

It's time to integrate financial and sustainability rep...

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I was pleased to note this statement issued by the Institute of Chartered Accountants in Scotland this week:

The current sustainability reporting system is not serving the public interest and change is needed, according to a new ICAS report on sustainability assurance.

The report sets out the necessary conditions for the reporting of high-quality sustainability information and outlines how a more holistic approach is required.

‘Sustainability: The necessary conditions for the reporting of high-quality information’ also highlights the increasing demand from stakeholders and society for information about an entity’s true performance.

Anne Adrain, Head of Sustainability and Reporting at ICAS said: “Stakeholders, including investors, increasingly expect greater transparency around how entities are embedding sustainability into their activities. Post COP 26, the interest in sustainability, in its broadest sense, i.e. environmental, social and governance (ESG), is at an all-time high and this increased focus and awareness can largely be attributed to the existential risk that the climate emergency poses to human kind as has been highlighted in recent scientific reports.

“With this increased stakeholder demand comes a need for credible, reliable information around what an entity is doing to mitigate the climate change risks to which they may be exposed, and to consider what opportunities the transition to a greener economy may bring.”

While the report acknowledges that sustainability reporting is still evolving (compared to financial reporting which has developed over many years), it highlights the need for greater transparency and accountability due to the wider range of audiences involved, including the public.

The report also explores the connection between sustainability reporting and financial reporting and the need to also consider the impact of sustainable development issues

on the financial statements.

I have, of course, been working on this issue for some time, developing [sustainable cost accounting](#) as a result. As a consequence, I entirely share the sentiments in the last two paragraphs, in particular.

As part of the joint project that I am working on, in which the Corporate Accountability Network is working in close cooperation with Sheffield University Management School and Copenhagen Business School, a draft Financial Reporting Standard for Accounting for Environmental Change is going to be issued very shortly as part of our contribution to this debate on how sustainability and financial reporting must now be integrated if the impact of climate change on the business community is to be taken seriously.