncements (i.e., guidelines, frameworks, standards etc.) were developed over a quarter of a century. In this pre-COVID-19 ecosystem, private initiatives prepared the pronouncements, and individual organisations used them voluntarily, that is only if they so decided. We divide the pre-COVID-19 reporting ecosystem into three blocks [38,44,48]. The first block consists of financial reporting pronouncements, the second block refers to reporting organisations' wider impact on the environment, and the third block covers national and local pronouncements regarding the disclosure of nonfinancial information.

The first block consists of financial reporting pronouncements (such as IFRS accounting standards or other generally accepted accounting principles) supplemented by nonfinancial reporting pronouncements. The information reported is primarily intended for investors, financial markets, and regulators. Thus, the first block of the nonfinancial reporting pronouncements includes, for example, the pronouncements developed by the Climate Disclosure Standards Board (CDSB) and the Sustainability Accounting Standards Board (SASB), which focus on sustainability issues and factors that are important for creating enterprise value. The <IR> Framework (also called the International Integrated Reporting Framework), developed by the International Integrated Reporting Council (IIRC), connects financial and nonfinancial reporting.

The second block further builds and complements the first block. The pronouncements placed in the second block are intended for other users (apart from those who finance the organisation) to recognise further the organisation's impact on the economy, the environment and society. It concerns different stakeholders with different requirements regarding information related to sustainability. This multistakeholder reporting relates to stakeholders such as customers, suppliers, employees, state governments, nonprofit organisations, etc. For example, the GRI Standards, developed by the Global Reporting Initiative (GRI), require, among other things, the reporting of an organisation's significant impacts on the environment, society, and economy.

National and regional pronouncements regarding preparing and disclosing nonfinancial information represent the third block of the pre-COVID-19 ecosystem. These are pronouncements that have the nature of legal rules or guidelines that the organisation should follow when preparing nonfinancial information. In most cases, these are requirements that, in principle, are not covered by the pronouncements from the first and second blocks. For example, the European Union, a supranational organisation, has prepared several pronouncements, including regulations and directives, which oblige individual organisations to prepare and report nonfinancial information. These are, for example, the updated European Union's guidelines on nonfinancial reporting (*Official Journal of the EU*, No. 2017/C 215/01, 5 July 2017, 2019/C 209/01, 20 June 2019), Directive 2014/95/EU on the disclosure of nonfinancial information and information on the diversity of certain large companies and groups (*Official Journal of the EU*, No. 2014/L 330/1, 15 November 2014), Directive 2022/2464/EU regarding corporate sustainability reporting (*Official Journal of the EU*, No. 2014/L 330/1, 16 December 2022). Pronouncements can also introduce equal requirements, as are in the ecosystem's first and second blocks. The advantage of the pronouncements, which are classified in the third block of the ecosystem, is precisely the organisations' legal obligation to apply them. The advantages of these pronouncements are simultaneously the weakness of the pronouncements from the second and third blocks, which private initiatives prepare. The pronouncements related to nonfinancial reporting are not those prepared, adopted, and overseen by a national institution or regulator. The private initiatives and organisations that developed the pronouncements included in the pre-COVID-19 ecosystem had their own (usually less transparent, less inclusive) pronouncement development process and oversight of setting pronouncements.

Over a quarter of a century, five private initiatives, also called the Five, had become leaders [44,59]. They positioned themselves in the pre-COVID-19 ecosystem of nonfinancial reporting. These were private initiatives: the Global Reporting Initiative (GRI), Climate Disclosure Project (CDP), International Integrated Reporting Council (IIRC), Climate Disclosure Standards Board (CDSB), and Sustainability Accounting Standards Board (SASB). We can add Task Force on Climate-Related Financial Disclosures (TCFD) to these initiatives, established by the Financial Stability Board (FSB). GRI, founded in 1997, developed and continuously develops GRI Standards, the world's most widely used sustainability reporting standards, followed by the Sustainability Accounting Standards Board's Standards and ISO standards [41,60]. The GRI Standards enable an organisation to report on its sustainability performance and related matters. The GRI Standards require disclosing information that significantly impacts the economy, the environment, and people. Their use should enable the organisation to make better business decisions. The CDP started in 2000 and prepares guidelines for reporting in several different areas: reporting on climate (carbon reporting), water, forestry, and supply chain issues. Using the guidelines should enable the organisation to make more sound business decisions and improve its communication with different audiences. The CDSB, founded in 2007, developed the CDSB Framework. The CDSB Framework is general, not targeted or adapted to a specific industry sector. It enables the organisation to identify information related to sustainability that is important for creating the organisation's value and its users in their business decision-making process. The Framework should help the organisation identify natural resources, risks, and opportunities related to the environment and climate. SASB, established in 2011, has developed its SASB Standards, which are sectoral. The SASB Standards help the organisation to prepare nonfinancial information in five dimensions: environment, social capital, human capital, business model and innovation, and leadership and governance. Information is important for creating value for the organisation and the users of the information in their business decision-making. The IIRC, founded in 2010, developed the <IR> Framework, which represents a reporting framework linking financial reporting with nonfinancial reporting and the organisation's reporting on its other capitals. After the start of the COVID-19 crisis, the number of private initiatives decreased due to the mergers of initiatives and the ongoing consolidation process. In 2021, IIRC and SASB merged to form the Value Reporting Foundation (VRF). Then, in 2021 and 2022, the newly established ISSB consolidated VRF and CDSB. More details on the consolidation process follow in the next chapter.

In the pre-COVID-19 ecosystem, there were various and too many different pronouncements regarding nonfinancial reporting. The organisation could have used various frameworks, standards, metrics, indices, or guidelines. The organisation, therefore, had to deal with the excessive complexity of the ecosystem [26,37,38,47,51,61,62]. The ecosystem's fragmentation and too many pronouncements also lead to requirements in nonfinancial reporting pronouncement duplication. For example, several frameworks, standards, and guidelines contain requirements for preparing and disclosing nonfinancial information relating to climate-related matters. Overlapping requirements lead, at least partially, to duplication. The pronouncements do not harmonise the performance measurement and goal achievement or their implementation and operationalisation (see, for example, Galant & Čadež [63]). The lack of linkage between financial and nonfinancial reporting and the poor comparability of nonfinancial information prepared in different organisations, according to the same or different pronouncements, is also highlighted as a weakness of the pre-COVID-19 ecosystem of nonfinancial reporting pronouncements. As a result, the fragmented pre-COVID-19 ecosystem of pronouncements does not provide nonfinancial information of a high quality. Information of higher quality is relevant, reliable, and comparable (in different geographical areas, periods, and sectors). Such information is also verifiable in internal control procedures and assurance engagements [38,44,51,59,62]. Quality information increases the reporting quality and improves communication between the organisation and other organisations and various stakeholders. Quality information ensures better business decision making. The listed key shortcomings and demands to provide better quality information caused the pre-COVID-19 ecosystem to change during the COVID-19 crisis.

5. Current Sustainability Reporting Ecosystem and Its Prospective Development

The current nonfinancial reporting ecosystem, lately called the sustainability reporting ecosystem, was formed during the COVID-19 pandemic. Once-in-a-lifetime events that significantly disrupted the pre-COVID-19 ecosystem took place. We can expect further changes in the ecosystem in the short and medium term, especially in three areas.

First, political actions and various forms of activism have been initiated and are ongoing at the national and international levels. Acknowledgement by countries and various communities that there are problems related to the environment, management, governance, and social issues that need to be addressed and resolved was only the first step toward setting goals, strategic as well as operational, that entities (organisations, countries, and the international community at the global level) concerning sustainability and sustainable development that need to be achieved. Some entities acted decisively and purposefully (i.e., the European Union launched the Fit-for-55 Project, replaced by RePowerEU Project, the EU's sustainable finance taxonomy, and other projects) [64–67].

Second, the shortcoming of the pre-COVID-19 ecosystem is known: excessive fragmentation of the ecosystem, that is, too many different incomparable standards, frameworks, and other guidelines for sustainability reporting. As a result, there is the incomparability of disclosures, duplications, and their varying quality and questionable credibility [10,51,62,68–70]. The prevailing belief was that such an ecosystem would not be sufficient to achieve political goals and implement the necessary strategies. That is why projects and discussions on achieving a more coherent and comprehensive ecosystem for sustainability reporting have been initiated at various levels, including at the global level. Venturelli et al. [71], for example, find for Italy that nonfinancial reports from 2017, prepared following Directive 2014/95/EU on nonfinancial reporting, that is, after the national implementation of the solutions from it into Italian law, are less comparable as voluntarily published nonfinancial reports from 2016 before the requirements of the directive were implemented into Italian law. Ensuring the comparability of reports was one of the goals in preparing the directive mentioned above (see points 6, 15 and 21 in the introduction text of Directive 2014/95/EU).

Third, this momentum of acknowledgements, recognition, and political activism also meant that sustainability reporting and the ecosystem of sustainability reporting is no longer the domain of a small group of experts in sustainability reporting and subject matters in its domain (also enthusiasts), but is recognised as an area with a broader, also global, impact. With momentum, it is an area that has been assigned a role comparable to that of financial reporting [44,49,59,62,72]. The area of sustainability reporting is, or at least should be, of a wider public interest.

Financial reporting does not specifically include matters related to sustainability reporting. These matters should not be in financial reports. However, financial reporting provides quality information based on accounting standards. The latter, however, are usually prepared in a transparent and publicly predefined standard-setting process. Furthermore, the information is verifiable, and it can be audited. Although financial reporting is not directly related to sustainability reporting, the common belief is that the accounting profession, with its knowledge and experience, can be a key factor in the development of a sustainability reporting ecosystem [47,73,74]. Various authors noted that the accounting profession must play an active role in the development of a new (revised) ecosystem for sustainable reporting (for example, [37,47,49,51,59,75,76]). Caruana and Dabbicco [76] add that constructive cooperation in various fields, such as accounting, auditing, statistics, information technology, and political science, is necessary to develop exhaustive and comprehensive, widely acceptable and applicable standards for reporting on sustainability matters.

Due to experience and achievements, established procedures, connections, organization, and capabilities, and the trust in the accounting profession built over the past decades, there is a belief that it has legitimacy or at least sufficient legitimacy for the active role also in the field of sustainable reporting. Momentum and demands, accompanied by a desire for the relatively quick formation of a sustainability reporting ecosystem, have pushed the accounting profession into the role of active sustainability reporting standards setter. During the COVID-19 pandemic, important "new players" emerged that began their work in sustainable reporting. Before, they were not active in the field of sustainability reporting but were usually active in the field of financial reporting. For example, the IFRS Foundation, which issues the international IFRS Accounting Standards, has established a new ISSB Board to work on sustainability reporting. The European Union gave EFRAG the task and responsibility to prepare the European Sustainability Reporting Standards. EFRAG, previously provided only advice to the European Commission regarding the endorsement of IFRS Accounting Standards in the EU, will additionally become an active standard setter for sustainability reporting standards. In the US, the Securities and Exchange Commission (SEC) has launched a public debate on sustainability reporting disclosures, namely the climate change disclosures that all listed companies should disclose [77]. In 2022, Canada decided to establish the Canadian Sustainability Standards Board (CSSB), which will become active in 2023 and has the task of establishing Canadian sustainability disclosure standards that will serve the public interest and support the decisions of an organisation's stakeholders [78,79].

The activities that all of these organisations had and will have a significant impact on the sustainability reporting ecosystem, especially on the prospective reporting of organisations about business sustainability (ESG issues and others). During the COVID-19 pandemic, a new period has begun regarding reporting of organisations. The COVID-19 pandemic (as an adverse phenomenon) represents a historic milestone. Nevertheless, that significant impact on the reformed sustainability reporting ecosystem is not detected.

The following section presents ISSB and EFRAG and their current activities in more detail. The two are the most important active standard-setters in sustainability reporting.

5.1. International Sustainability Standards Board (ISSB)

The creation of the International Sustainability Standards Board (ISSB) was inevitable. Due to the growing requests and demands for information on sustainability, sustainable growth, various ESG issues, etc. [9,68,70,80–83], the IFRS Foundation created the ISSB Board (on 3 November 2021, at the COP26 Conference in Glasgow, Scotland) with the task and responsibility to prepare the IFRS Sustainability Disclosure Standards. With this, the IFRS Foundation also became active in sustainability reporting. The International Accounting Standards Board (IASB), founded as the IASC in 1973, and transformed into the IASB in 2001, operates within the IFRS Foundation, whose task and responsibility are the preparation of IFRS Accounting Standards. It works in the public interest to develop a uniform set of high-quality, understandable, enforceable, and generally accepted accounting standards. IFRS Accounting Standards are financial reporting standards required for use in more than 140 countries worldwide, and even more, countries permit or encourage their use. Both boards are independent but will work together to ensure connectivity and comparability between the two sets of standards, accounting and sustainability, issued by the boards. Various national and supranational organisations called the IFRS Foundation to become active in sustainability reporting. They expressed their support for its decision (the International Organization of Securities Commission, G7, G20, the International Federation of Accountants, the World Economic Forum, the Financial Stability Board's Task Force on Climate-related Financial Disclosures, The Basel Committee on Banking Supervision, Accountancy Europe, Eumedion, etc.), as well as the standard setters of pronouncements in sustainability reporting CDP, CDSB, GRI, IIRC, and SASB, have voiced their support to the creation of ISSB and for the IFRS Foundation to become active in the field of sustainability reporting [37,44,47,48,52,53,61,84–86].

There are several reasons for the IFRS Foundation to become active in sustainability reporting. The IFRS Foundation has already prepared and enforced IFRS Accounting Standards in the past, which have become globally used [59]. In addition, the IFRS Foundation has a developed infrastructure, an operational working framework for the preparation and adoption of standards, as well as cooperation, communication and connections with various stakeholders worldwide. For example, the IFRS Foundation works with other standard setters of sustainability reporting pronouncements, such as leading organisations from the group of The Five, which have committed to working together and sharing their knowledge and experience with the IFRS Foundation when it comes to sustainability reporting [44]. The position of the IFRS Foundation is unique since it is already preparing IFRS Accounting Standards, which means that it can achieve the best interconnection between financial reporting and sustainability reporting [37,59,62]. It also has the necessary knowledge and experience in preparing standards that can be used in audit engagements and resolving dilemmas in various assurance engagements [59].

The beginning of the IFRS Foundation's activities in the field of sustainability reporting means that at the global level, a framework is established, which should ensure consistent requirements related to sustainability reporting measurement and disclosure in issues of environment, society, and governance. Globally, it is necessary to form a coherent framework with consistent pronouncements regarding measuring and disclosing information [37]. Even before the creation of the ISSB Board, organisations that prepared standards, guidelines, and frameworks for nonfinancial reporting, such as GRI, IIRC, SASB, the Task Force on Climate-Related Financial Disclosures, etc., recognised that there is a need for pronouncements in the ecosystem that are harmonised, mainly due to the existence of complexity in the pre-COVID-19 sustainability reporting ecosystem [44]. Thus, first, the IIRC, which has existed since 2010 and prepares the <IR> Framework, and the SASB, which has existed since 2011 and prepares the sectoral SASB Standards, merged into the Value Reporting Foundation (VRF) in 2021. The newly created ISSB Board consolidated the VRF in 2022, namely its knowledge, assets, and personnel. With this, it took over a globally dispersed staff with various accounting and nonfinancial experience, including standards preparation. Before that, the newly created ISSB Board also consolidated the Climate Disclosure Standards Board (CDSB), which has prepared the CDSB Framework since 2007. With this, the ISSB Board acquired the necessary expertise. The lack of knowledge and experience could be one of the key reasons why the intensive development of sustainability reporting standards slows down or stops [59]. The ISSB Board is thus not starting anew but rather building on the achievements and pronouncements of former initiatives. The newly created ISSB Board has an equal position and role concerning sustainability reporting as the IASB Board in financial reporting, which prepares IFRS Accounting Standards. The ISSB Board aims to become the leading standard-setter of sustainability-related disclosure standards.

It is committed to working with existing sustainability reporting standard-setters and carrying on and building on previously done work.

IFRS Sustainability Disclosure Standards will be prepared in the public interest, focused on the requirements of investors and financial markets. Standards will reduce complexity (due to the existence of harmonised requirements regarding approaches, objectives, and measurement). When applied, they will rationalise organisations' activities since there will be no application of different pronouncements related to sustainability reporting and, therefore, no reporting duplications. Furthermore, they will improve the comparability of organisations' sustainability reports [37,59]. Due to the cooperation of both boards at the IFRS Foundation in preparing its standards, a better interconnection between accounting and sustainability reporting should also be achieved [44]. On the other hand, international standards related to sustainability reporting reduce the likelihood that other standard setters would start preparing their own (specific) pronouncements related to sustainability reporting.

Currently, climate change is the central topic in the context of issues related to sustainability. Therefore, the ISSB Board prioritises preparing a standard that addresses climate-related matters. Based on the TCFD recommendations, the proposed standard is under public discussion and is planned to be finalised in 2023. The ISSB Board will later prepare standards that refer to other possible topics related to the environment (water scarcity, forests, loss of biodiversity, etc.), governance, and society. We should emphasise that these matters have different disproportionate effects in different environments and are intertwined.

The ISSB Board will prepare IFRS Sustainability Disclosure Standards that are not geographically limited, which means standards have a great potential to become widely used and accepted. An important challenge for the IFRS Sustainability Disclosure Standards is gaining the widest support for their endorsement, including the widest political and social consensus possible. One of the advantages of IFRS Accounting Standards is their general acceptance and widespread endorsement. For example, in 2002, the European Union with Regulation (EC) No. 1606/2002 required listed companies in the European Union to use IFRS Accounting Standards from 2005 onwards. Such a decision by the European Union gave impetus to endorsing IFRS Accounting Standards elsewhere and their widespread use. The widest possible support will be needed for the IFRS Sustainability Disclosure Standards to become widely accepted and used. We should note that we do not expect the same decision as in 2002 concerning accounting standards in the European Union regarding the IFRS Sustainability Disclosure Standards (at least in the short term). EFRAG has already prepared a draft of European sustainability reporting standards (ESRS) for the European Union (more on this in Section 5.2). This time, support for the IFRS Sustainability Disclosure Standard will also have to come from major countries that do not otherwise endorse the use of IFRS Accounting Standards for use, for example, the USA, China, and India, as well as from other governments, regulatory agencies, and market stakeholders, including investors and preparers of sustainability reports.

5.2. European Financial Reporting Advisory Group (EFRAG)

The European Union (EU) has, especially from 2015 onwards, set ambitious sustainability goals. In the coming years or decades, the EU wants to, among others, achieve a reduction in global warming, better air quality, clean energy, clean water, and more sustainable management of natural resources. All those sustainability topics reflect in its goals, such as [65]: mitigation of climate change, adaptation to climate change, sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution, and protection and restoration of biodiversity and ecosystems. Thus, the EU aims to become climate neutral by 2050 and plans its realisation with the European Green Deal project launched in 2019 [64]. The EU is a legislative body that issues directives and regulations that member states must follow. Already in 2014, the EU issued Directive 2014/95/EU regarding the disclosure of nonfinancial and diversity information by certain large undertakings and groups (the Non-Financial Reporting Directive, NFRD), which member states had to implement in their national legislation, whereby the directive obliged the largest companies in the EU to disclose more nonfinancial information in their annual reports for the fiscal year 2017 from 2018 onwards, including some disclosures relating to business sustainability. This requirement indicates that there is a belief that public disclosure of such nonfinancial information leads to more responsible behaviour by organisations and their management.

With the newly set goals, the EU directed its activities also towards ensuring sustainable financing. The EU Taxonomy Regulation (Regulation (EU) 2020/852), the EU's unified classification system, which enables potential investors to direct their investments to more sustainable technologies and entities, plays one of the key roles in realising the goal of climate neutrality of the EU and other goals from the Paris Agreement for 2030 [87]. An even more ambitious directive than the NFRD is Directive 2022/2464/EU regarding corporate sustainability reporting (the Corporate Sustainability Reporting Directive, CSRD), adopted in December 2022. Its conceptual design encourages organisations to make more thoughtful commitments and realise sustainability goals by reporting on sustainability. Therefore, one of the key objectives of the directive is that sustainability reporting becomes equally important as financial reporting in the foreseeable future. Among other things, the directive requires more organisations in the EU to report per the European Sustainability Reporting Standards (ESRS), prepared by the European Financial Reporting Advisory Group (EFRAG) and adopted by the European Commission.

EFRAG, regardless of its name, started working in sustainability reporting in 2021 during the COVID-19 pandemic, based on the new task and responsibilities envisaged for EFRAG at the time of the CSRD draft proposal. Before that, EFRAG was only active in financial reporting, advising the European Commission on the endorsement of IFRS Accounting Standards in the EU and, if necessary, on their additional amendments (so-called EFRAG's financial reporting pillar). Another area of activity is now in sustainability reporting (so-called EFRAG's sustainability reporting pillar), where the CSRD requires that EFRAG prepares a draft proposal of ESRS (including their amendments), which the European Commission will adopt. EFRAG has changed its governance, for example, creating an independent EFRAG Sustainability Reporting Board. It must serve the European public interest, act persuasively, clearly, and consistently and represent the European voice regarding corporate reporting. EFRAG is otherwise a private association of several stakeholders (EU organisations, national organisations, nonprofit civil organisations, and others), founded in 2001 with the support of the European Commission.

Based on the request of the European Commission, EFRAG prepared a report in which it recommended that in 2021, the European Commission should start preparing standards for sustainability reporting. To provide the ESRS on time, EFRAG decided on a two-stage process for their preparation. EFRAG prepared a draft of the first ESRS, which was submitted for public debate till August 2022 [88]. After public deliberation, it was sent to the European Commission for adoption in November 2022. Their adoption is planned for June 2023 [89]. The adoption of the second part of the ESRS is planned for the middle of 2024. Organisations must use the ESRS when preparing sustainability reports, including large, listed entities from 2025 onwards and small and medium-sized listed entities from 2026 onwards [89].

In 2022 EFRAG prepared the draft of the first ESRS and published them for public discussion. In November 2022, the draft proposal of ESRS was finalised. In 2022, the ISSB Board published two IFRS Sustainability Disclosure Standards proposals for public discussion, namely the proposal for a standard that defines general principles regarding the disclosure of financial information related to sustainability (IFRS S1—General Requirements for Disclosure of Sustainability-related Financial Information) [90], and a proposal for a standard with requirements related to climate-related disclosures (IFRS S2—Climate-related Disclosures) [91]. Although the two organisations have yet to formalise their cooperation, EFRAG has collaborated with the ISSB in preparing its proposed standards to facilitate greater comparability and convergence where possible. EFRAG had a bundle of the draft proposal of ESRS in the public discussion. In preparation for the final bundle of 12 draft proposals of the ESRS, EFRAG considered the currently valid legal pronouncements in the EU (for example, the CSRD, Sustainable Finance Disclosure Regulation, EU Taxonomy Regulation, the Benchmark Regulation, the GHG allowance Directive, etc.) as well as proposals for future expected pronouncements (for example, the proposal of the Corporate Sustainability Due Diligence Directive). The ESRS is designed to ensure the highest possible comparability between sectors, considering information specific to all sectors, to each sector, and at the level of each organisation [89]. The standards architecture follows the "three times three" rule: three layers of reporting (reporting information specific to all sectors; reporting information specific to a single sector; reporting information specific to an organisation), three reporting areas (strategy, implementation, and performance); and three reporting topics (reporting on environmental affairs, including climate; reporting on social affairs; reporting on governance). All matters related to sustainability reporting, the so-called general standards, are covered by two proposed standards, namely, the proposed standard that lays out general principles of sustainability reporting (ESRS 1—General principles) and the proposed standard regarding the disclosures related to sustainability (ESRS 2—General disclosures). Both draft standards are comparable to the proposed IFRS S1—General Requirements for Disclosure of Sustainability-related Financial Information. Thematic standards refer to various topics of sustainability. These stipulate reporting of information typical for all sectors (such as directions, goals, activities, measures, and resources that an organisation has concerning an individual thematic area, as well as the performance measurement and related achievement of goals). The first set of thematic standards refers to matters related to the environment: climate matters (ESRS E1, which is comparable to the proposed standard IFRS S2—Climate-related Disclosures), pollution matters (ESRS E2), matters of water and marine resources (ESRS E3), biodiversity and ecosystem matters (ESRS E4), and resource and circular economy matters (ESRS E5). The second set of thematic standards refers to matters relating to society: matters concerning the organisation's workforce (ESRS S1), matters concerning the workforce in the value chain (ESRS S2), matters relating to the environment and affected communities (ESRS S3), and matters related to end users and/or consumers (ESRS S4). The third set of thematic standards refers to matters related to governance: matters related to business conduct or behaviour (ESRS G1). The second part of the ESRS bundle, which EFRAG will prepare, also foresees standards that will lay out the reporting of information specific to an individual sector (for example, preparation and disclosure of information in the financial sector, the mining sector, the oil and gas sector, etc.), and standards that will lay out sustainability reporting requirements for small and medium-sized listed companies.

EFRAG's work in sustainability reporting leads to the EU's sustainability reporting standards. These new standards will fit into the post-COVID-19 ecosystem of sustainability reporting pronouncements. Several private initiatives which prepared various pronouncements related to nonfinancial reporting have previously recognised the need for harmonisation of pronouncements in the pre-COVID-19 sustainability reporting ecosystem [44]. The newly created ISSB, which operates under the IFRS Foundation, has consolidated several pronouncements of private initiatives and will prepare the international IFRS Sustainability Reporting Standards. Its goal is to become the leading standard setter in sustainability reporting. The EFRAG and the IFRS Foundation thus are cooperating, though an essential difference in the design of the sustainability reporting standards should be noted. In their design, the IFRS Sustainability Disclosure Standards aim at the needs of the investors and the financial markets.

In contrast, ESRSs are designed more broadly considering the needs of broader groups of stakeholders of an organisation (for example, in addition to investors and financial markets, employees, state regulators, the community, and others). The aim is to ensure the best possible harmonisation of requirements in both standards, though not their complete unification due to different designs. Unification could mean overlooking differences in needs and differences between the reporting organisations and the intended users of sustainability information [92].

The question is, what led the EU to develop its sustainability reporting standards (ESRS)? Why did the EU make this decision? The possible reasons are as follows. First, the EU has set some very ambitious sustainability goals that it wants to achieve. Given the range of sustainability reporting standards and frameworks in the pre-COVID-19 ecosystem, the prevailing political judgment was that achieving these ambitious goals is only possible with the EU's own sustainability reporting standards. It is a decision for the EU to have standards tailored to its needs and demands, and the EU will prepare them and amend them if necessary. They will also be prepared within a reasonably short time frame. Second, the EU will be independent in the preparation and enforcement of standards. In the field of financial reporting, the EU enforced and is enforcing the IFRS Accounting Standards prepared by the IASB, and in the field of auditing, the International Standards on Auditing prepared by IFAC's International Auditing and Assurance Standards Board, namely with Directive 2006/43/EC on mandatory audits of financial statements. Although the EU can indirectly influence standards content through various committees, forums, and public deliberations, it is not independent. Both the IASB and the IFAC prepare standards that the EU cannot then specifically alter but are enforced directly. From the point of view of EU autonomy, the decision to have its sustainability reporting standards is, therefore, reasonable.

Third is the reluctance of other major countries to follow the EU's example of standards enforcement. As already mentioned, the EU has directly enforced and is still enforcing IFRS Accounting Standards and IFAC's International Standards on Auditing. Important countries such as the USA, China, and India support the development and worldwide requirement for the use of IFRS Accounting Standards, but they do not allow them to be used in their countries and have not required them for use in the last twenty years. The same applies to IFAC's International Standard on Auditing. Since important countries have not followed the EU's example of standards enforcement over the previous two decades, it is not reasonable to expect that the EU will again (directly) commit to the use of non-EU sustainability reporting standards, for example, the IFRS Sustainability Disclosure Standards, while (given the past behaviour of countries) it is not expected that other important countries will do the same. The EU played a crucial role in enforcing and widespread use of the IFRS Accounting Standards. Still, it is not expected that this will also be the case in the enforcement and general use of the IFRS Sustainability Disclosure Standards.

Despite its own sustainability reporting standards, it is expected that the EU will harmonise its standards with the requirements of the IFRS Sustainability Disclosure Standards. EFRAG has cooperation agreements and memorandums with organisations in the field of sustainability reporting, for example, with the GRI, and it also cooperated with the ISSB Board predecessors. Comparability of information in sustainability reports between organisations and countries is crucial. Therefore, one of the requirements in the draft proposal of the ESRS is that the information must be of high quality and comparable, regardless of the sustainability reporting standards used.

6. Conclusions

The preparation of sustainability reports, which only a negligible number of organisations have done until recently, will soon be the new reality for many more organisations. Today, sustainability reporting pronouncements are being prepared and enforced. The paper aims to present changes during the COVID-19 pandemic in the ecosystem of nonfinancial reporting pronouncements, which organisations use for sustainability reporting.

At the heart of our research and an addition to the existing literature is comparing two different periods and content demands in reporting on sustainability. The paper presents a new perspective on examining sustainability via developing organizations' reporting demands within the framework of the uncertain environment caused by COVID-19. Changes in the ecosystem are unique, tectonic, and of great importance, usually happening once in a lifetime of an individual or an organisation. They are changing the foundations of the ecosystem. The changes are comparable to the U.S. Securities and Exchange Commission's 1930s rule that listed companies must prepare financial statements by following the U.S. Generally Accepted Accounting Principles (US GAAP). Based on the analysis of events and documents, the paper shows the disruptions in the ecosystem of nonfinancial reporting pronouncements. It addresses the future dynamics in the ecosystem, the ecosystem's two crucial prospective "new players" who are standard setters and already have an important role and influence.

The COVID-19 pandemic, unlike the mass impact on literally all levels of society, had surprisingly no effect on the dynamics of changes in the ecosystem of nonfinancial reporting pronouncements, nor did it slow down or stop developmental changes in the ecosystem. Nor is it a reason for changing the pre-COVID-19 ecosystem of nonfinancial reporting pronouncements. Several other reasons exist for the developments in this field (see in more detail Section 3.1). However, COVID-19 had and continues to impact the activities and reporting of organisations, both positively and negatively. In some organisations, awareness of sustainability issues has improved, resulting in improved sustainability reporting. Although there has been a noticeable increase in topics related to corporate governance and sustainability [93], in other organisations, the effect is the opposite: awareness worsens, and other topics are at the forefront, including the possibility of the decline and abandonment of sustainability reporting. In the ecosystem of nonfinancial reporting pronouncements, however, the adage: "new players, new rules" has, in this case, become true. New standard setters had been created in the ecosystem, which previously were not active in sustainability reporting. At the global level, the IFRS Foundation established the ISSB, which prepares the IFRS Sustainability Disclosure Standards. In the EU, however, the EU gave EFRAG (with the Directive 2022/2464/EU regarding corporate sustainability reporting) the task and responsibility of preparing a draft proposal of ESRS, which the European Commission then adopts. ISSB and EFRAG have the potential to become influential global players when it comes to sustainability reporting.

Many organisations, including small and medium-sized listed entities in the EU in the future, will have to report on sustainability. For example, in the EU, organisations will have to report following ESRS (from 2025 onwards for the previous year). Sustainability reporting for large organisations will be more detailed than under the pre-COVID-19 pronouncements from the nonfinancial reporting ecosystem. Sustainability reporting will also be mandatory for several organisations operating in the EU. Organisations will have to report on sustainability matters (by the thematic topics of environment, society, and governance), in principle, in a separate sustainability report. The idea of the new pronouncements is such that pronouncements should provide users with the most comparable information on sustainability concerning the organisation, namely interperiods and interorganisations that are comparable, at least within the same sector. Information of higher quality should improve the interest of various stakeholders. At the same time, the new pronouncements should also ensure greater transparency of sustainability-related disclosures. New standard setters and new pronouncements in the post-COVID-19 ecosystem of nonfinancial reporting pronouncements should, at least in theory, increase the confidence of various users in sustainability reporting. The new IFRS Sustainability Disclosure Standard and European Sustainability Reporting Standards, proposed by the new ISSB Board and EGRAG, are said to be one of the reasons for higher confidence. That is the main reason why these standards are proposed. The empirical dilemma, however, is whether the trust of various stakeholders in sustainability reporting is better nowadays than before the new proposed standards. The latter is, however, not the subject of study in the present research paper.

In a relatively short, time-limited struggle for primacy in the ecosystem of nonfinancial pronouncements, the newly created ISSB Board has secured significant influence. Still, EFRAG and, thus, the EU have a more substantial impact and primacy. Both organisations cooperate to ensure the most harmonised pronouncements in sustainability reporting ever. Still, ESRS will be mandatory for organisations doing business in the EU. At the same time, it is not expected that the IFRS Sustainability Disclosure Standards will be directly enforced for use in the EU.

The paper provides a practical overview of the potential impact on organisations and their management since it illuminates a wide range of selected sustainability viewpoints, especially in the field of sustainability reporting. We present a new perspective on examining sustainability via developing organizations' reporting demands during the uncertain environment caused by the COVID-19 pandemic. This perspective presentation is valuable to organizations, academia, and policy leaders.

Nevertheless, our research has some limitations. In the ecosystem of nonfinancial reporting pronouncements, we focused on the most important events of the last period. Of course, there are many other events and various initiatives that have had an impact on the development of the ecosystem. The research is also based on publicly known information. This research does not address publicly unknown events, agreements, and possible lobbying-process results. However, this might be a future topic suitable for further research in sustainability reporting. In addition to the study of further changes and development of pronouncements in the ecosystem of nonfinancial reporting pronouncements, other potential future research areas could also be addressed. One of the possible research venues could be the preparation of a systematic review of current studies in the field of sustainability reporting. In general, Osobajo et al. [94] outline, as discussed further, several possible research venues (i.e., assessment of the impact of sustainability reporting on organisations' financial results, the impact of sustainability research on stakeholders' awareness of sustainability issues, etc.). In the field, there is an active call for research that would illuminate various aspects of sustainability reporting for organisations and their conduct, especially regarding the sustainability of organisations.

After the first use of any sustainability reporting standards in organisations, changes and effects caused by the use of sustainability-related standards can be studied. The comparability of sustainability-related information between different organisations by industry sector, maybe even between countries, can be examined. The usefulness of sustainability information disclosed by organisations to different users (stakeholders) can also be considered. The dilemma is also the expectations of organisations and other stakeholders regarding sustainability reporting. Is there an expectations gap between the expectations of different stakeholders? The unknown is also whether organisations are ready to report on sustainability. What are the reasons for this? The behaviour of the organisations' management can be studied, in particular regarding sustainability-related reporting. Are organisations ready for sustainability reporting? What is their level of maturity when it comes to sustainability reporting? In addition, it is also possible to study the impact of the COVID-19 pandemic on the behaviour of management or organisations when it comes to sustainability reporting. Has sustainability reporting been established? Have new topics been recognised and reported? Or, on the other hand, have decisions been made to limit or even abandon sustainability reporting? Does the organisation have, or does it ensure, all the necessary resources to enable credible sustainability reporting? In particular, it can also be examined whether organisations, in connection with the new pronouncements or the COVID-19 pandemic, formulate new strategies and goals that also relate to issues related to sustainability and sustainable growth.

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