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PRESS RELEASE

“Sustainability accounting standards may finally bring into focus” - ICAEW highlights UNRISD’s SDPI as a gateway toward the first sustainability accounting standards

“Accounting, reporting, and disclosure standards are not the same thing. If today we have both financial accounting and financial reporting standards as well as financial disclosure standards, we have only recently witnessed the adoption of sustainability reporting and disclosure standards. However, we do not have specific sustainability accounting standards notwithstanding the arguments that the IFRS standards technically suffice.” – [ICAEW Guidance Report: Connecting Sustainability and Finance](#)

ICAEW (The Institute of Chartered Accountants in England and Wales) releases [a guidance report](#) in July 2024 to shed light on the differences between accounting, reporting and disclosure standards; and recognizes the Sustainable Development Performance Indicators (SDPI) from the United Nations Research Institute for Social Development (UNRISD) as an example and a way forward toward the first sustainability accounting standards.

According to the report, accounting standards prescribe how to measure things. Reporting standards prescribe how to present things that are measured (or unmeasurable). Disclosure standards prescribe things to disclose publicly, which are typically defined by a regulatory body. Crucially, however, the ICAEW report acknowledges the current lack of sustainability accounting standards that can produce truly comparable sustainability performance disclosures.

The ICAEW report states that: “In accounting standards, measurements may allow for options, but these are i) known and ii) fixed. In other words, once you choose a measurement option, you must continue using the same. A good example is the accounting standard to count inventory, for which two methods are allowed: first-in-first-out (FIFO) and weighted average cost (WA). Once the company chooses its allowable method, it must apply it consistently thereafter.”

The report continues: “However, in sustainability, measurements are generally not yet consistently defined, or when they are, they may vary from one set of standards to another and are not yet universally agreed upon. This results in performance measures, and therefore data, that may not be easily comparable. A good example is the counting of full time equivalent (FTE) employees. Every company has an FTE number, but it seems every company has a different way



of measuring or counting an FTE. While most sustainability reporting or disclosure standards require this number be disclosed, few prescribe how to define and count it.”

The ICAEW report praises the UNRISD’s SDPI for putting the spotlight on “the use of measures for true context-based and absolute sustainability performance.” The indicators in the SDPI embed clear, context-based thresholds aligned with social and planetary boundaries to assess sustainability performance. Given the need for harmonization and standardization reiterated in the ICAEW report in this nascent field of sustainability standards, the SDPI sets a benchmark for global standard setters and representatives of key national jurisdictions to develop clear sustainability accounting standards and ensure that current and future frameworks embed the most effective sustainability measurement principles.

To read more on the ICAEW summary guide and the full report below:

1. [Understanding accounting, reporting and disclosure standards](#)
2. [Connecting Sustainability And Finance: Information, Performance And Disclosures](#)