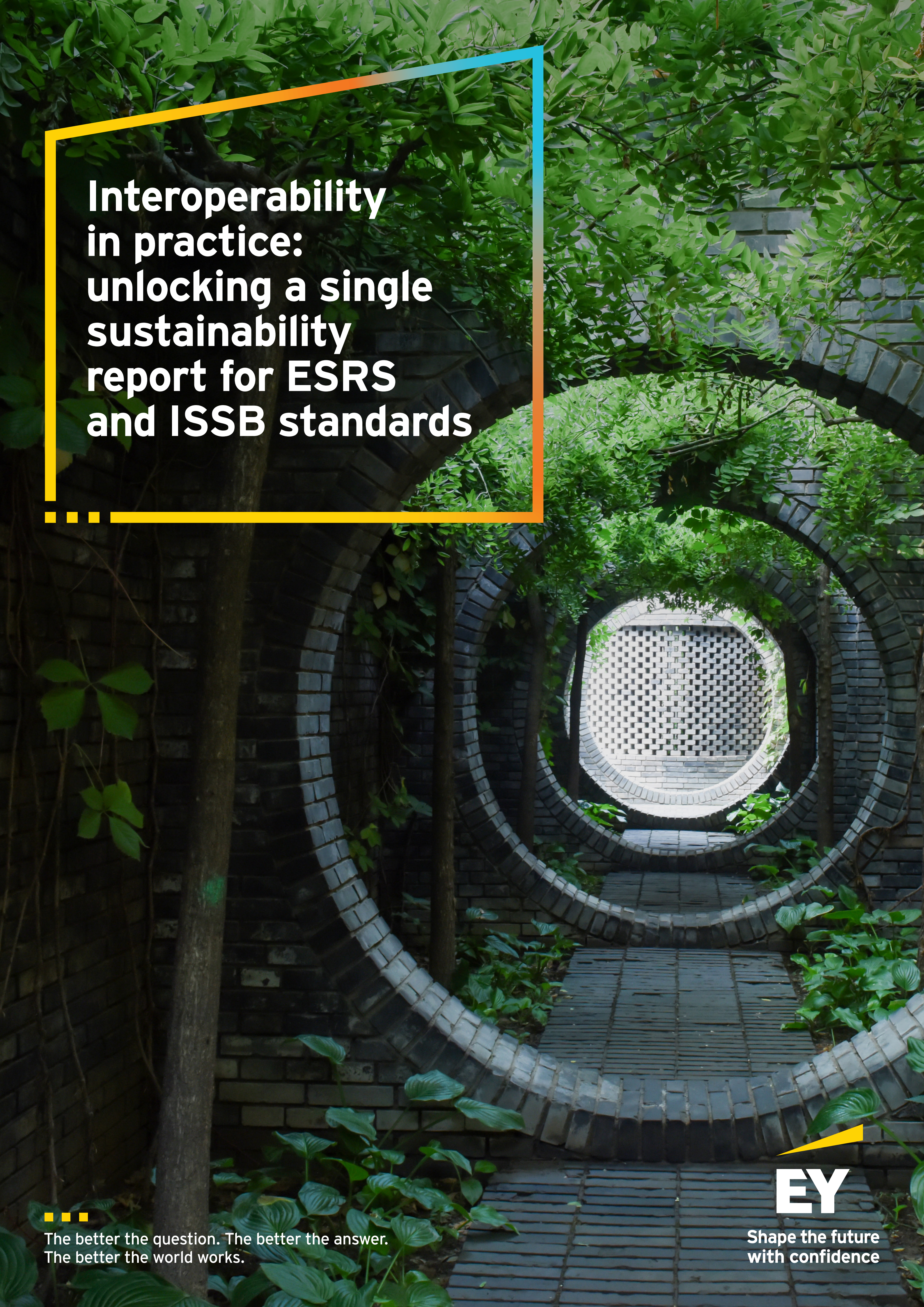

Interoperability in practice: unlocking a single sustainability report for ESRS and ISSB standards

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What you need to know

For many companies, one of the biggest opportunities is identifying similarities across reporting standards to minimize duplication of effort and cost. Those that move early to build enterprise-wide reporting structures are typically well positioned to use sustainability reporting effectively as requirements evolve. Building a core reporting model can therefore be a strategic enabler, anchored in how companies explain their enterprise value and resilience.

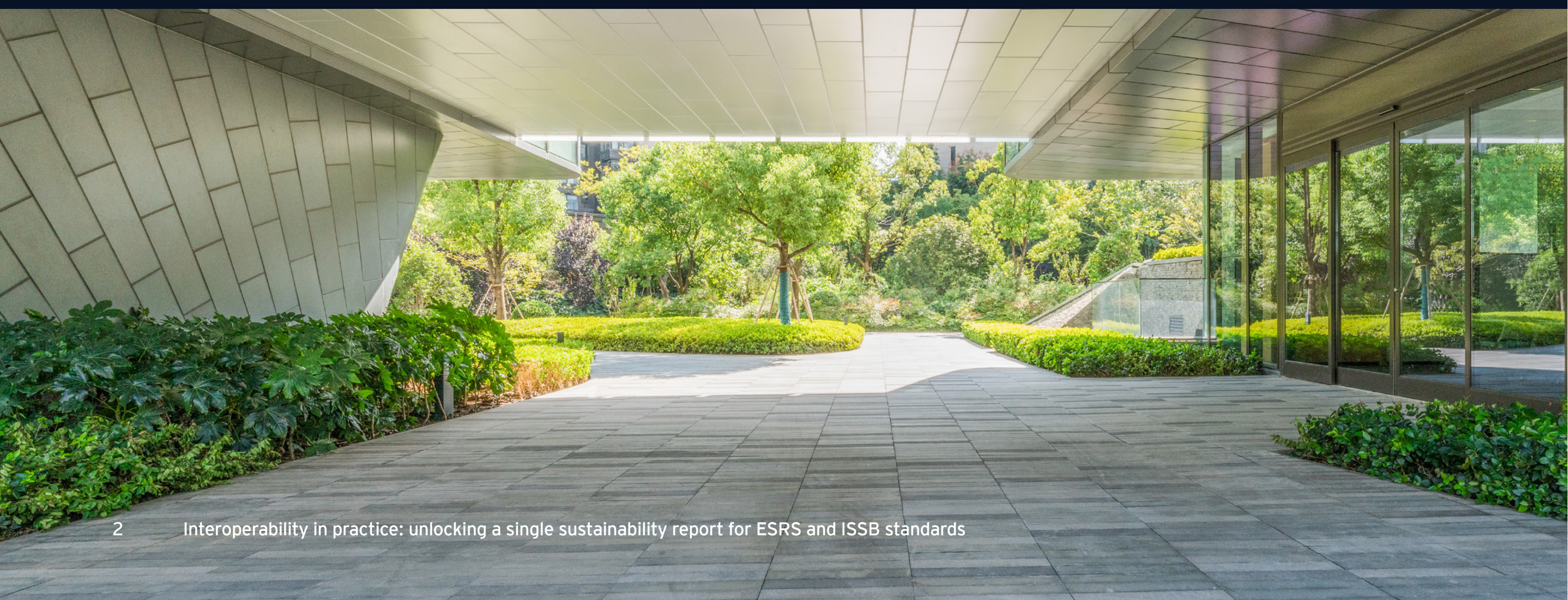
Interoperability: A strategic enabler, not just a compliance exercise

Interoperability refers to the compatibility between different sets of reporting standards, such as the International Sustainability Standards Board (ISSB) Standards and the European Sustainability Reporting Standards (ESRS), allowing companies to use a single set of disclosures to meet ISSB and ESRS requirements in one sustainability report.

For groups operating across multiple jurisdictions or that are dual listed, this supports a "single-report approach," reducing duplication while allowing jurisdiction-specific differences to be addressed in a structured and transparent way. This publication takes into account the revised ESRS as included in the delegated act published by the European Commission on 3 July 2026.

How we see it

The key opportunity is to establish a core reporting model that articulates the group's enterprise value story and satisfies primary jurisdictional requirements, while enabling jurisdiction-specific disclosures to be layered on without compromising the integrity of the group level narrative.



Key benefits of a single-report approach

A single-report approach has considerable potential to help companies:

- **Reduce complexity and cost:** Streamlining sustainability reporting across standards reduces duplication, improves data quality, and lowers the cost of ongoing compliance.
- **Have stronger governance and insight:** Embedding sustainability into group-level governance and financial planning strengthens oversight of risks and opportunities and supports strategic decisions.
- **Enhance regulatory resilience:** A flexible foundation that can be adapted as requirements evolve across jurisdictions.
- **Scale reporting capability:** Building internal capabilities around a unified, core reporting model helps support consistent, scalable reporting as expectations rise.

How we see it

While the ISSB Standards and the revised ESRS are largely interoperable and can help support a single-report approach, meeting one set of requirements does not automatically ensure compliance with the other. Despite their commonalities, important differences shape how companies design and put a core reporting model into practice.

These benefits are achievable because the ISSB Standards and revised ESRS are built on a set of common principles, structures and terminology, making them compatible and helping support a single core reporting model that underpins consistent group level reporting across standards.

Key common aspects across both standards include:

- **Fair presentation:** Both the ISSB Standards and the revised ESRS incorporate a fair presentation principle, requiring a complete, neutral and accurate depiction of material information about sustainability-related risks and opportunities and, under ESRS, impacts. The principle also requires disclosures to be comparable, verifiable and understandable, with additional or entity-specific information provided where application of the standards alone is insufficient.
- **Structure and terminology:** Both standards use consistent terminology and share similar disclosure structures. Therefore, entities can start with either the ISSB Standards or ESRS and still satisfy core requirements of the other, although additional disclosures will be required.
- **Climate-related disclosure requirements:** Almost all ISSB climate disclosure requirements have corresponding requirements in the ESRS, including those for disclosing the transition plan, if it exists. For topics other than climate, ISSB Standards refer to ESRS as a source of guidance that may be considered for identifying material information. The revised ESRS would now also allow entities to choose between the financial control approach, operational control approach, or equity share approach. The revised ESRS do retain specific requirements on accounting for leases and joint arrangements.

However, while the standards are largely compatible, remaining differences between the ISSB Standards and the ESRS create practical challenges in implementing a single report approach. These challenges include, amongst others, jurisdictional requirements, the double materiality concept in ESRS, topical and industry-based standards and the ability to use the several reliefs that are available in both sets of standards. Refer to the end of this publication for a more elaborate description of some potential challenges and attention points, that may be overcome with proper preparation and timely decision-making.

Steps toward implementing a single-report approach

Entities at different stages of maturity can follow a structured, phased path to implement a single-report approach under both the ISSB Standards and ESRS.

The phased path puts four core principles into practice:

1) defining a clear group-level enterprise value story; 2) selecting key performance indicators (KPIs) that communicate that story; 3) building a core reporting model around primary requirements; 4) layering jurisdiction-specific disclosures without diluting the group story.

In practice, this typically involves the following steps that companies should reassess periodically:

1

Clarify your ambition and enterprise value story: define the role sustainability reporting should play for the organization – beyond compliance – and identify the KPIs that best explain how sustainability performance supports business strategy and value creation.

2

Understand the requirements and your starting point: assess reporting requirements under the ISSB Standards and the ESRS, and evaluate your current reporting practices, data, and governance against those requirements to establish a clear baseline.

3

Assess jurisdictional requirements for single reporting: before adopting a single-report approach, companies should assess whether local regulations permit consolidated group reporting or require separate entity-level disclosures.

4

Identify your primary reporting anchor: determine the jurisdiction or standard around which to build your core group-level reporting model, balancing investor expectations, regulatory exposure and strategic priorities.

5. **Design the core reporting model:** establish a consistent group level reporting structure that meets primary requirements while allowing jurisdiction specific disclosures to be added efficiently.

6. **Run materiality once:** design an integrated (double) materiality process, generating outputs that cover both sets of standards.

7. **Assess data, processes and controls:** review existing group level data systems, processes and controls to identify gaps, dependencies and areas requiring enhancement, including readiness for future assurance.

8. **Coordinate group and subsidiary reporting:** Align group-level and local reporting activities to avoid duplication, ensure consistency, and enable local teams to build on centrally-developed disclosures.

9. **Plan for expansion and change:** perform targeted gap analyses for additional jurisdictions and future requirements, and put in place capabilities, data processes and governance that can scale as expectations evolve.

10. **Test and refine:** validate KPIs, disclosures and processes against relevant standards to ensure robustness, consistency and readiness for use across multiple reporting regimes.

For an entity moving from ESRS to ISSB, or vice versa, the pathway will differ depending on the starting point, and leading practices typically need to consider the following:

Cross-cutting consideration

- Assess whether jurisdictional regulations, including assurance requirements, permit a "single-report approach"

Path 1: Transitioning from ESRS to ISSB

- Identify ESRS disclosures that are financially material (investor-focused)
- Add material industry-based disclosures and use SASB Standards as a starting point
- Add ISSB-specific disclosures

Path 2: Transitioning from ISSB to ESRS

- Apply double materiality
- Expand topic coverage to include additional environmental, social and governance matters
- Add ESRS-specific disclosures

Cross-cutting consideration

- Ensure clarity and presentation of material information both from a financial as well as an impact perspective.

How we see it

"Interoperability" and concepts such as "ISSB passporting[1]" are important enablers, but they do not eliminate the underlying complexity of sustainability reporting for multinational organizations.

What differentiates leading companies is how they use sustainability reporting – as a tool to explain value to markets, build organizational capability and support long-term decision-making. In practice, this means viewing sustainability reporting as:

- A strategic communication tool for financial markets
- An intentional enterprise wide design choice, shaping how finance, sustainability, risk, governance and data work together
- A capability that strengthens over time, instead of being recreated as a recurring compliance exercise

[1] ISSB passporting refers to the concept where a sustainability report prepared in accordance with the ISSB Standards – as issued, without local modifications – would be accepted by multiple jurisdictions as meeting their regulatory requirements. This approach is intended to reduce the need for companies to prepare multiple, jurisdiction-specific reports, thereby lowering compliance costs and complexity.

How EY professionals can help you

EY professionals can assist you with the following:

Group-level reporting design: Define and design a core group reporting model based on the ISSB Standards and ESRS, with clear governance and disclosure architecture that works across jurisdictions.

Regulatory and interoperability assessment: Map ISSB, ESRS and local requirements to identify overlaps, gaps, duplications and friction points, and set out actions to operationalize a single report approach.

Climate scenario analysis and resilience assessment: Design and execute climate scenario analysis to assess strategic resilience, quantify agreed climate-related risks and opportunities where feasible and integrate outcomes into strategy, financial planning and disclosures.

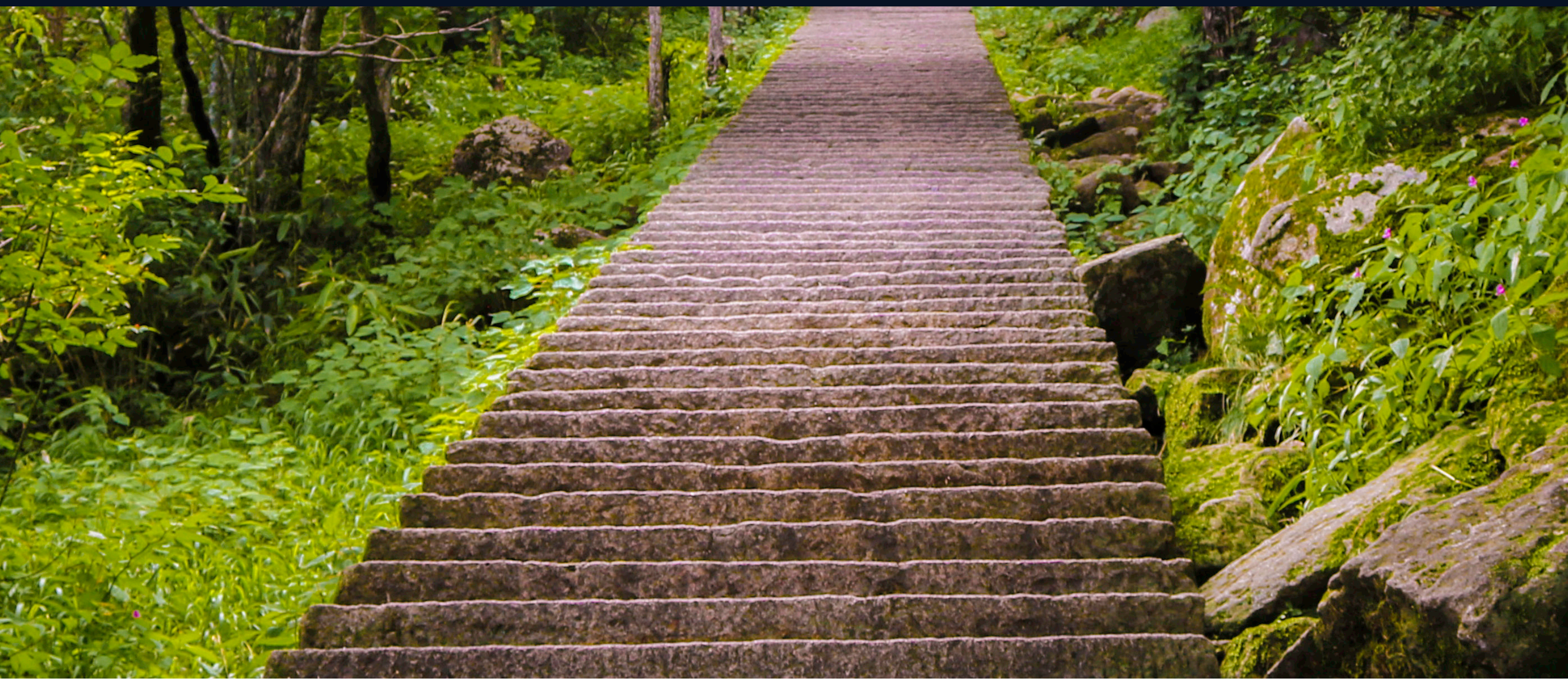
KPI, data and control framework design: Assess and design KPIs for data flows and internal controls, relevant for primary users, that bring financial reporting-grade discipline to sustainability information.

Assurance readiness and coordination: Prepare for limited or reasonable assurance through control design, documentation and group-wide coordination. When the organization is ready, provide independent assurance on its sustainability reporting — subject to local independence requirements.

Scalable reporting processes and operating model: Design reporting processes and operating models that reduce duplication, support reuse of disclosures across jurisdictions, and lower cost and risk over time. The EY.ai solutions can help reduce an 18-month reporting journey to six months.

Future-proofing and regulatory change support: Targeted gap analyses and uplift planning to absorb future jurisdictional requirements without repeated redesign or fragmentation of the reporting narrative utilizing EY.ai-enhanced tooling and capabilities.

Disclosure quality and investor communication: Help enhance decision-useful disclosures — such as climate risk, resilience, anticipated financial effects and transition plans.



Potential challenges and attention points for interoperability

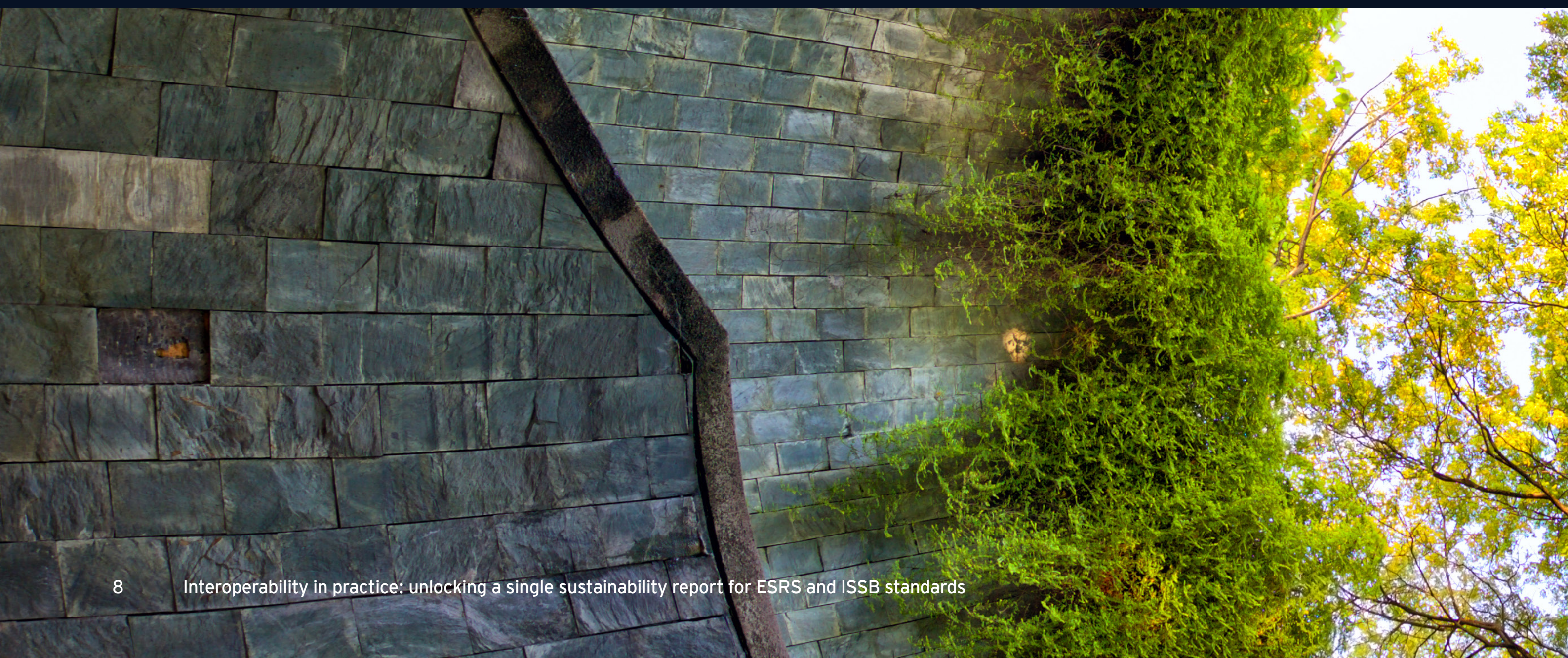
1. **Materiality — financial vs. double materiality:** Although the ESRS applies a financial materiality definition aligned with the ISSB Standards, it also requires assessment of impact materiality. As a result, while both standards focus on information relevant to decision making of primary users, the ESRS extends the lens to a wider group of stakeholders. The real challenge lies in determining when an impact is material from an ESRS perspective — and whether, or how, it should also be considered as financially material.

2. **Topic-specific disclosure requirements:** The ISSB Standards have less topical standards, centered on general requirements and detailed climate disclosures supported by SASB metrics, while ESRS are broader, covering 10 topical standards across environmental, social and governance topics. As a result, ISSB reporting in some cases may need additional information to meet the more detailed ESRS requirements, and this distinction should be addressed when designing a core reporting model. ISSB Standards do refer to ESRS as a source of guidance that may be used.

3. **Jurisdictional requirements and assurance:** Jurisdictions may introduce additional requirements that are not immediately compatible with other standards. They may also require separate reporting under the framework mandated by a particular jurisdiction. Jurisdiction-specific assurance requirements may create further challenges, especially where they apply only to specific disclosures.

4. **Industry-specific disclosures (use of SASB Standards):** Under the ISSB Standards, entities are required to consider the SASB Standards when identifying industry specific disclosures. Under the ESRS, the SASB Standards may be used as guidance for entity specific disclosures where a material topic is not covered by the ESRS.

5. **Reliefs and proportionality:** Both standards offer both temporary as permanent reliefs reliefs, but the scope, timing and conditions differ. A relief applied under the ISSB Standards may not satisfy the ESRS (and vice versa), leading to inconsistent disclosures or the need for additional work.



6. **Resilience and scenario analysis:** The ISSB Standards require entities to assess and disclose the resilience of their strategy using climate related scenario analysis, with quantitative information expected where feasible. By contrast, the ESRS requires disclosure only where scenario analysis has been performed and allows a qualitative articulation of resilience.
7. **Organisational boundaries approaches:** Although both the ISSB Standards and the ESRS require entities to have the same reporting entity as the financial statements, its treatment of leased assets, joint arrangements, asset managers and GHG emissions reporting differs. This can create the challenges of determining the approach the entity should take.
8. **Anticipated financial effects:** Under the ISSB Standards, entities are expected to quantify the anticipated financial effects of climate related risks and opportunities. The revised ESRS allows entities to defer or limit these disclosures in certain situations. This difference means ESRS-compliant reporting may fall short of ISSB expectations and adds work for entities to report in accordance with ISSB Standards.
9. **Gross vs. Net Approaches in the identification of risks and opportunities:** Differences may arise in how risks and opportunities are identified, measured or disclosed, including whether exposures are presented before or after mitigation. The ESRS permits a net presentation in certain cases, whereas the ISSB Standards generally expect risks and opportunities to be disclosed on a gross basis before mitigation.

This list of challenges and attention points is not limitative and is not intended to provide a detailed analysis of all potential challenges and attention points. As mentioned previously, these potential challenges and attention points may be overcome with proper preparation and timely decision-making.

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