



Think Ahead

# SUSTAINABILITY REPORTING – SME GUIDE



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We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.

Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over **252,500** members and **526,000** future members in **180** countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgement to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators, and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

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## ABOUT THIS GUIDE AND THE INTENDED AUDIENCE

The creation and use of sustainability-related information supports *small and medium-sized or lesser-resourced entities (SMEs)*<sup>1</sup> to access the many 'better business' benefits outlined in this guide. Professional accountants have a major opportunity in facilitating this access, through the provision of necessary, interconnected, financial and sustainability-related advisory, data preparation, reporting and assurance services.

Irrespective of the scope for 'better business', all organisations must be ready to provide sustainability-related information because it is increasingly being requested, not only for inclusion in annual reports but also in the context of procurement and service-level agreements.

We have tailored our [Sustainability Reporting – The Guide to Preparation](#) to help SMEs determine, collect and communicate sustainability-related information. Our guidance is based on the requirements of the [IFRS Sustainability Disclosure Standards](#)<sup>2</sup> because many of the sustainability-related information requests tend to be based on them. Further, to assist engagement with the standards, we've provided [short explainer videos](#) and a [glossary](#)<sup>3</sup>.

This guide must be read in conjunction with the relevant standards. An organisation cannot rely on this guide in isolation to meet the requirements of the IFRS Sustainability Disclosure Standards, or other sustainability reporting frameworks or standards.

<sup>1</sup> For the purposes of this guide, SMEs include those meeting the IFRS Foundation's definition of being organisations that tend not to have public accountability, and publish *general purpose financial reports* for external stakeholders. More generally, SMEs tend to have simpler organisation structures and have lesser resources, and are therefore less able to meet the full requirements of reporting standards than larger organisations.

Further, an organisation may identify as being an SME by using the size criteria of the jurisdiction in which they are based.

<sup>2</sup> Following the publication of the IFRS Foundation Trade Mark guidance in early 2024, the ISSB Standards as referenced in *Sustainability Reporting – The Guide to Preparation* are now referred to as the IFRS Sustainability Disclosure Standards.

<sup>3</sup> Terms explained in the glossary are in italics the first time they appear in this guide.

## About the researchers



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We acknowledge and thank all individuals who have participated in our global roundtables and interviews for giving their time and invaluable insights ([see Acknowledgements](#)).

# Many organisations will identify as being an SME

The following are just a few descriptions of an SME.

*'SMEs include those meeting the IFRS Foundation's definition of being organisations that tend not to have public accountability, and publish general purpose financial reports for external stakeholders.'*

*'SMEs tend to have simpler organisation structures and have lesser resources, and are therefore less able to meet the full requirements of reporting standards than larger organisations.'*

*'Some organisations may identify as being an SME by using the size criteria of the jurisdiction in which they are based.'*



# Sustainability-related information enables better business

*'The creation and use of sustainability-related information helps SMEs, their advisers and stakeholders to see and take advantage of their opportunities and manage their risks. This will put SMEs in a much stronger position financially – making it easier to attract investment and obtain preferential terms of trade with suppliers. In the battle for talent, it will help them recruit and retain high-calibre employees.'*

**(Summarised and amalgamated viewpoints of the SMEs and SMPs informing this research)**

SMEs know they are a vital component of the *value chains* of all organisations, not least because they comprise approximately 90% of all businesses globally (World Bank, n.d).

Nonetheless, many SMEs are not aware that regulators and other stakeholders, including suppliers, consumers, employees and investors, are increasingly demanding that organisations, including their value chains, be more environmentally and socially sustainable in their operations, and to communicate these credentials.<sup>4</sup>

**A failure to provide sustainability-related information and use it in operational decision-making may lead to negative outcomes for SMEs, from worsening terms of trade and finance to the extremes of withdrawal of resources.** For example, the best talent or suppliers may choose to provide

other organisations with their human, intellectual and manufactured capitals.<sup>5</sup>

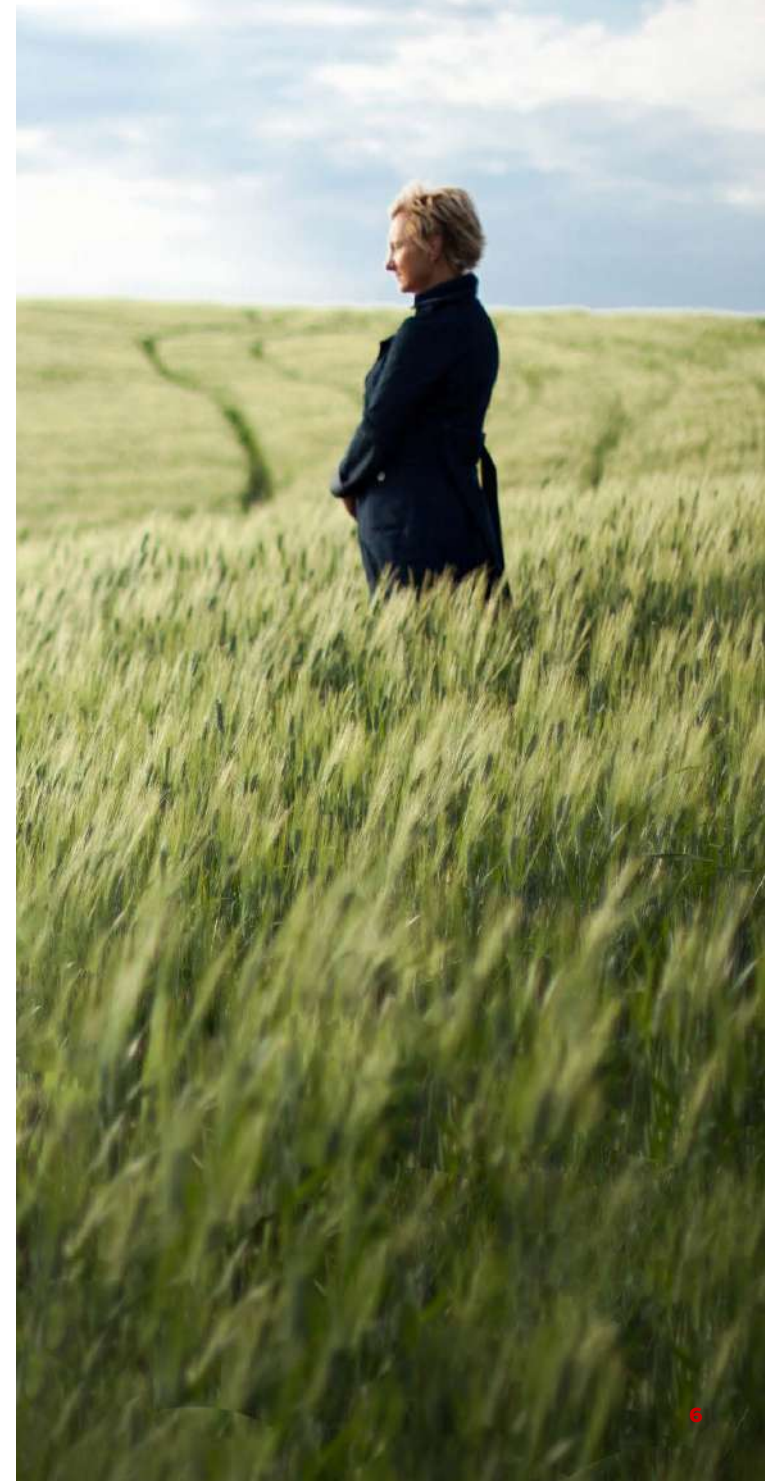
Understandably, SMEs may consider burdensome the demands to be more sustainable and to communicate associated strategies and progress, especially at times of significant financial pressure. In practice, when SMEs comply, these negative outcomes can be flipped into competitive advantages thanks to the underpinning enablers being achieved (see [Box A](#)).

These advantages and enablers are more achievable when sustainability-related and financial information are connected, because they provide a more holistic view, allowing better appreciation of the interdependencies, and promoting *integrated thinking* and action.

<sup>4</sup> As of January 2024, the following jurisdictions have, or are planning, sustainability-related operations and reporting, with implications for the value chain.

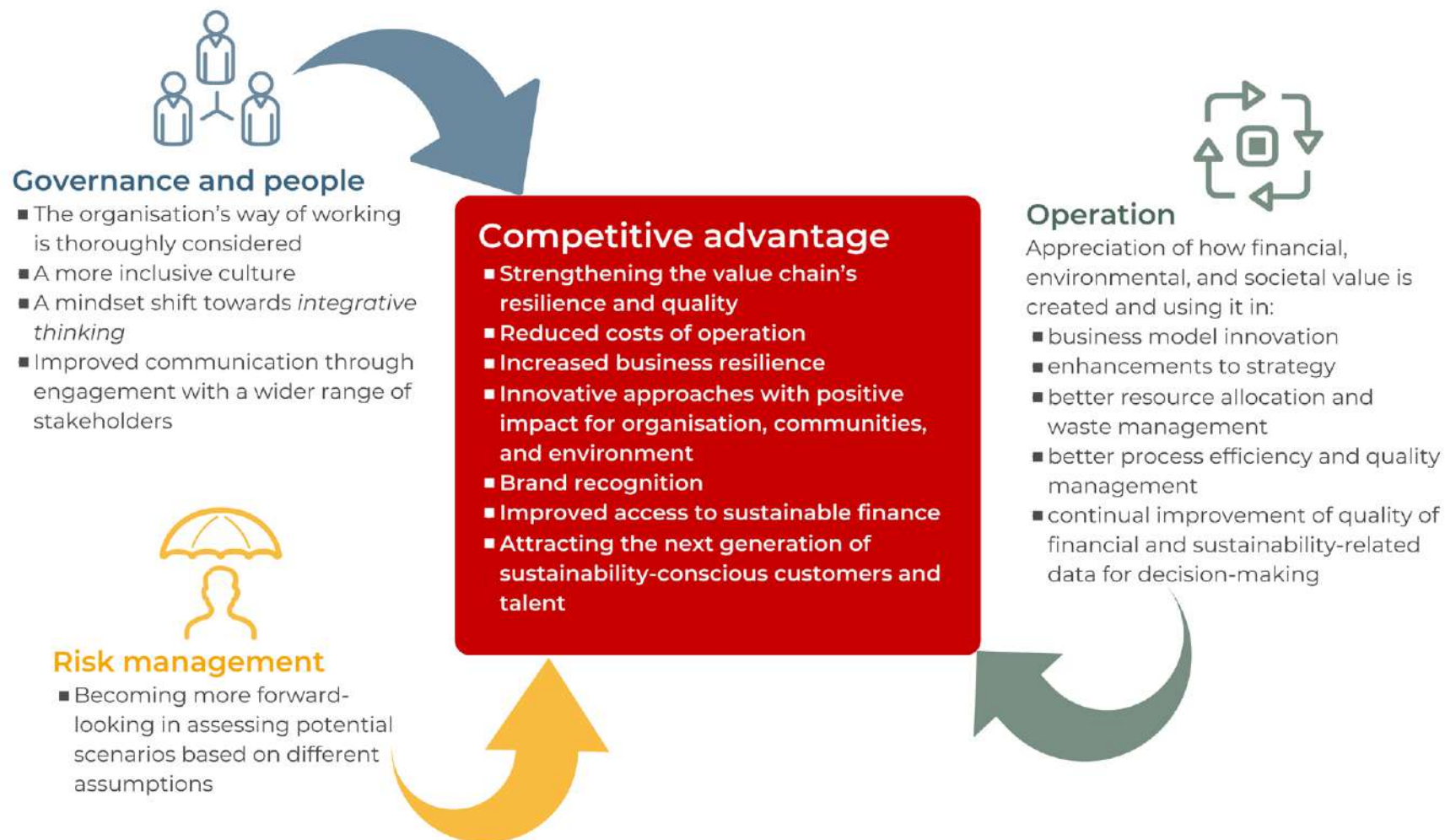
- The European Union has mandatory requirements within the Corporate Sustainability Reporting Directive (CSRD) to disclose sustainability-related information by applying the European Sustainability Reporting Standards (ESRS). (Source: European Commission 2023).
- Brazil, Malaysia, New Zealand, Singapore, the UK and the US have incorporated the Task Force on Climate-related Financial Disclosures (TCFD) recommendations into laws, rules, and guidance on climate-related financial disclosure, or referenced the recommendations as a basis for their disclosure requirements (TCFD 2022).
- Many jurisdictions are evaluating the adoption of the IFRS Sustainability Disclosure Standards following endorsement by the International Organization of Securities Commissions (IOSCO). Growth and emerging markets make up 75% of IOSCO membership (IFRS Foundation 2023a).

<sup>5</sup> The resources and relationships used and affected by an organisation can take various forms. These are referred to collectively in the Integrated Reporting Framework as the 'capitals' and are categorised as financial, manufactured, intellectual, human, social and relationship, and natural (IFRS Foundation 2023b).



## ➡ BOX A: REPORTING AND USING SUSTAINABILITY-RELATED INFORMATION MAY BE BENEFICIAL TO SMES

The business case for organisations to embed sustainability is grounded in the potential for competitive advantage. This competitive advantage is only possible due to enablers that result from creating and using sustainability-related information.



Source: Machado, Saw and Chow (2023: 10), ACCA 2021c: 16, ACCA and CA ANZ 2022a: 3 and amalgamated comments from roundtable participants.

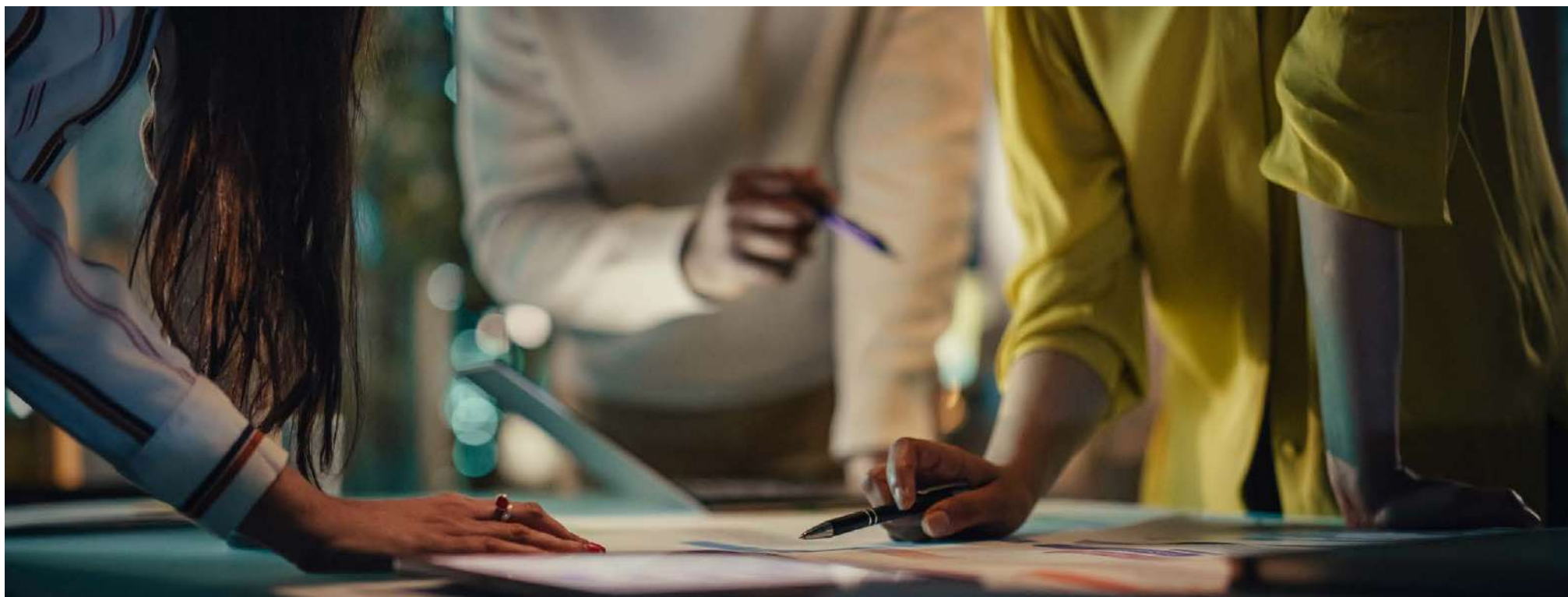
# Call to action

The sustainability reporting requirements that underpin the sustainability-related information SMEs must provide and use centre on explaining the organisation's approach to identifying and managing *sustainability-related risks and opportunities (SRROs)*. For some SMEs this means a shift in behaviours and mindset beyond that required for managing and reporting their financial position, performance and prospects.

To comply with stakeholder information demands or enable more effective governance and decision-making, SMEs will need to implement changes to their reporting processes, and leverage people and technology. In this, professional accountants – in business, in small and medium-sized practices (SMPs) or portfolio CFOs – have a vital role because they are expert in the financial matters to which sustainability connects, are bound by ethics, and are expected to act in the public interest.

To help all who are involved with the process, **this guide details ACCA's eight-stage sustainability reporting cycle together with underpinning steps. We encourage all to invest the time to appreciate what these steps mean in the context of their organisation or for their SME clients. This may mean taking small first steps and doing what's possible to implement sustainability reporting.**

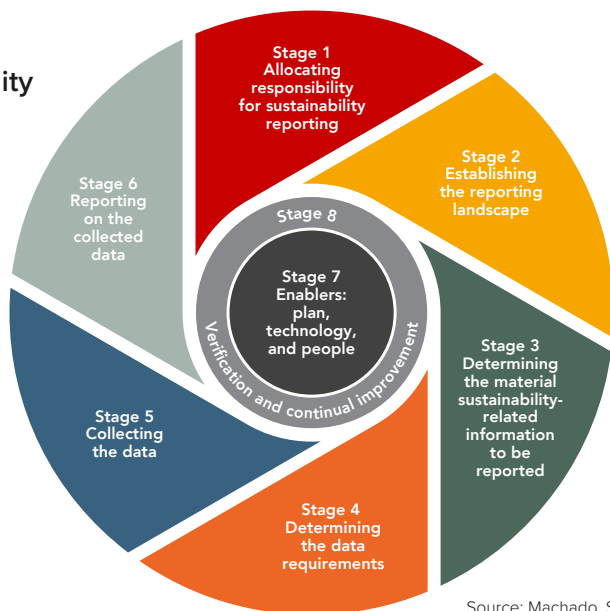
Finally, we anticipate continual evolution of the sustainability reporting landscape. ACCA is committed to monitoring these developments and providing guidance so that all are well placed to fulfil this call to action. Therefore, follow our work in this space.



# SMEs are helping other SMEs implement the sustainability reporting cycle

Through the use of LinkedIn polls, interviews and roundtables, ACCA's vast network of SMEs have validated<sup>6</sup> our sustainability reporting cycle and provided examples to help all SMEs implement sustainability reporting<sup>7</sup> (see **Figure A**). The cycle represents the essential processes, people and technology requirements underpinning the creation of sustainability-related reports and information. It was first developed and explained in ACCA's [Sustainability Reporting – The Guide to Preparation](#) (Machado, Saw and Chow 2023). **SMEs that are seeking to fulfil information requests from their value chains will find Stages 1, 2, 4, 5 and 7 most relevant.** Those that invest in all stages will be in a better position to secure competitive advantage.

**Figure A:**  
The sustainability reporting cycle



Source: Machado, Saw and Chow 2023: 14

<sup>6</sup> ACCA's network of SME experts include the [Global Forum for SMEs](#) and the [ACCA Practice Room Community](#).

<sup>7</sup> The sustainability reporting standards referenced in this guide are the *IFRS Sustainability Disclosure Standards*. They serve as the global baseline, thereby enabling this guide to be used for, and overlaid with, other sustainability reporting frameworks and standards.



# Summary of the sustainability reporting cycle's stages and their underpinning activities

Engagement with each stage, shown in [Figure A](#), will usually occur in a clockwise order, although at times concurrently with other stages. **Table A** summarises the stages and their underpinning activities. For easier navigation, the table includes links to the explanations contained in this guide.

**Table A: Underpinning activities for each of the reporting stages**

| STAGE                                                     | STAGE UNDERPINNING ACTIVITIES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | STAGE                                                                         | STAGE UNDERPINNING ACTIVITIES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Allocating responsibility for sustainability reporting | <a href="#">1.1 Make sustainability the way of working</a><br><a href="#">1.2 Understand and enhance the current reporting process</a><br><a href="#">1.3 Decide who is responsible and accountable, and whom to consult and inform</a><br><a href="#">1.4 Address the people-related considerations when allocating responsibility</a><br><a href="#">1.4.1 SME leaders must embed a sustainability culture</a><br><a href="#">1.4.2 Build connectivity into the organisation's design</a><br><a href="#">1.4.3 Collaborate to create generally accepted sustainability-related information</a><br><a href="#">1.4.4 Determine and implement the strategy to access the required capabilities</a><br><a href="#">1.4.5 Engage professional accountants to connect financial and sustainability-related information</a> | 3. Determining the material sustainability-related information to be reported | <a href="#">3.1 Identify and understand the types of information to be reported</a><br><a href="#">3.2 Apply the three-step approach to determine sustainability-related risks and opportunities (SRROs) and their material information</a><br><a href="#">Step 1: Identify the organisation's SRROs</a><br><a href="#">Step 2: Assess and prioritise the SRROs</a><br><a href="#">Step 3: Determine material information for reporting</a><br><a href="#">3.3 Reassess <i>materiality</i> judgements</a><br><a href="#">3.4 Address the people-related considerations when determining material information</a><br><a href="#">3.4.1 Enhance and embed sustainability-related knowledge</a><br><a href="#">3.4.2 Build capabilities for risk monitoring</a> |
|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 2. Establishing the reporting landscape                   | <a href="#">2.1 Understand the operating environment</a><br><a href="#">2.2 Identify relevant reporting frameworks and standards</a><br><a href="#">2.3 Prioritise reporting requirements</a><br><a href="#">2.4 Invest in horizon scanning of the sustainability-related operational and reporting landscape</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 4. Determining the data requirements                                          | <a href="#">4.1 Determine the reporting boundary and the value chains</a><br><a href="#">4.2 Set the scope and parameters of data collection</a><br><a href="#">4.2.1 Understand stakeholders' information needs</a><br><a href="#">4.2.2 Align data collection to reporting needs</a><br><a href="#">4.2.3 Consider availability of data for targets and metrics</a><br><a href="#">4.3 Determine the data requirements for each SRRO to be reported</a><br><a href="#">4.4 Address the people-related considerations for determining data collection</a>                                                                                                                                                                                                   |
|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

**Table A:** Underpinning activities for each of the reporting stages (cont.)

| STAGE                              | STAGE UNDERPINNING ACTIVITIES                                                                                                   |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| 5. Collecting the data             | 5.1 <a href="#">Select appropriate sources of data</a>                                                                          |
|                                    | 5.1.1 <a href="#">Identify and understand existing data in use</a>                                                              |
|                                    | 5.1.2 <a href="#">Identify and consider available sources of data</a>                                                           |
|                                    | 5.1.3 <a href="#">Ethically consider cost against benefit</a>                                                                   |
|                                    | 5.2 <a href="#">Establish the data collection methodology</a>                                                                   |
|                                    | 5.2.1 <a href="#">Consider available technology options</a>                                                                     |
|                                    | 5.2.2 <a href="#">Align frequency of data collection with reporting timelines</a>                                               |
|                                    | 5.2.3 <a href="#">Use consistent methodology</a>                                                                                |
|                                    | 5.2.4 <a href="#">Maximise the use of data collected</a>                                                                        |
|                                    | 5.2.5 <a href="#">Practise responsible procurement</a>                                                                          |
|                                    | 5.2.6 <a href="#">Keep the data collection process simple</a>                                                                   |
|                                    | 5.2.7 <a href="#">Embed verification within processes and systems</a>                                                           |
|                                    | 5.3 <a href="#">Consider the use of external support</a>                                                                        |
|                                    | 5.4 <a href="#">Address the people-related considerations to enable data collection</a>                                         |
| 6. Reporting on the collected data | 5.4.1 <a href="#">Introduce sustainability reporting the right way</a>                                                          |
|                                    | 5.4.2 <a href="#">Set expectations for continual change</a>                                                                     |
|                                    | 5.4.3 <a href="#">Harness the power of shared resources through collaboration</a>                                               |
|                                    | 6.1 <a href="#">Determine where and how the information is presented</a>                                                        |
|                                    | 6.2 <a href="#">Ensure connectivity of information and minimise information overload</a>                                        |
|                                    | 6.3 <a href="#">Apply the qualitative characteristics of good reporting</a>                                                     |
|                                    | 6.4 <a href="#">Evolve the reporting package</a>                                                                                |
|                                    | 6.5 <a href="#">Address the people-related considerations to enable reporting and use of sustainability-related information</a> |
|                                    | 6.5.1 <a href="#">Leverage integrative thinking</a>                                                                             |
|                                    | 6.5.2 <a href="#">Leverage design and system thinking</a>                                                                       |
|                                    | 6.5.3 <a href="#">Embed ethics among information providers and users</a>                                                        |

| STAGE                                                    | STAGE UNDERPINNING ACTIVITIES                                                                                      |
|----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| 7. Implementing reporting                                | 7.1 <a href="#">Create a formal implementation plan</a>                                                            |
|                                                          | 7.2 <a href="#">Use technology as an enabler</a>                                                                   |
|                                                          | 7.2.1 <a href="#">Set the purpose for using technology</a>                                                         |
|                                                          | 7.2.2 <a href="#">Build governance into the technology</a>                                                         |
|                                                          | 7.2.3 <a href="#">Assess the credibility of technology</a>                                                         |
|                                                          | 7.3 <a href="#">Work with people as enablers</a>                                                                   |
| 8. Verifying what is reported, and continual improvement | 7.3.1 <a href="#">Know the required sustainability-related capabilities</a>                                        |
|                                                          | 7.3.2 <a href="#">Apply the people-related considerations identified throughout the cycle</a>                      |
|                                                          | 8.1 <a href="#">Obtain assurance</a>                                                                               |
|                                                          | 8.2 <a href="#">Set metrics to drive continual improvement</a>                                                     |
|                                                          | 8.2.1 <a href="#">Quality of data over time</a>                                                                    |
|                                                          | 8.2.2 <a href="#">Stakeholders' feedback on value of sustainability-related information</a>                        |
|                                                          | 8.2.3 <a href="#">Sustainability-related knowledge across the organisation and its retention</a>                   |
|                                                          | 8.2.4 <a href="#">Integration of sustainability in discussions across the organisation</a>                         |
|                                                          | 8.3 <a href="#">Address the people-related considerations when enabling verification and continual improvement</a> |
|                                                          | 8.3.1 <a href="#">Invest in empowered, objective and competent internal audit capability</a>                       |
|                                                          | 8.3.2 <a href="#">Establish the selection criteria for assurance providers</a>                                     |

## Stage 1: Allocating responsibility for sustainability reporting

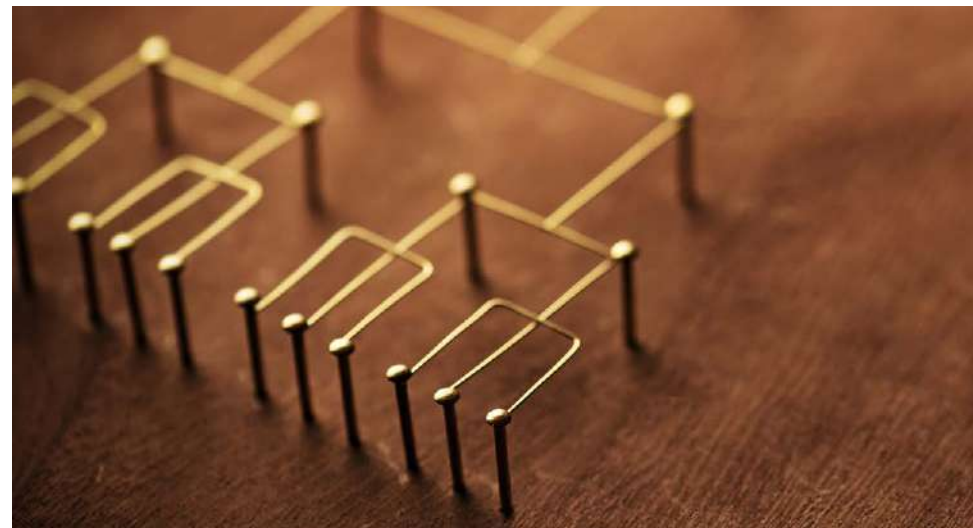


**Figure 1.1:** The sustainability reporting cycle: allocating responsibility



Connected financial and sustainability-related information will help SMEs fulfil demands for the organisation to be more sustainable, and they must start by knowing who does what, which for some SMEs might mean turning to their professional accountant to lead this stage (**Figure 1.1**), which addresses:

- [making sustainability the way of working](#)
- [understanding and enhancing the reporting process](#)
- [deciding who is responsible and accountable, and whom to consult and inform](#)
- [people-related considerations when allocating responsibility](#)



## 1.1 Make sustainability the way of working

Sustainability reporting emphasises communicating the approach to being sustainable, specifically developing and achieving sustainability-led strategies (see **Box 1.1**). To do this, SMEs are encouraged to engrain sustainability into the organisation's culture – to be the way of working.

This will be the case even if sustainability is not an operational imperative, because SMEs will need to provide sustainability-related information for value chain purposes.



### BOX 1.1: SMES NEED TO ENGRAIN THESE THEMES IN THEIR WAY OF WORKING

The following themes place importance on the approach as well as the outcomes that encourage SMEs to adopt sustainable business practices.

- **Governance:** the processes, controls and procedures for monitoring and managing risks and opportunities for sustainability
- **Strategy:** the approach to managing SRROs
- **Risk management:** the processes for identifying, assessing, prioritising and monitoring SRROs
- **Metrics and targets:** the measures indicating progress on the strategy and risk management related to SRROs

Source: adapted from [IFRS Foundation \(n.d.\)](#) and [KPMG \(2023\)](#)



## 1.2 Understand and enhance the current reporting process

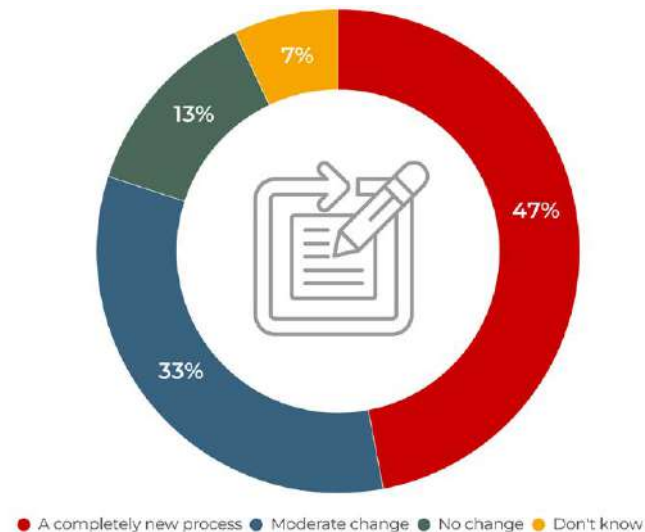
The process of producing connected sustainability-related and financial information should start with understanding the process for producing financial information. This is especially true for SMEs with a relatively mature financial reporting process. SMEs whose process is less mature should start by reflecting on what a good one could look like, perhaps by engaging with peers or seeking the advice of a professional accountant.

The majority of the 346 respondents to our LinkedIn poll expected at least moderate changes to an SME's reporting processes to be necessary when introducing sustainability reporting (see **Box 1.2**). Commonly cited reasons included:

- current financial reporting processes are not fully developed (this is found mainly among the smallest of SMEs)
- extensive and new data requirements
- new measurement techniques
- a different analysis and presentation format to cater for a wider range of stakeholders than for financial information.

### Box 1.2: The extent of change expected for implementing sustainability reporting processes

ACCA's poll on LinkedIn asked respondents to consider the extent to which reporting processes will need to change for sustainability reporting.



Source: ACCA (2024a), 346 respondents.

Irrespective of process maturity, all SMEs should undertake the activities listed within **Box 1.3**.



### BOX 1.3: ACTIVITIES TO ENHANCE THE PROCESS FOR SUSTAINABILITY REPORTING

SMEs and their advisers recommend mapping the process together with allocated responsibilities (see **section 1.3**).

A successful process is often one where those required to use or benefit from it were also involved in its design. Therefore, the reporting process for financial and/or sustainability-related information should incorporate insights from:

- individuals in the organisation and value chain, essentially the people who are the user group
- other SMEs and industry peers who are likely to face similar challenges
- experts in the specific activity, who will know the data requirements, eg diversity and inclusion reporting, which may require insight from human resource and human rights experts.

Some SMEs are using innovative means to create these maps and develop approaches for organisations to be more sustainable. Through hosting workshops, they encourage groups of SMEs or organisations within the same value chain to collaborate with final year and post-graduate academics, who apply their research skills to support ideation, data collection and analysis of specific sustainability-related issues with the aim of co-creating solutions to any problems. There are many benefits for both parties, with the main one:

- for SMEs being that the effort and costs are shared while also developing insights that support better business, and
- for academics being the ability to enrich their work with real-world business experience and develop solutions for issues that are common among SMEs.

The research may be funded by donors (Institute for Sustainable Finance 2020)

## 1.3 Decide who is responsible and accountable, and whom to consult and inform

Different roles will need to work together in collecting, analysing, reporting and using sustainability-related information. Therefore, it is crucial for all to understand their respective roles.

For SMEs, the responsibility (R) and accountability (A) for an activity are likely to reside in fewer roles than in large organisations. Similarly, there are fewer people who need to be consulted (C) and informed (I). [Box 1.4](#) provides an example of assigning RACI.

SMEs should document the process in relation to the RACI roles, because this enables a bird's eye view from which to reflect on where and what capability (skills, behaviours and knowledge) gaps exist. While some SMEs may consider that the cost outweighs the benefit of doing this, it should not be the case for larger SMEs or those expecting their businesses to grow.





### Box 1.4: Responsible, Accountable, Consulted and Informed (RACI)

RACI stands for ‘Responsible, Accountable, Consulted and Informed’. The roles of each individual are set out in the table below (Friedman 2008), together with an example of the type of activity that might be assigned.

| RELEVANT ACTIVITY                                                              | RESPONSIBLE<br>Does the activity                                                                                            | ACCOUNTABLE<br>Signs off activity as having been satisfactorily completed                  | CONSULTED<br>Provides input based on having knowledge and/ or understanding of the activity                                                                                   | INFORMED<br>Made aware at a high-level: usually does not need the full details               |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| The qualities necessary for the role assigned the activity                     | Eg individual with the skill                                                                                                | Eg person to whom the responsible individual(s) report(s)                                  | Eg individual with specialist knowledge or function with whom the responsible individual needs to work, is dependent on or affects in some way                                | Eg individual who would benefit from knowing the purpose, risks, or benefits of the activity |
| Example activity: identifying relevant reporting requirements                  | Professional accountant to identify reporting requirements and to work with <i>senior management</i> on those most relevant |                                                                                            | Individuals with insight on geographies, different resources used, and industry/sector including how they link to risks and opportunities or regulation to share this insight |                                                                                              |
| Example activity: converting energy cost into energy consumption for product X | Finance function allocates a portion of the utility cost to product X and converts to energy-consumed data                  | Senior management accountable for conversion methodology and controls over its application | Sustainability expertise recommends the conversion methodology and/or tools, or creates one                                                                                   | Role responsible for energy management provides data on use for products                     |

Adapted from source: Machado, Saw and Chow (2023)

## 1.4 Address the people-related considerations when allocating responsibility



### 1.4.1 SME leaders must embed a sustainability culture

Sustainable operations and reporting call for SME leadership to drive a sustainability-led culture

*‘I believe there is triple materiality. One – impact to finances; two – impact of the company on the world; and three – impact of leadership.’*

*‘Leadership impact is what stakeholders are really assessing, and so leaders must make sustainability a strategic reason, not a compliance issue.’*

(Mark de Lat, ESG Strategist at Eshuis Accountants and Advisors, Netherlands)

### 1.4.2 Build connectivity into the organisation's design

The process will almost certainly change how different roles need to work together across all the stages in the sustainability reporting cycle. Important organisation design features include:

- **connected risk and finance activity** in support of all stages, especially Stage 3
- **integrating and managing a range of sustainability topics and reporting frameworks and standards** in support of Stages 2, 3, 4 and 6
- **internal audit and control capabilities** in support of integrity of reported information, explored in Stage 8, and
- **flexible, collaborative and technology-enabled environments** in support of all stages.

### 1.4.3 Collaborate to create generally accepted sustainability-related information

Many of the activities involved in collecting and analysing data, and producing sustainability-related information are likely to be similar for other SMEs that are in the same industry or members of the value chain. Therefore, just as in the example in [Box 1.3](#), where reporting processes are being designed together, they could also be applied together (see [Box 1.5](#)). Key benefits from doing so include reduced burden of effort and cost and developing a common understanding of sustainability-related matters, thus reducing the variability of sustainability-related data.

### 1.4.4 Determine and implement the strategy to access the required capabilities

Some of the activities identified using the RACI model ([Box 1.4](#)) require access to new capabilities. SMEs need to make strategic resourcing decisions on whether to recruit, develop internally, pool (for example, sharing resource as outlined in [section 1.4.3](#)) or fully outsource. Each SME's answers to the following questions would guide their decisions.

- **What type and variety of sustainability capability is required to fulfil the activity?** The capabilities required are explored in [sections 3.4.1](#) and [7.3](#). If a wide variety of capabilities are required, an 'access as and when required' strategy may be preferred. The same would be true for a niche set of capabilities.
- **When and how is the capability required?** If a capability will be used very often by many people, then upskilling of all employees may be preferable.
- **Do we already have finance professionals and others with some of these capabilities?** If so, internal development may be preferred.
- **How do we ensure continuity of talent and that their capabilities remain relevant?** Examples of approaches are provided in [Box 1.6](#).



### BOX 1.5: EXAMPLES OF SHARING RESOURCE OR INSIGHTS

While collaborating to create processes is relatively common ([Box 5.5](#)), collaborating to apply processes or the sharing of insights is less so. Reasons include considerations of timing, technology interface problems, limited skills for doing so, and risks of releasing commercially sensitive information. That said, many of the SMEs we consulted think these issues could be managed.

#### Examples of collaboration

- Conducting life cycle assessments – assessments of dependency and impact on environment and society, thereby assisting better appreciation of sustainability matters within the organisation (scope 1) and beyond (scope 2 and 3).<sup>8</sup> There are a growing number of universities and sustainability-focused organisations providing frameworks to assist.
- Identifying necessary business change for sustainability, associated information for decision-making, and the capabilities required. The work of professional and trade bodies, including that of the collaboration forums, often provides a vehicle for this collaboration.

*'The ACCA Practice Connect Hub, Sector panels, Global Forums and many events for SMEs and SMPs allow each individual to engage in and collaborate in a way that best suits their needs for different levels of support and different time constraints'.*

**(Amalgamation of comments from roundtable participants together with links to resources for all SMEs)**

- Using the research insights of finance providers conducting resilience and sustainability impact assessments and taking part in their collaborative initiatives to jointly create sustainable business and reporting solutions (Institute for Sustainable Finance 2020).

### 1.4.5 Engage professional accountants to connect financial and sustainability-related information

The desire for connected sustainability-related and financial information means professional accountants are well placed to take a leading role in designing, implementing, and using processes for reporting this information. This is true even when these accountants are an outsourced resource for the SME.

The professional accountants' continuing duty to comply with the profession's ethical code means they need to update their professional competence continually and exercise due care as sustainability-related matters evolve (ACCA n.d.a).

<sup>8</sup> For details of the different 'scopes', see 'Greenhouse gas (GHG) emissions' in the Glossary.

## ➔ BOX 1.6: ACCESSING, DEVELOPING AND RETAINING TALENT

*'No one wants to continually invest in recruiting and training only to lose the talent to another organisation. The pool of talent [professional accountants with sustainability-related capability] is likely to be thin on the ground'*

**(A sustainability and finance function leader)**

Approaches to accessing, developing and retaining in-house sustainability-related capability efficiently include:

- **incorporating sustainability-related requirements into employment terms**
  - including sustainability-related performance within a role's objectives
  - giving encouragement to become sustainability champions
- **encouraging cross-functional working** for collaborative learning and sustainability-related action, together with appraisal of its successful integration throughout the organisation
- **encouraging curiosity** through sharing sustainability-related strategic problem statements and its reporting, for individuals and teams to ponder; several of these are included within [ACCA's work on integrative thinking](#) (Machado, Chen et al. 2023) and [Ethical Dilemmas in an Era of Sustainability Reporting](#) (Machado, Weaver and Sparkes 2023)
- **associating benefits with successful sustainability-related activity**
  - creating and linking sustainability-related key performance indicators to remuneration
  - non-financial rewards for employees taking on additional sustainability-related responsibilities such as:
    - development opportunities in their expertise, or complementary capabilities or more general

business management areas

- additional time away from work to give back to the community and focus on professional development, including access to the many resources available<sup>9</sup>
- recognition awards
- setting out the career development path to meet their ambitions.

Outsourcing may be considered for activities within the RACI that are seldom needed or where the necessary expertise is niche, subject to rapid change, or very expensive to employ directly. Examples of such activities in SMEs may include:

- undertaking the materiality assessment process considered in [Stage 3](#)
- obtaining specific data, such as specific emissions or biodiversity impact, as considered in Stages [4](#) and [5](#)
- assessing the effects of current or future sustainability-related regulation and standards.

Outsourcing contracts should reflect the above needs while also achieving the benefits of:

- continuity, through being consistent with the outsourced resource because the people involved will need less time to 'understand the business and its environment'
- reducing dependency on outsourcing, hence costs, and monitoring its quality by encouraging in-house staff to learn from the outsourced resources as the latter deliver

<sup>9</sup> ACCA's [Accounting for a better world](#) initiative signposts the many resources available to support the development of sustainability-related capabilities through qualification, research and insights, policy briefs and courses for accountants and non-accountants.



An aerial photograph of a wind farm. Several white wind turbines are scattered across a patchwork of green and brown agricultural fields. The fields are separated by thin lines of trees or fences. The lighting suggests a bright day, with shadows cast by the turbines. A large orange rectangle is overlaid on the left side of the image, containing the text 'Stage 2: Establishing the reporting landscape'.

## Stage 2: Establishing the reporting landscape

**Figure 2.1: The sustainability reporting cycle: establishing the reporting landscape**



Several sustainability reporting frameworks and standards exist across the globe and many of them require sustainability-related information from the reporter's value chain. Therefore, as a vital component of value chains, SMEs will be asked to provide information. **Some SMEs may need to provide information on similar sustainability-related topics to meet the requirements of several reporting frameworks and standards. To minimise this burden, policy work of standard-setters and professional bodies, such as ACCA, focuses on consolidating or harmonising these differing requirements.**

This stage (**Figure 2.1**), on identifying reporting requirements, guides SMEs in:

- [understanding the operating environment](#)
- [identifying relevant reporting frameworks and standards](#)
- [prioritising the reporting requirements, and](#)
- [investing in horizon scanning of the sustainability-related operational and reporting landscape.](#)

## 2.1 Understand the operating environment

Reporting requirements are often determined by the specific characteristics of an SME's operations. These include:

- its legal form, whether sole proprietorships, partnership, club, society, cooperative, etc
- its industry or sector
- its geographical location(s)
- other organisations within its value chain.

Understanding these characteristics will assist the SME in identifying the sustainability-related risks and opportunities (SRROs) that can potentially affect its prospects (see [Stage 3](#)).

## 2.2 Identify relevant reporting frameworks and standards

The SME needs to map each of its identified characteristics to the operational and reporting legislation. It will need to:

- **engage with a professional accountant or other experts**, who should be continually developing sustainability-related expertise through their networks and continual learning ([Box 2.1](#))
- **engage with the policy, insights and education programmes of professional<sup>10</sup> and trade bodies** relevant to its operations
- **embed regular touchpoints in key supplier and customer engagements** to collect insight relating to operational and reporting requirements
- **use the requirements of its investors, finance providers, key customers and suppliers**, which are largely stipulated in their terms and conditions
- **explore the information disclosed by others in the same industry, key suppliers and customers.**

<sup>10</sup> SMEs can access ACCA's support via ACCA's [Accounting for a better world](#) initiative.



### BOX 2.1: THE ROLE OF PROFESSIONAL ACCOUNTANTS AND OTHER EXPERTS

SMEs may find it beneficial to consult externally sourced professional accountants or other experts, typically from small and medium-sized practices (SMPs), for insights and assistance with their sustainability strategy and reporting (ACCA and CA ANZ 2022b).

Being subject to applying appropriate confidentiality<sup>11</sup> safeguards, these professional accountants or other regulated experts are well placed to leverage insights gleaned from across their client base to help SMEs:

- evolve their business models by integrating sustainability into the heart of their strategy and preserving value over time
- identify relevant regulations and reporting requirements
- identify and evaluate SRROs
- recommend processes and controls to manage the risks, and
- determine material sustainability-related information for reporting.

*'What I am doing right now is bringing together SMEs in the same value chain into a workshop to team up and learn from each other on their strategy and process for compliance purposes.'*

**(An SMP practitioner)**

## 2.3 Prioritise reporting requirements

Thereafter, each SME should group the requirements into:

- **mandatory versus voluntary**, whether relating to compliance with legislation or meeting demands from key suppliers and customers within the value chain
- providing information necessary to **support achieving the SME's strategic vision, monitoring SRROs**, and potential benefits ([see Box A](#)),
- information **commonly required across the characteristics listed in section 2.1**, and
- the extent of **cost and effort needed, and integrity of data** subject to the considerations in Stage 4 on determining and Stage 5 on collecting the data. Knowing this will allow the SME to prioritise and potentially use reliefs where they are permitted in the standard.

The sheer volume of reporting requirements encourages SMEs to prioritise mandatory requirements, at least initially. An SME may use the *building blocks approach* to meet the information needs of investors and other stakeholders. Regulation and demands to run sustainable operations and report on this are evolving. What is voluntary today can later become mandatory, and so we encourage monitoring from the outset.

## 2.4 Invest in horizon scanning of the sustainability-related operational and reporting landscape

The SME should invest in horizon scanning of the sustainability-related operational and reporting landscape. The individual responsible for monitoring financial reporting requirements will probably be well placed to monitor how this landscape evolves. Even so, part of this horizon scanning and prioritisation may need to be outsourced, such as when the SME has foreign trade but its finance function is not well-equipped to handle the relevant reporting requirements in those jurisdictions.

<sup>11</sup> The application of confidentiality is one of the five ethical requirements of all professional accountants, for more detail explore ACCA's [code of ethics and conduct](#).

## Stage 3: Determining the material sustainability- related information to be reported

**Figure 3.1: The sustainability reporting cycle: determining the material sustainability-related information to be reported**



Primary and other users of sustainability-related information will often be looking for the most relevant (ie material) sustainability-related information to help them make decisions about providing resources to the organisation or trading with it (**Figure 3.1** and **Box 3.1**), and so for SMEs the priorities here are:

- [identifying and understanding the types of information to be reported](#)
- [applying the three-step approach to determine SRROs, and their material information](#)
- [reassessing materiality judgements](#), and
- [addressing the people-related considerations when determining material information](#).

#### BOX 3.1: EXPLANATORY VIDEOS

Watch these [explainer videos](#) (ACCA n.d.b) to help you understand the requirements in the IFRS Sustainability Disclosure Standards.

- General overview of *IFRS S1: Sustainability*
- General overview of *IFRS S1: The TCFD (Task Force on Climate-related Financial Disclosures) structure*
- Key features of *IFRS S2*
- Materiality, what to disclose and when (ACCA n.d.b)

## 3.1 Identify and understand the types of information to be reported

What makes information important is driven by:

- **the SME's need to make informed decisions**, such as those relating to the business model, strategy, and value chain as well as its purpose and vision
- **the SME's mandatory reporting requirements**, which they will have identified by following the guidance in sections [2.2](#) and [2.3](#)
- **the needs of its primary and other users**, including key customers (ACCA 2021b), which are also identified in sections [2.2](#) and [2.3](#).

## 3.2 Apply the three-step approach to determine the SRROs and their material information

Determining material information about SRROs for reporting involves three steps.

- **Step 1: identify the organisation's SRROs.**
- **Step 2: for each SRRO, assess whether it could reasonably be expected to affect the organisation's prospects,** including generating cash flows, access to finance or the cost of capital over the short, medium, or long term.
- **Step 3: determine material information to be reported.** In some instances, the information to be reported is determined by the SME's key stakeholders (eg banks or customers).

In conducting these steps, the IFRS Sustainability Disclosure Standards provide the following requirements.

- The SME should use all reasonable and supportable information that is available at the reporting date without undue cost or effort. This includes information about past events, current conditions, and forecasts of future conditions.<sup>12</sup> The assessment of what constitutes undue cost or effort depends on the organisation's specific circumstances as balanced with the benefits of the resulting information for primary users.<sup>13</sup> This assessment should be reviewed as circumstances change.
- SMEs need to explain the process they have taken in conducting steps 1–3 above, as well as their approach to managing the risks.<sup>14</sup> For this reason and as best practice, it is worth documenting these processes, eg in a RACI document as suggested in [section 1.3](#).

### Step 1: Identify the organisation's SRROs

An SME should identify its SRROs by using an appropriate combination of the approaches outlined in this step.

### Leverage existing risk management or business planning processes

Existing risk management or business planning exercises will help identify SRROs. In addition, an SME may need to enhance its processes to:

- identify SRROs arising from:
  - sustainability-related strategies and targets set by the SME or its value chain, or to comply with regulation, or
  - product life cycle assessment (LCA) (see **Box 3.2**)
- assess SRROs, including by applying scenario analysis.

The processes will need to accommodate the use of forward-looking and often uncertain information.



### BOX 3.2: CONDUCT A PRODUCT LIFE CYCLE ASSESSMENT TO IDENTIFY SRROs AND MORE

A product life cycle assessment (LCA) outlines the inputs referred to as resources or capitals, and the processes to convert them to outputs. The assessment focuses on evaluating the dependencies and impacts on these resources (ACCA 2021a), which may give rise to SRROs for the organisation.

A product LCA aids the identification of:

- SRROs across the product life cycle
- metrics for internal and external reporting
- the interconnections and trade-offs between the resources (capitals), for decision making
- data requirements, including signposting stakeholder engagement requirements to acquire this data.

To help you, ACCA's [Professional Accountants Changing Business for the Planet – A simple guide to natural capital management for performance managers](#) (ACCA 2021a) provides a modified product LCA approach. As outlined in [Box 1.5](#), SMEs in the same value chain may work together to conduct the LCA.

<sup>12</sup> IFRS S1, paragraphs B6 and B8.

<sup>13</sup> IFRS S1, paragraph B10.

<sup>14</sup> IFRS S1, paragraphs 44 (a)–(c).

### Scan the external environment and sources

Scanning the external environment is a great way of identifying SRROs, as well as of setting assumptions and parameters for use in scenario analysis.<sup>15</sup> This scanning should include:

- **relevant guidance in sustainability reporting frameworks and standards**, such as those in the IFRS Sustainability Disclosure Standards<sup>16</sup>
- **corporate reports of competitors or industry peers**
- **engagement with suppliers, customers and experts**, including professional accountants
- **environmental and societal trends or drivers of change**, for example, the latest assessment report of the Intergovernmental Panel on Climate Change (IPCC) (IPCC 2023) or works of professional and trade bodies.

[Box 3.3](#) provides examples of how some SMEs identify their SRROs.

<sup>15</sup> Scenario analysis considers the implications of differing events and can be used to assess the extent to which an SRRO could affect an organisation's prospects, or to assist in setting sustainability-related targets.

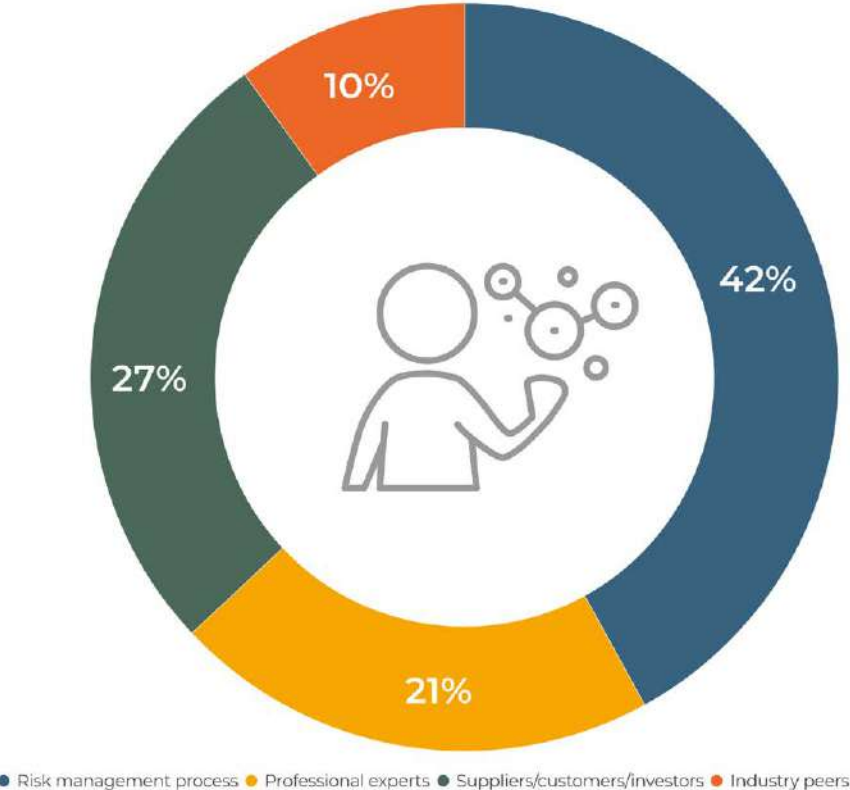
<sup>16</sup> IFRS S1, paragraphs 54–59 and Appendix C.



### BOX 3.3: HOW SMES IDENTIFY SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES

The findings of our LinkedIn poll on sources of insight for identifying sustainability information indicates that a significant proportion of the 380 respondents leveraged their risk management processes, with use of the value chain and experts in second and third place (Figure 3.2). Professional accountants or other experts may offer valuable assistance to SMEs in carrying out this process (see Box 2.1).

**Figure 3.2: Sources of insights and their value**  
Which source of insights helps SMEs identify the most relevant sustainability information for decision-making or their value chain?



Source: ACCA (2024b), 380 respondents.

SMEs without a formal risk management process integrate risk assessments into the day-to-day business activities of each role within the organisation and ensure they collaborate to identify SRROs and the relevant sustainability-related information.

*‘We call this bite-size risk assessment where we focus on things that we can do, and prioritise those that are beneficial to customers, then move on to greater things.’*  
(An SMP practitioner)

Some SMEs map out their value chains and their stakeholders in the first instance (see Box 1.3 and Box 1.5). In particular, SMEs watch for triggers that may result in the biggest costs, or triggers that may threaten their ability to continue as a going concern.

*‘The value chain management employees are often forgotten. They are well placed, thanks to their external-facing roles, to identify SRROs, within the value chain, that may impact the organisation. However, without enhanced sustainability knowledge they may miss a trigger for a discussion about an SRRO.’*  
(An SME owner)

*‘For SMEs in the not-for-profit sector that seek to create positive impacts in the community or the environment, the SRROs may be external and not directly related to the organisation. These SMEs often consider the government as an important stakeholder, in both identifying the SRROs and in reporting sustainability-related information.’*  
(An amalgamation of comments from roundtable participants)

## Step 2: Assess and prioritise the SRROs

### Assess the extent to which SRROs could affect the organisation's prospects

For each SRRO, the SME will need to determine:

- its **dependence on resources and relationships** throughout its value chain to generate cash flows and **how its activities and outputs affect those resources and relationships**, and
- **who within the value chain** should be included in the assessment in relation to each SRRO.<sup>17</sup>

If an SME wants to meet the information needs of other stakeholders beyond its primary users, it will need to extend its assessment beyond the context listed above. In certain circumstances, a particular SRRO could be relevant for reporting if:

- its information is relevant to external stakeholders, other than primary users (see [Box 3.4](#)), or
- it is considered material in the context of another reporting framework or standard that the organisation should comply with, or
- it is specified by law or regulation for disclosure.

For example, the *double materiality* principle in the European Sustainability Reporting Standards (ESRS) is a notable difference from the IFRS Sustainability Disclosure Standards.

**Figure 3.3** provides an example on how the assessment of SRROs for reporting could be visually presented.

**Figure 3.3: Assessing SRROs that could be relevant for reporting**



<sup>17</sup> IFRS S1, paragraph B6.

### BOX 3.4: EXAMPLES OF HOW SMES CAN EVALUATE AN EVENT BEYOND ITS FINANCIAL IMPACT

*‘While SMEs are becoming more aware of environmental issues, some SMEs are already working on the social element with their employment policies and activities that bring positive impacts, such as empowerment to their community. SMEs that already report these activities as their corporate social responsibility programme should continue doing it’.*

*(A financial adviser for SMEs)*

### Prioritise and validate the SRROs that could reasonably be expected to affect the organisation’s prospects

Prioritising the SRROs that could reasonably be expected to affect the organisation’s prospects will help it to focus its strategy and SRRO management but it is a heavily subjective exercise. Therefore, validation with stakeholders (see **Box 3.5**) will provide some confidence about judgements. Additionally, validation should cover whether information about an SRRO, either individually or in combination with other information, is material to primary users when taken as a whole. The process can be adapted for the different stakeholder groups (Datamaran 2023).

The SME should explain the process for prioritising and validating SRROs, as this supports users in understanding the organisation’s governance processes, controls and procedures that it uses to monitor, manage and oversee its SRROs.<sup>18</sup>

### BOX 3.5: HOW DO SMES GAUGE WHETHER THEY HAVE IDENTIFIED THE RIGHT SRROS?

The following are examples of how SMEs can validate their identified SRROs. They can:

- analyse the competition’s or industry/sector SRRO assessments, for example by reviewing their corporate reports and other forms of publicly available information (see [Box 1.3](#)), and/or
- ask their top five stakeholders, including banks, customers, employees and suppliers, to validate their SRROs. To do this, the better-resourced SMEs may conduct workshops or surveys for this purpose, whereas simpler approaches include embedding the task into their existing relationship management engagements (see [section 5.4.2](#)).

<sup>18</sup> IFRS S1, paragraph 26.





### Step 3: Determine material information for reporting

The information deemed material, and therefore necessary for reporting, may differ between organisations. SMEs should consider:

- the **requirements of relevant sustainability reporting frameworks or standards**
- the information's **relevance to the organisation's purpose and business**
- the **relevance to key internal and external stakeholders**, especially information that is likely to be scrutinised by primary users
- **quantitative and qualitative factors**, such as the magnitude and the nature of the effect of an SRRO on the organisation, which are likely to differ according to the topic, for example, the level of greenhouse gas (GHG) emissions, number of employees, revenue or profit, etc.
- the **extent of managing the SRRO** – actions such as ceasing an activity, changing the way of doing something, or sharing a given risk indicates that information about the SRRO is probably material
- the **potential effects and likelihood of future events** (Box 3.6)
- the **dynamic pace at which an SRRO can affect an organisation's prospects** (Box 3.7).



#### BOX 3.6: ASSESSING THE POTENTIAL EFFECTS AND LIKELIHOOD OF FUTURE EVENTS

Information about a future event is more likely to be material if its potential effects are significant and the event is likely to occur. To assess that, evaluate the potential effects of the event on the amount, timing and uncertainty of the organisation's future cash flows over the short, medium and long term, the range of possible outcomes and their likelihood.<sup>19</sup>

<sup>19</sup>IFRS S1, paragraphs B22 and B23

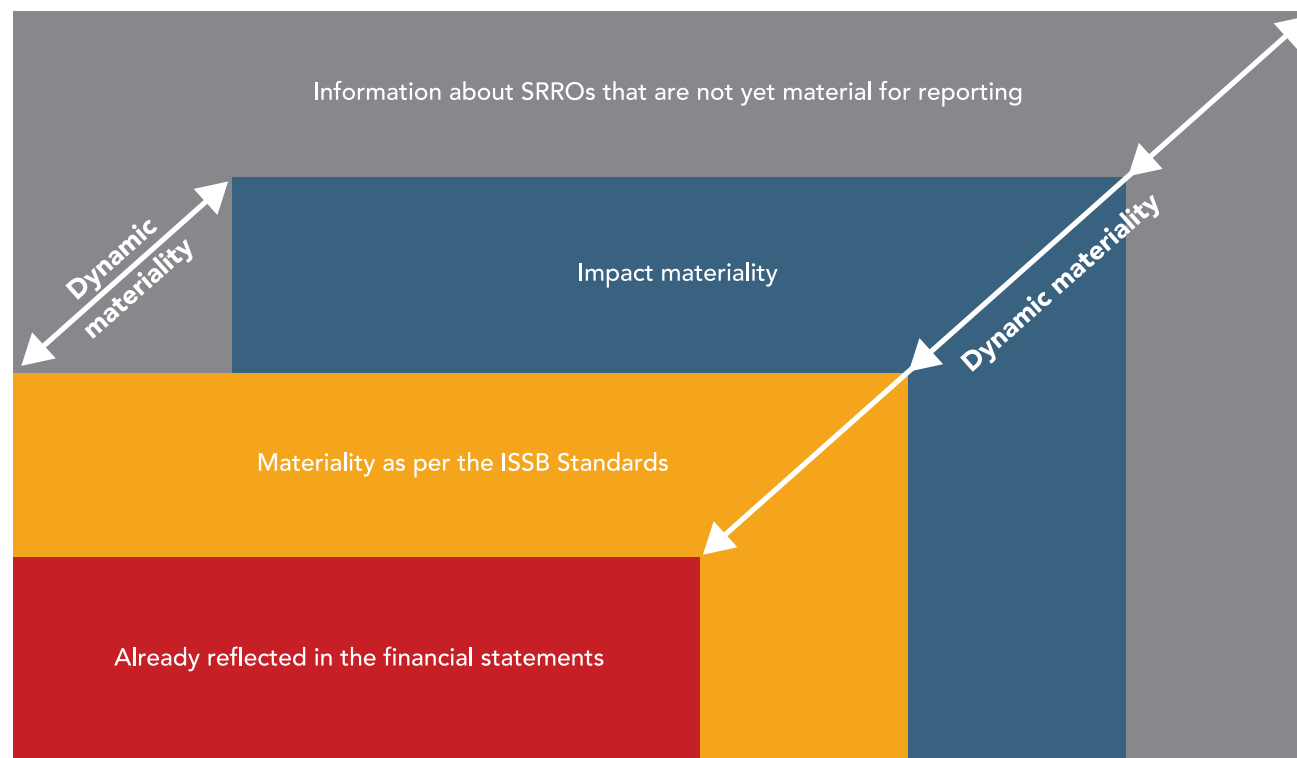
### ➡ BOX 3.7: THE RELATIONSHIP BETWEEN MULTIPLE FORMS OF MATERIALITY

Potential triggers may rapidly cause an SRRO that appears immaterial today to become material tomorrow, this is true across multiple forms of materiality (WEF and BCG 2020).

**Figure 3.4** and the accompanying examples illustrate how the materiality of information about an SRRO can be dynamic.

- A geopolitical event (or other SRRO) disrupts the organisation's supply chain, requiring a change in raw material sourcing or production processes that impairs how employees discharge their role. Judgement will be needed in assessing whether the impact on employees is relevant for reporting to multi-stakeholders, and possibly also under IFRS Sustainability Disclosure Standards.
- A freak weather event (or other SRRO) results in damage to the organisation's local infrastructure, halting production and in turn, slowing sales of its manufactured goods. Such an event may well be material under the IFRS Sustainability Disclosure Standards and the applicable accounting standards (eg the IFRS Accounting Standards or the IFRS for SMEs Accounting Standard), and judgements must be made about the information that will be material to investors.

**Figure 3.4: An illustration of the relationship between multiple forms of materiality**



Source: Adapted from Cristofaro and Gulluscio 2023

### 3.3 Reassess materiality judgements

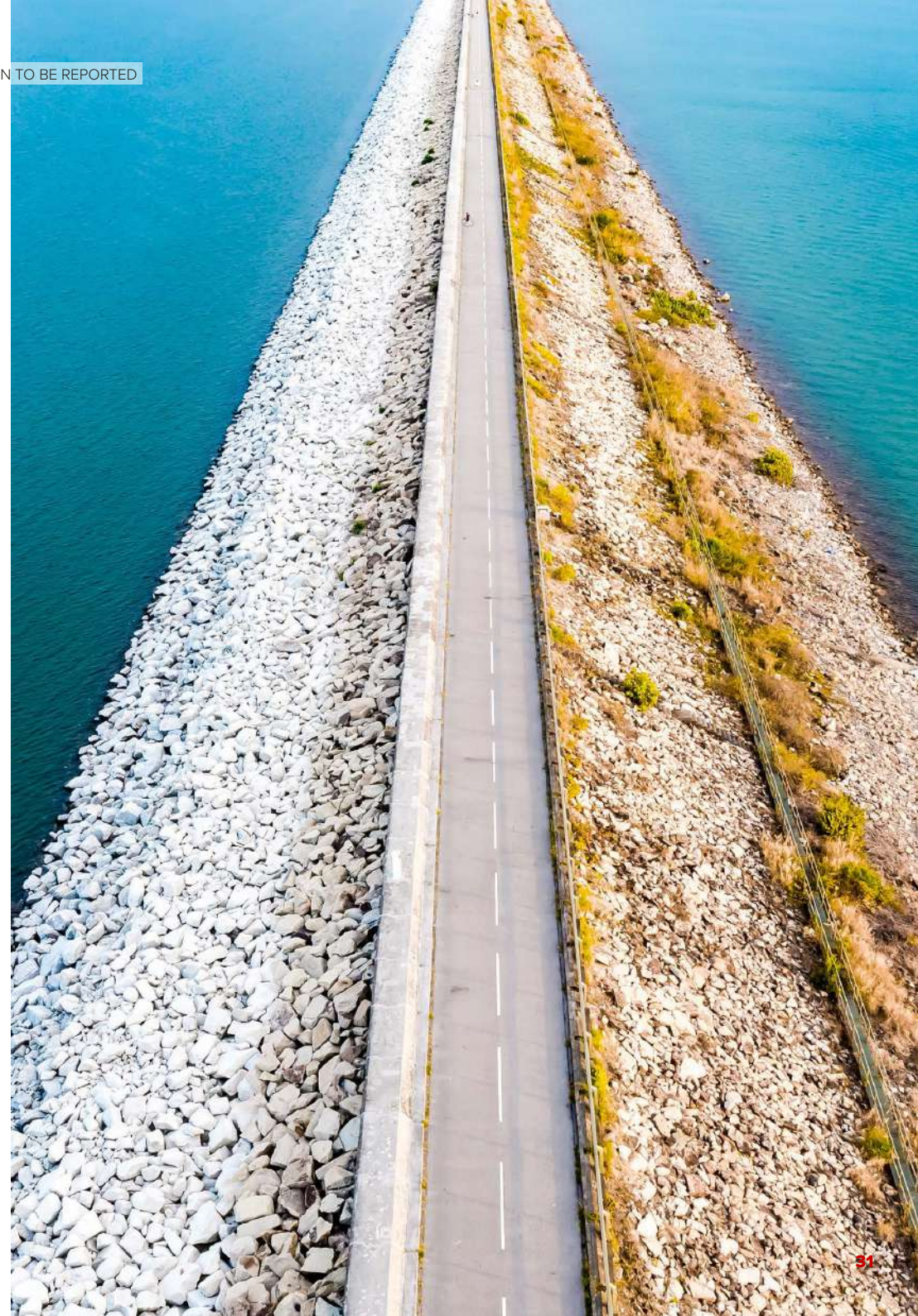
Finally, a significant event or change in circumstances will trigger a need for reassessing what might constitute an SRRO, its prioritisation and, therefore, the material information to be reported. For example, a significant change in the SME's:

- value chain (eg, a supplier has an operational change that alters its *greenhouse gas (GHG) emissions*)
- business model, activities or corporate structure (eg, a merger or acquisition expands the organisation's value chain), or
- exposure to SRROs (eg, a new unanticipated regulation comes into force).<sup>20</sup>

The IFRS Sustainability Disclosure Standards require materiality judgements to be reassessed at each reporting date to reflect changed (or new) circumstances and assumptions.<sup>21</sup>

<sup>20</sup> IFRS S1, paragraph B11.

<sup>21</sup> IFRS S1, paragraph B28.



## 3.4 Address the people-related considerations when determining material information

### 3.4.1 Enhance and embed sustainability-related knowledge

For sustainability-related information to be decision-useful, everyone involved in reporting or using such information in an SME or in its value chain will need to understand and appreciate the following factors.

- **The meaning of sustainability and the contribution that sustainability reporting could make towards organisational success.**
  - The potential implications of the SME's strategy, its progress and business model for stakeholders, who range from investors and consumers to employees and their communities.
  - The environmental, social and financial sustainability strategies relevant to the SME, and the ways they might be implemented, including:
    - net zero and carbon management
    - United Nations Sustainable Development Goals (UN SDGs)
    - circular economy
    - environmental conservation
    - social sustainability – quality of life, equality, democracy, and social cohesion
    - local legislation.

**The key topics from which SRROs tend to arise (see Box 3.3)**

**The key reporting requirements and associated data** for the SME, plus those of the stakeholders.

More information on the capabilities necessary for sustainability are explored in [section 7.3](#).

**Box 3.8** outlines several approaches to developing sustainability-related knowledge, the first



### BOX 3.8: DEVELOPING SUSTAINABILITY-RELATED KNOWLEDGE THROUGH PROBING

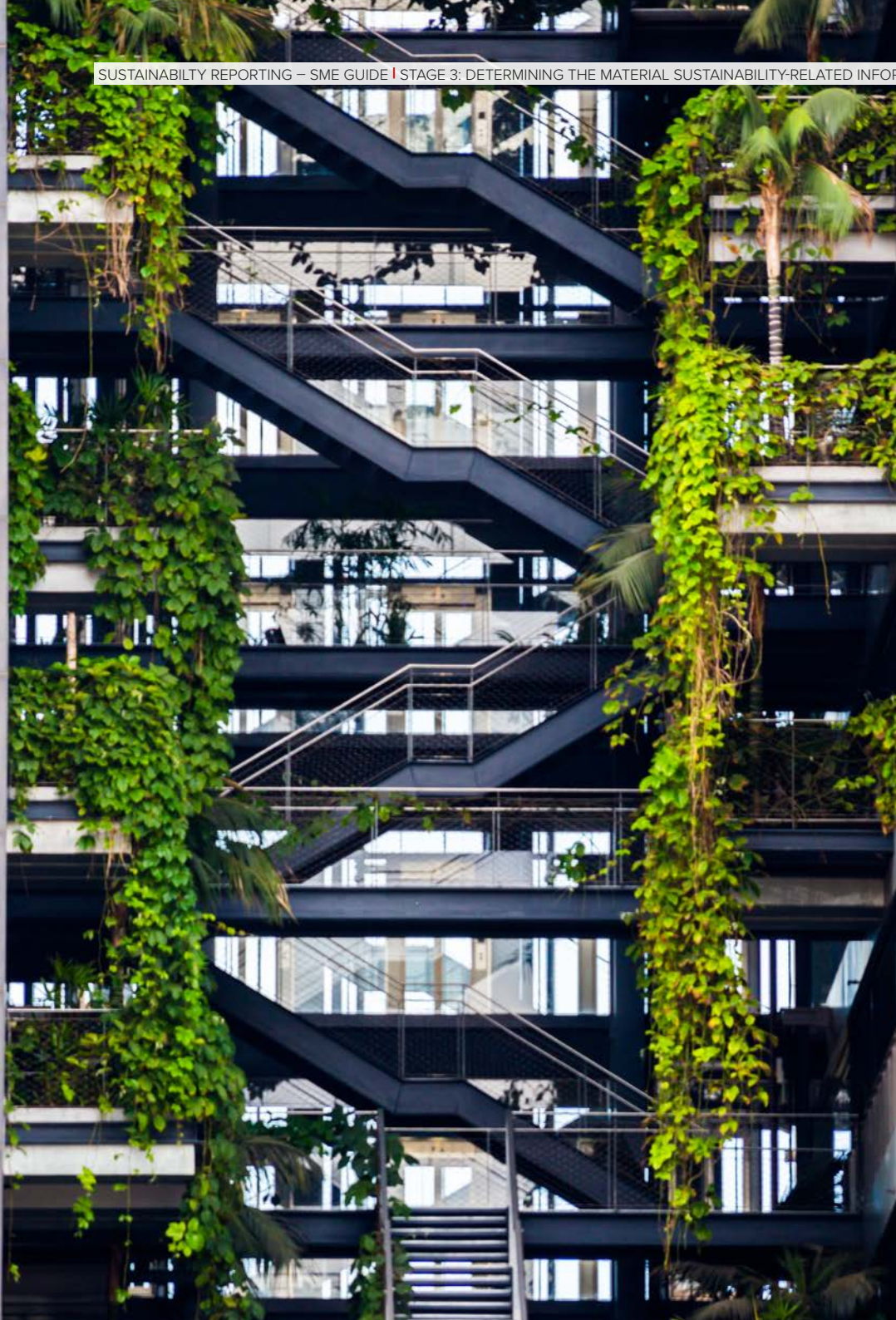
Teams or individuals, whether in purchasing, processing, finance or sales roles, and their value chains should consider the following questions to develop sustainability-related knowledge and skills.

- *What are the SRROs applicable to us? These will include:*
  - *their type – transition and/or physical*
  - *the topic (eg climate, human capital, land and water use)*
  - *the stakeholders and how they are affected.*
- *How might these SRROs affect our organisation's prospects?*
- *What will we do to manage our risks? How will we work collaboratively with other organisations in the value chain to achieve better sustainability outcomes for our organisation? And what information is needed?*
- *What should we be communicating about our risks and their management?*
- *What are the key sources of data to support our reporting requirements? What do we need respective functions, teams, or external stakeholders to provide?*
- *How is our sustainability-related data used by external stakeholders? In what format do they require this information?*

The collective insight can be consolidated and distilled as relevant to help in the development, implementation and management of reporting and operational processes.

Interestingly, only a few roundtable participants referenced a probing approach. Other methods for developing sustainability-related knowledge in SMEs include attending courses, engaging with policy and insights from professional and trade bodies, and engaging with the materials from standard setters.

Some participants in our research said they would create opportunities for team members to learn from the outsourced resource bought in to perform specialised tasks, with a view to reducing reliance on outsourcing in the future.



### 3.4.2 Build capabilities for risk monitoring

Risk management, whether carried out by finance or leadership roles, will need to incorporate:

- **an expanded range of topics and multi-stakeholders**, including interconnections (Box 3.9) and how they affect the organisation's prospects, referenced in [section 3.4.1](#) and throughout the three-step approach
- possibly, **more staff with risk management capability**: because risk will permeate all activities in an SME and its value chain, collaboration with other functions will be crucial if a separate risk management function exists in the SME, and if not, then this capability must be embedded across roles
- **using more sophisticated risk methodologies**, for instance, using scenario analysis (Box 3.9) not only in reporting but also to design and implement sustainability strategies.



#### BOX 3.9: THE IMPLICATIONS FOR THE WORK OF RISK MANAGEMENT

*'The form of materiality, whether financial or double – financial and impact – has considerable bearing on the interconnections risk managers will need to consider.'*

*'The type of materiality will inform the parameters and extent of scenario analysis. Impact materiality will need to reflect impact on more stakeholders beyond investors, say [on] suppliers and consumers. Further, we will need to consider the interconnections between the capitals, not just of sustainability-related risks and opportunities to financial and manufactured capital but between all capitals.'*

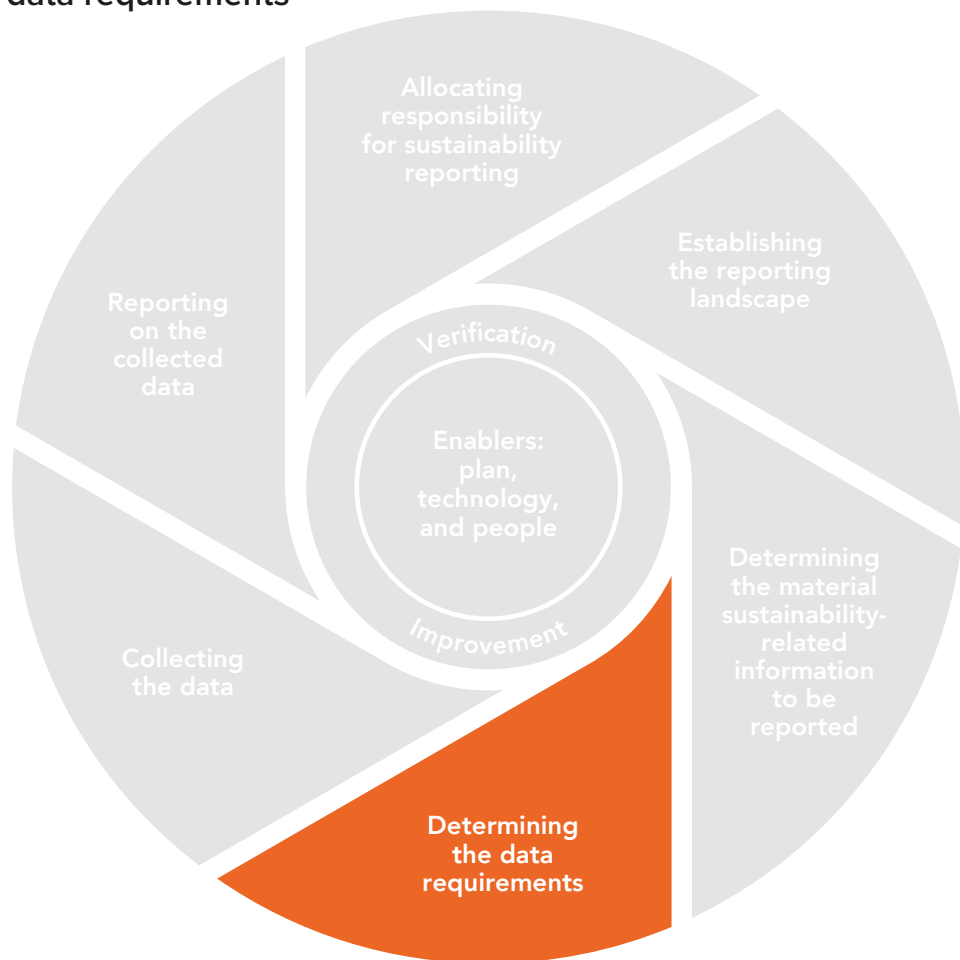
*'Our enterprise risk management will need to change – not just in the models we use but, importantly, [in] the extent to which we must work with others and access more specialist skills to discharge our role.'*

**(A risk expert)**

## Stage 4: Determining the data requirements



**Figure 4.1: The sustainability reporting cycle: determining the data requirements**



Data is needed at almost every stage of the reporting cycle, and so some elements have already been signposted. In this stage (**Figure 4.1**), we add to them on:

- [determining the reporting boundary and value chain](#)
- [setting the scope and parameters for data collection](#)
- [determining the data requirements for each SRRO](#), and
- [addressing the people-related considerations for determining data collection.](#)



#### ➡ BOX 4.1: EXPLANATORY VIDEOS

Watch these [explainer videos](#) to help you understand the requirements in the IFRS Sustainability Disclosure Standards (ACCA n.d.b).

- The relationship between sustainability and financial information
- The use of estimates and estimation uncertainty
- Supporting guidance for first-time application of IFRS S2
- Using the IFRS S2 measurement framework
- Outline of the reliefs available

## 4.1 Determine the reporting boundary and the value chains

In determining the *reporting boundary*, refer to the requirements of the applicable sustainability reporting frameworks or standards (see **Box 4.2**) and/or the information requestor.



### BOX 4.2: IDENTIFYING THE REPORTING BOUNDARY FOR SUSTAINABILITY REPORTING

Sustainability-related information prepared in accordance with the IFRS Sustainability Disclosure Standards needs to be for the same reporting organisation as the related financial statements.<sup>22</sup> If the organisation prepares its consolidated financial statements to provide information about the parent and its subsidiaries as a single reporting organisation, it should do the same for sustainability reporting. This supports better connectivity and understanding of information.<sup>23</sup>

The organisation is required to describe:

- the current and anticipated effects of SRROs on its business model and value chain,<sup>24</sup> and
- where in its business model and value chain the SRROs are concentrated, such as geographical areas, facilities, and types of assets.<sup>25</sup>

Watch these [explainer videos](#) to help you understand the requirements in the IFRS Sustainability Disclosure Standards (ACCA n.d.b).

- **Determining the value chain and consolidated group perspective**
- **Determining Scope 3 disclosures across the value chain**

Care is needed in considering the value chain from which sustainability-related information will be collected and reported. An example on GHG emissions is outlined in **Box 4.3**.



### BOX 4.3: REPORTING GHG EMISSIONS IN THE VALUE CHAIN

The reporting of Scope 3 GHG emissions required by IFRS S2 supports primary users in understanding the source of these GHG emissions throughout the organisation's entire value chain (upstream and downstream)<sup>26</sup>

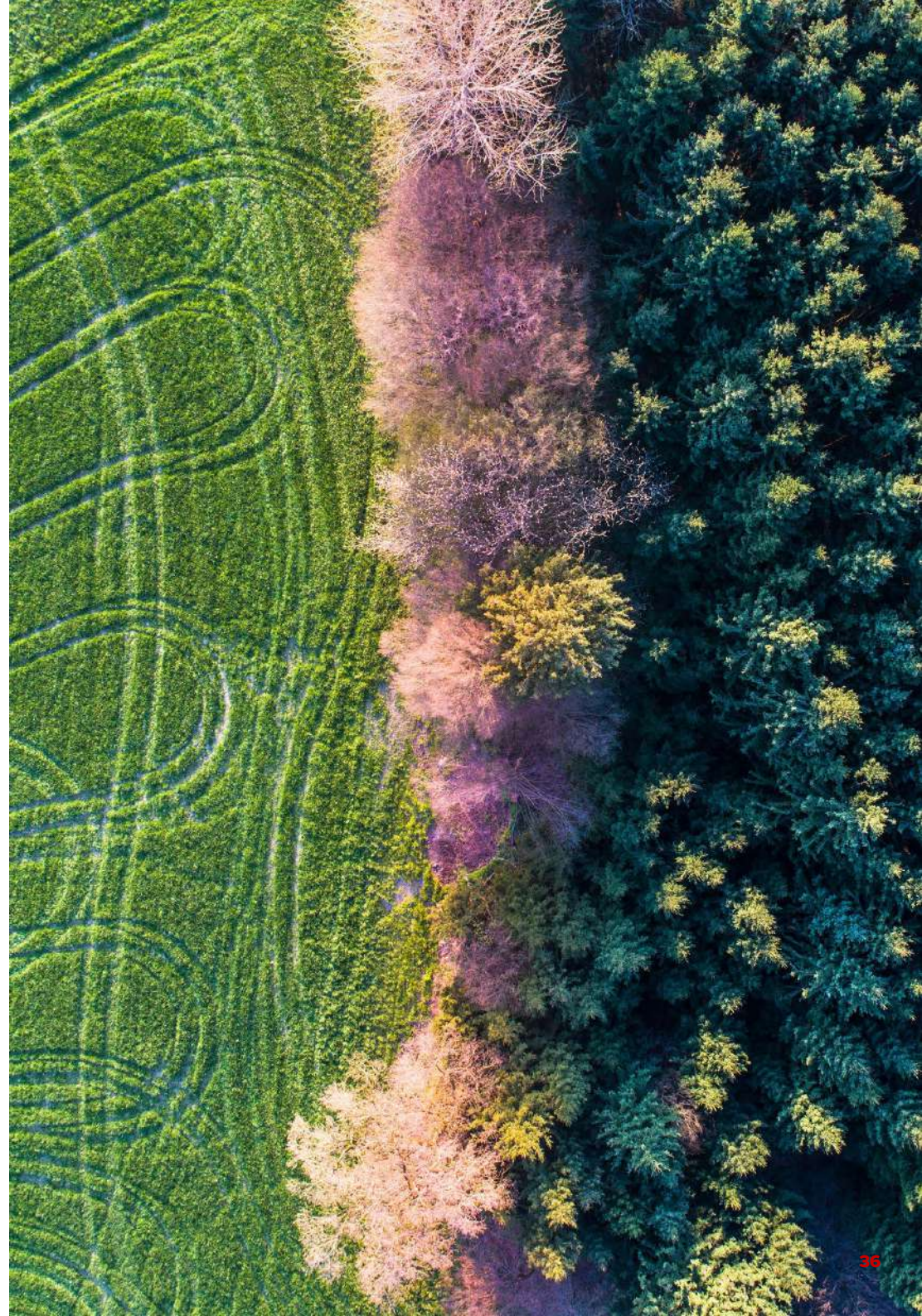
<sup>22</sup> IFRS S1, paragraph 20.

<sup>23</sup> IFRS S1, paragraph B38.

<sup>24</sup> IFRS S1, paragraph 32(a) and IFRS 2, paragraph 13(a).

<sup>25</sup> IFRS S1, paragraph 32(a) and IFRS 2, paragraph 13(b).

<sup>26</sup> IFRS S2, paragraph 29(a).



## 4.2 Set the scope and parameters of data collection

SMEs will need to collect a lot of data and should set the criteria (scope and parameters) carefully to ensure the data will meet the needs of primary and other users.

### 4.2.1 Understand stakeholders' information needs

Start by understanding why the data is necessary, and how it interacts with and fits into the SME's business model and overall sustainability strategy (see **Box 4.4**).

#### BOX 4.4: THE NEED FOR INFORMATION IS NOT UNIFORM

*'The need for data will vary depending on the type of investor. Some investors are after the holistic picture of a company's sustainability credentials, and others are wanting to make specific comparisons across their portfolio on a specific topic. Therefore, reporters seeking access to sustainable finance will need to be able to provide their data in different ways for that purpose.'*

**(Participant in ACCA and CFA Institute's Green Finance Skills Podcast, April 2023)**  
(ACCA n.d.c)

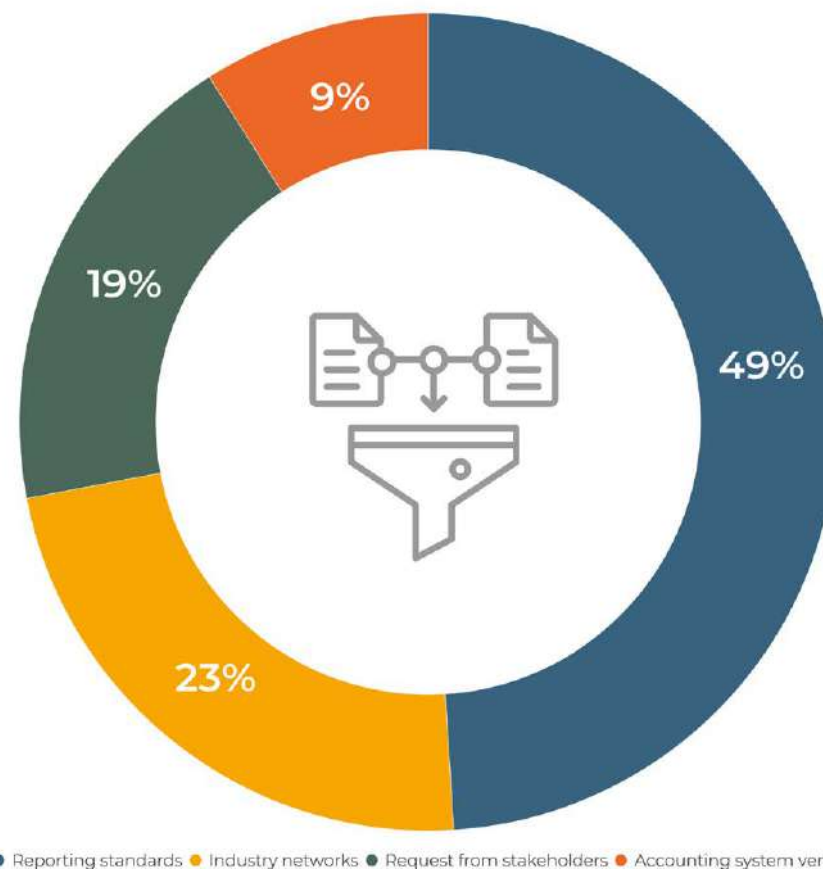
Stages [2](#) and [3](#) have encouraged SMEs to engage with their stakeholders and this exercise will enable SMEs to glean insight into the parameters and scope of the relevant data. In addition, SMEs could engage with the following:

- **financial capital providers and financial institutions**, on their requirements and how they intend to collect the data from the SME and other sources
- **technology vendors**, who can provide insights about the types of data they collect, and data validation/verification
- **local chambers of commerce or industry networks**, to consider how they can support data collection, say through collaboration or the provision of data collection templates
- **regulators**, who may set the metrics for disclosure and therefore influence the data required (see **Box 4.4**).

### Box 4.5: How SMEs determine what data to collect

According to 600 respondents to our LinkedIn poll, SME's mainly use reporting standards to determine data requirements, followed by industry networks such as chambers of commerce. To a lesser extent data needs are identified through engagement with stakeholders or vendors of accounting systems.

How do SMEs determine what data to collect?



Source: ACCA (2024c), 600 respondents

#### 4.2.2 Align data collection to reporting needs

As far as possible, aim to align the data set for use with both internal and external reporting. This will not only reduce the cost and effort but also support greater transparency between these stakeholders.

#### 4.2.3 Consider availability of data for targets and metrics

Sustainability reporting requires an SME to communicate its strategy for managing SRROs as well as the relevant targets and metrics for evaluating progress. The SME may consider drawing inspiration from the UN SDGs when setting targets (ACCA 2022). In setting these targets and metrics, it must consider the availability of data and its ability to collect that data for reporting.

**Box 4.6** highlights examples of considerations when setting sustainability-related targets to manage SRROs while [Box 4.7](#) demonstrates the interaction between metrics and data requirements.

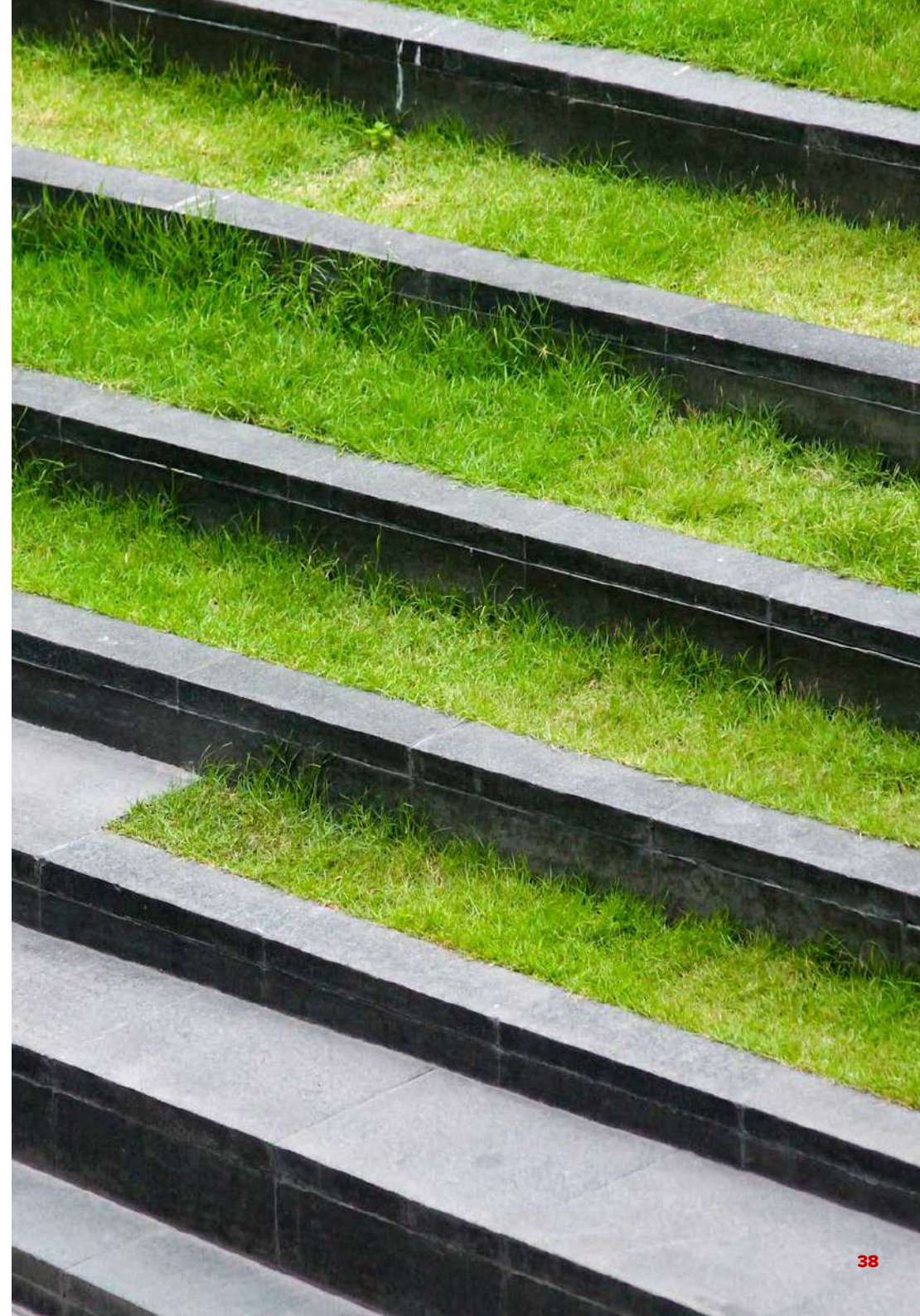


#### BOX 4.6: SETTING SUSTAINABILITY-RELATED TARGETS

*'Sustainability-related targets tend to be based on long-term aspirations, so care is needed to balance investors' expectations against the organisation's ability to meet the targets set and to report on its progress. Investors often assess organisations annually, and the investment community holds these organisations accountable for disclosures made.'*

*'An organisation, especially one just commencing sustainability reporting, should start by aiming for achievable targets and maintaining the integrity of its overall corporate reporting process as it grows. The organisation should regularly monitor its progress towards such targets. This will provide strong foundations on which to build its sustainability reporting over the longer term, helping to mitigate risks of greenwashing'.*

**(An amalgamation of comments from roundtable participants)**





### 4.3 Determine the data requirements for each SRRO to be reported

The data requirements are often specific to SRROs (see **Box 4.7**).

**BOX 4.7: EXAMPLE OF DETERMINING DATA REQUIREMENTS FOR SRROS**

Applying IFRS S1, a manufacturer of household and personal products might identify access to and use of clean water as an SRRO that could reasonably be expected to affect its prospects, as its business model depends heavily on water as a natural resource.

Next, applying IFRS S2, the organisation could consider the industry-based guidance for the household and personal products industry, and might conclude that water management should be one of its disclosure topics.

An example of relevant metrics, and therefore the data requirements, that could inform the disclosures on this SRRO that could reasonably be expected to affect the organisation's prospects might include those shown in **Table 4.1**.

**Table 4.1:** Examples of potential data requirements for specific metrics

| Metric                                                                          | Potential data requirements                                                                                                                                                                           |
|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Total water withdrawn                                                       | ■ Types of water sources, which might include surface water, groundwater, rainwater, water obtained from water utilities or other organisations.                                                      |
| (2) Total water consumed                                                        | ■ Water sources in locations with High or Extremely High Baseline Water Stress as classified by the World Resources Institute's Water Risk Atlas Tool, Aqueduct (WRI n.d.).                           |
| Percentage of each in regions with High or Extremely High Baseline Water Stress | ■ Amount of water withdrawn from each source, measured in thousand cubic metres (1000m³).<br>■ Amount of water consumed in the organisation's operations, measured in thousand cubic metres (1000m³). |
|                                                                                 | <b>Note.</b> The organisation might further analyse the above data by key operational segments, geographical locations, or manufactured products.                                                     |

Source: Adapted from IFRS S1, paragraph B3 (ISSB 2023a) and ISSB 2023b.

### 4.4 Address the people-related considerations for determining data collection

The people-related considerations for determining data requirements are closely linked to those set out in [section 3.4](#).

## Stage 5: Collecting the data



**Figure 5.1: The sustainability reporting cycle: collecting the data**

Data collection (**Figure 5.1**) is linked to the data requirements established in [Stage 4](#). In this stage, we cover:

- [selecting appropriate sources of data](#)
- [establishing the data collection methodology](#)
- [considering the use of external support](#), and
- [addressing the people-related considerations to enable data collection](#).

## 5.1 Select appropriate sources of data

### 5.1.1 Identify and understand existing data in use

Collaboration continues to be important for working out what data the SME already holds, how it is being collected, and whether this data can be repurposed for sustainability reporting. For example, you may be able to use expense data to calculate GHG emissions (often referred to as the *spend-based method* <sup>27</sup>).

### 5.1.2 Identify and consider available sources of data

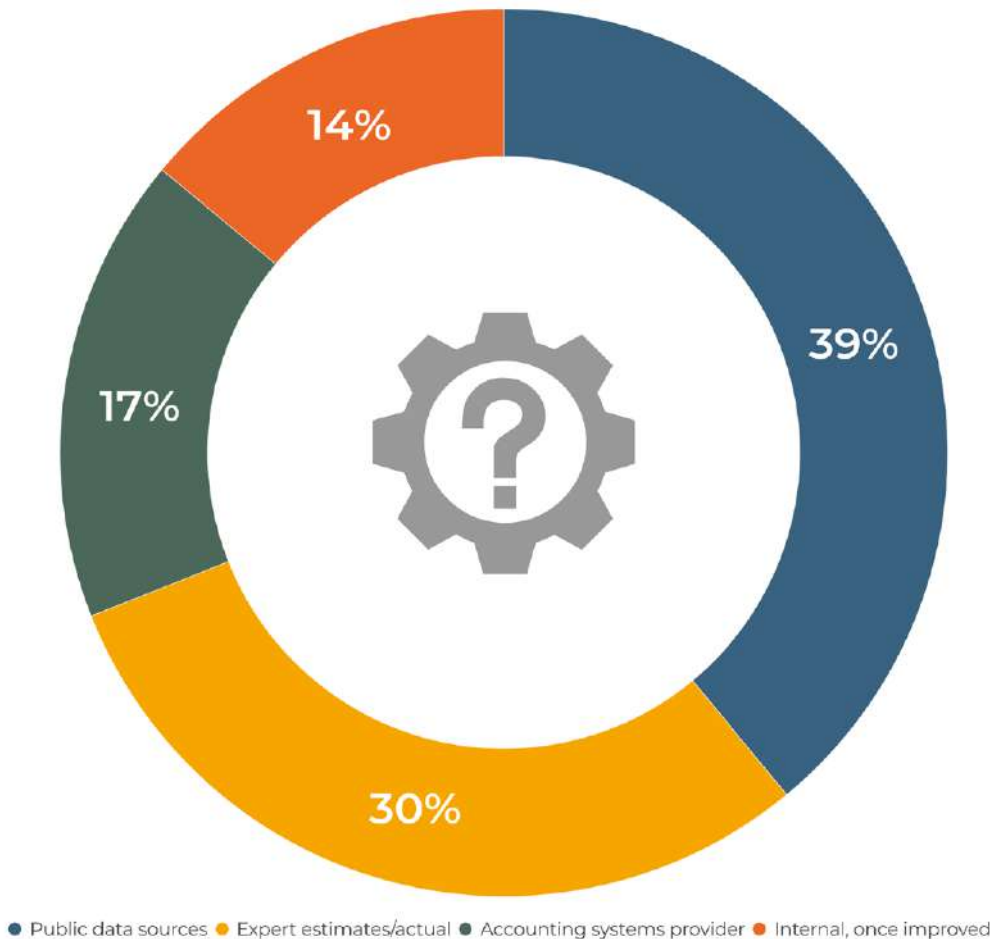
Data will come from multiple sources – from within the organisation, from the value chain, or from public sources. To decide on the source, the SME must consider the scope and parameters established in Stage 4 and may also include aspects of availability and ease of access, accuracy and *verifiability*. Data verifiability enhances confidence over the data used for reporting and is particularly important where there is a greater level of measurement uncertainty and the use of assumptions. The presence of an audit trail allows the data to be verified.

[Box 5.1](#) shows the frequently used alternative approaches to collect data when direct measurement is not possible. Data from third-party data providers, including proxy data, may include assumptions. The methodology and data sources may be proprietary and thus not disclosed. In assessing the reliability of this data, SMEs are encouraged to question the methodology, the sources of data and whether the data has been verified (see [section 5.3](#)).

<sup>27</sup> The spend-based method is one of many methods recommended by the Greenhouse Gas Protocol (n.d.) to calculate GHG emissions (see [Calculation Tools and Guidance](#)). SMEs may need to use more than one method to calculate emissions from various sources.

### Box 5.1: Alternative approaches when direct measurement is not possible

When the data cannot be collected directly from the business, what approach do SMEs use?



Source: ACCA (2024d), 480 respondents.

#### 5.1.3 Ethically consider cost against benefit

To ease the burden of reporting sustainability-related information, the IFRS Sustainability Disclosure Standards have introduced the concept of ‘all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort’<sup>28</sup> and require an organisation to use an approach that is commensurate with the skills, capabilities and resources that are available to the organisation.<sup>29</sup> SMEs must be ethical when applying such reliefs and not misuse them to avoid providing material information.

## 5.2 Establish the data collection methodology

### 5.2.1 Consider available technology options

Consider using technology to facilitate the collection, processing and reporting of sustainability-related information. [See section 7.2.](#)

### 5.2.2 Align frequency of data collection with reporting timelines

The frequency and timing of data collection should take into account mandatory reporting timelines. For example, the IFRS Sustainability Disclosure Standards require sustainability-related information to be reported at the same time as the related financial statements.<sup>30</sup>

### 5.2.3 Use consistent methodology

Use the same data collection methodology consistently for each different type of sustainability topic, eg water use data may be collected from the water supplier whereas insights on community matters would need to be collected from surveys. If a better methodology becomes available and is adopted, be transparent in explaining the rationale.

### 5.2.4 Maximise the use of data collected

Use the same data as much as possible for internal and external reporting to reduce the reporting burden.

### 5.2.5 Practise responsible procurement

Where possible, SMEs are encouraged to apply a data collection approach that focuses on managing and monitoring relevant SRROs in its procurement process. It will enhance transparency for all stakeholders in the value chain.

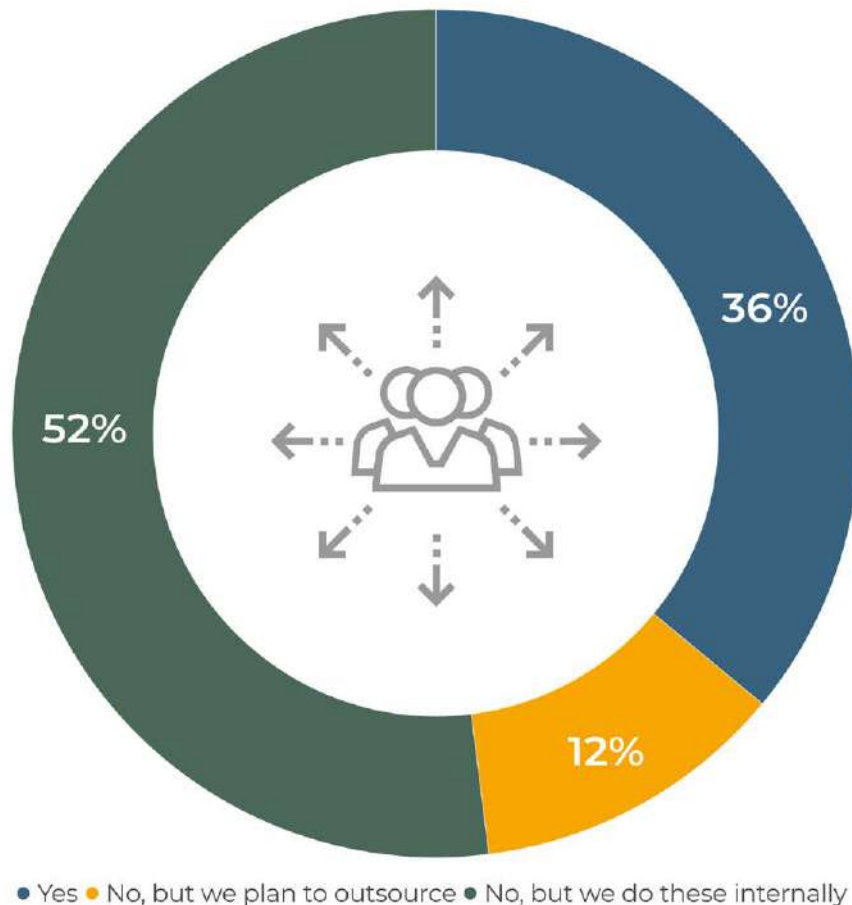
<sup>28</sup> Basis for Conclusions for IFRS S1, paragraph BC9.

<sup>29</sup> IFRS S1, paragraphs 37 and B8.

<sup>30</sup> IFRS S1, paragraph 64.

**Box 5.2:** How SMEs determine what data to collect

Does your organisation outsource data collection and processing for sustainability reporting?



Source: ACCA 2023; 923 respondents.

**5.2.6 Keep the data collection process simple**

Keep the data collection process as simple as possible. There may be instances where proxy data, ideally verifiable, is used when collecting data from the value chain would involve undue cost or effort. See **section 5.3** on assessing the reliability of proxy data from third-party systems.

**5.2.7 Embed verification within processes and systems**

Embedding verification in the sustainability reporting processes and systems will enhance the quality, and thus reliability, of the reported information. SMEs should apply the same rigour to the effectiveness of controls for sustainability reporting as they would to controls for financial reporting.

Guidance for undertaking verification is available in:

- chapter 3 of the report, [Internal Control and the Transformation of Entities](#) (ACCA et al. 2022), and lists key actions to improve an organisation's internal controls, and
- the report by COSO (Committee of Sponsoring Organizations of the Treadway Commission), [Achieving Effective Internal Control over Sustainability Reporting \(ICSR\)](#), which gives guidance on establishing and maintaining an effective system of internal control over sustainability-related information (COSO 2023).

**5.3 Consider the use of external support**

In our LinkedIn poll (**Box 5.2**), over half the respondents stated that their organisations collect and process sustainability-related data internally. Despite this, an SME might still find it essential to rely on external support, such as:

- **external consultants or service providers**, to help identify improvements to the data collection process, provide necessary skills development and probably provide the added benefit of guiding the SME to available local incentives, if any
- **the use of third-party vendors (outsourcing)** who can collect, process and report data
- accessing **external sources of data through third-party systems** to inform general or specific aspects of the sustainability reporting cycle stages. For example, data from the IPCC and International Energy Agency (IEA) can assist in supporting assumptions and parameters for scenario analysis when assessing *climate-related risks (physical and transition risks)*.



Professional scepticism<sup>31</sup> is vital when asking the following important questions to consider whether a particular third-party system is reliable and can be trusted.

- How frequently is the data updated?
- Is the data relevant from a local perspective? A third-party data system that provides a global perspective might not provide the necessary level of detail for useful decision making in a local situation.
- What assumptions were used, and is data verification embedded in the system? Verification is important to support the sources and assumptions involved in making estimates where there is a greater level of measurement uncertainty.
- Is the data consistent across different suppliers of the same data?

## 5.4 Address the people-related considerations to enable data collection

### 5.4.1 Introduce sustainability reporting in the right way

Introducing change to data collection processes might be met with resistance from within the SME or its value chain. Those managing relationships with stakeholders, be they finance providers, customers or suppliers, need to work with these stakeholders to familiarise them with the new data collection requirements. They may need to extend their relationship management activities to their stakeholders' IT, data and sustainability specialists.

Therefore, they need to be included in the capability development mentioned in [section 3.4](#). [Box 5.3](#) outlines some ways of managing change.

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<sup>31</sup> Professional scepticism refers to an attitude that includes a questioning mind, being alert to conditions that may indicate a possible misstatement due to error or fraud, and a critical assessment of evidence (ISA 200). The application of professional scepticism requires consideration of the IESBA Code of Ethics. For more details, explore [Banishing Bias? Audit, objectivity and the value of professional scepticism](#) (ACCA 2017).

**BOX 5.3: MANAGING CHANGE IN DATA COLLECTION**

The following are mechanisms for managing change in data collection.

- Introduce change incrementally, for example:
  - mandatory for any new supplier
  - mandatory in renewal of supplier contracts, or
  - voluntary but encouraged through an articulation of the benefits associated in providing information.
- Run awareness campaigns and workshops relating to:
  - regulatory requirements developing locally and those in other jurisdictions that may have global or far-reaching impact
  - benefits of sustainability reporting
  - financial and non-financial costs relating to the reporting of sustainability-related information, including opportunities to work together on overcoming them.
- Discuss sustainability-related risk management during regular engagement, including risk mitigations and access to data.

**5.4.2 Set expectations for continual change**

As the reporting landscape evolves, there will be changes to accommodate new or updated regulation, which necessitate changes to the data collection process.

Additionally, a shift in the sustainability-related risk profile for the SME or its value chain will trigger the need to disseminate this insight. SMEs will need to consider how to mitigate any resulting possible concerns associated with sharing risk profiles, eg concerns of detrimental terms of trade in the future (see [Box 5.4](#)).



#### BOX 5.4: MAKING SUSTAINABILITY A REGULAR PART OF ALL SUPPLIER AND CLIENT ENGAGEMENT

*'Initially, introducing requirements for current suppliers to provide insight on their sustainability-related risks and opportunities was met with nervousness [about] negative impact to terms of trade.'*

*'We had to make clear our rationale for requiring the information, including [not only] our reporting requirements but also our collective responsibility to work together to achieve better outcomes.'*

*'Our supplier contracts include incentives for providing verified information and penalties for non-provision.'*

*'Further, we regularly provide insight on the various types of triggers that could alter a sustainability-related risk or opportunity, including visibility for the ones we face. There are some standard ones which we include on a checklist supported with an opportunity to add to the list by the supplier or customer completing the checklist.'*

**(A change expert)**

*'Create a policy for improvements and communicate [that] it's alright not to have everything in place now – if [you] don't have "it" now, what's your plan to have it and by when. This minimises pressure to make everything looks glossy. Set up a process to monitor progress.'*

**(An SMP practitioner)**

#### 5.4.3 Harness the power of shared resources through collaboration

Collaboration among SMEs can produce efficient and effective ways of learning about shared themes or objectives. See **Box 5.5** for examples.



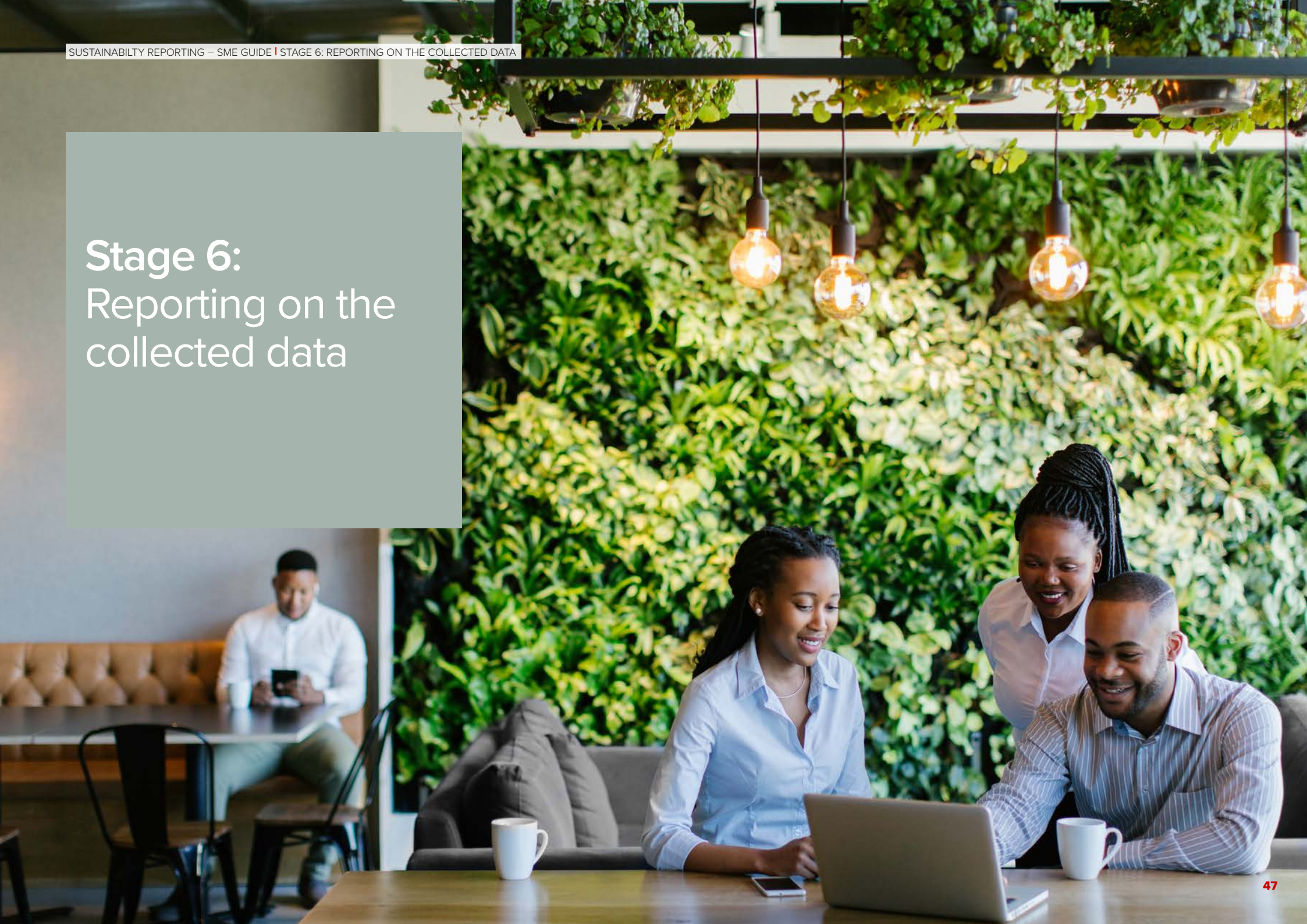
#### BOX 5.5: HARNESS THE POWER OF CONNECTIONS TO SUPPORT IMPLEMENTATION

SME associations or trade bodies are great avenues for SMEs in the same industry or sector to come together as a group to learn about each other's SRROs. They may have similar SRROs, so they should discuss the associated technical and data issues together and potentially work with universities to co-create solutions (see [Box 1.3](#) and [Box 1.5](#)). Potential areas of collaboration include:

- **developing implementation approaches** for standardised measurement methodology together with the applicable metrics, or perhaps producing a standardised or industry-aligned taxonomy
- **developing templates for data collection, analysis and/or reporting.** Ideally, these templates will also be automated and hosted on a common platform. Such an approach is most likely to result in consistency and comparability of information and reduced effort and cost over time.

See [section 6.1](#) for considerations for templates to support sustainability reporting.

## Stage 6: Reporting on the collected data



**Figure 6.1: The sustainability reporting cycle: reporting on the collected data**



Data has been collected and analysed, and so our attention should turn to reporting the information (**Figure 6.1**). The activities in this stage include:

- [determining where and how information is presented](#)
- [ensuring connectivity of information and minimising information overload](#)
- [applying the qualitative characteristics of good reporting](#)
- [evolving the reporting package](#), and
- [addressing people-related considerations to enable reporting and use of sustainability-related information.](#)

## 6.1 Determine where and how the information is presented

The way in which sustainability-related information is presented will depend on the intended user or purpose. For formal reporting such as in annual reports, the requirements may be set by the applicable sustainability reporting frameworks or standards. In contrast, the requestor, for example a customer, may dictate the presentation for reporting within the value chain. As indicated in [section 2.4](#), it is vital to stay alert to how reporting requirements may evolve in the future.

In addition, decisions will need to be made about the sustainability-related information's:

- **location** – separate from, alongside or integrated with financial information (**Box 6.1**)
- **format** – narrative, quantitative, or visualised by employing graphics
- **mode** – paper-based or digital, including uploading to databases or presenting on websites and social media platforms, where there is scope for interactivity or audio-visual functionality to aid understanding.

### BOX 6.1: EXAMPLE OF WHERE SUSTAINABILITY-RELATED INFORMATION COULD BE LOCATED

When sustainability-related information is part of or linked to annual financial reports, it could be included in the management's commentary section covering the strategic, operating and financial review.

Whether for formal reporting or other purposes, SMEs should collaborate with users and peers to develop a consistent sustainability reporting template that:

- **starts small** but allows for more complexity and detail in reporting to be built upon it
- **reflects the frequency with which the contents might need to be updated (Box 6.2)**
- **is suitable for formal reporting** and internal decision making, and for those requesting information within the value chain, investors and finance providers; and thereafter
- **is suitable for the other stakeholders**, such as employees and communities (ACCA 2021b).

### BOX 6.2: EXAMPLE OF PRESENTATION THAT REFLECTS FREQUENCY OF UPDATE

Disclosures about the organisation's business model and policies developed using integrated thinking that include medium-to-long-term considerations are less likely to change significantly year on year, unless the SRROs change. Such disclosures might be presented as publicly available standing information on, say, the organisation's website or other forms of online profile.

## 6.2 Ensure connectivity of information and minimise information overload

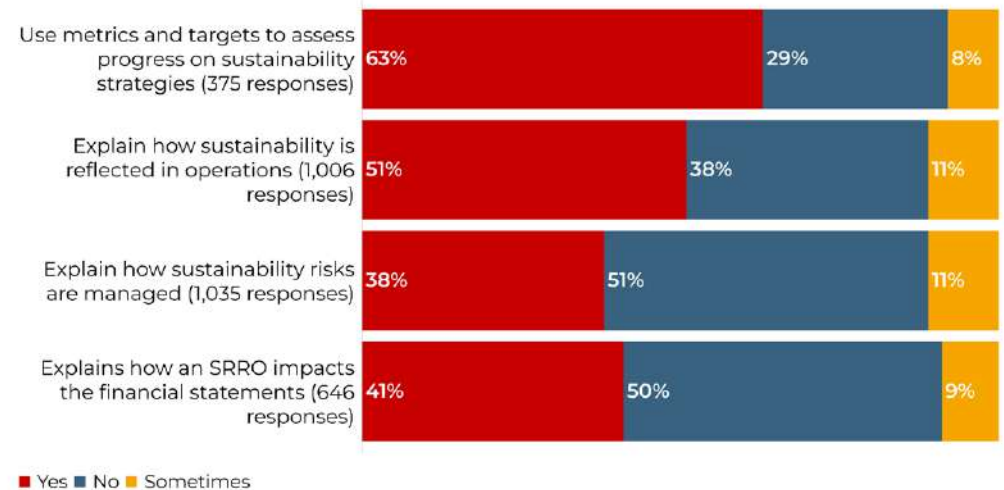
Decisions on one sustainability-related matter will probably have implications for another, as well as for dependent resources such as the six capitals: financial, manufactured, social, human, intellectual and natural (ACCA n.d.d).

Care is needed to mitigate the risks of content scattering, duplication, gaps and poor navigation that hinder transparency and comparability, as observed in ACCA's research into climate-related disclosures (Baboukardos et al. 2022).

Therefore, it's important to provide information in a coherent and consistent manner to enable users to understand the connections between various types of information (Box 6.3), while consciously avoiding information overload. This may be pursued over time as continual improvement.

### Box 6.3: Examples of how information can be better connected

A series of LinkedIn polls explored the connectivity of sustainability-related information across a range of organisational activities, including communications and monitoring. Respondents were asked to state 'yes'; 'no'; or 'sometimes' to the following statements about their organisations.



Source: ACCA (2024e–h).

### 6.3 Apply the qualitative characteristics of good reporting

Good quality sustainability-related information, including explanations, generally demonstrates the qualitative characteristics shown in **Figure 6.2**. Consider how these characteristics will influence:

- the process of determining, collecting, and analysing data,
- the assumptions and judgements made, as well as any associated limitations, and
- continual improvement of reported information.

**Figure 6.2: Qualitative characteristics of useful information**

| Qualitative characteristics |                         |                           |                   |
|-----------------------------|-------------------------|---------------------------|-------------------|
| Fundamental characteristics |                         | Enhancing characteristics |                   |
| Relevance                   | Faithful representation | Comparability             | Verifiability     |
| Materiality                 | Completeness            | Timeliness                | Understandability |
|                             | Neutrality              |                           |                   |
|                             | Accuracy                |                           |                   |

Source: Adapted from ISSB 2023a: Appendix D and ACCA 2018a

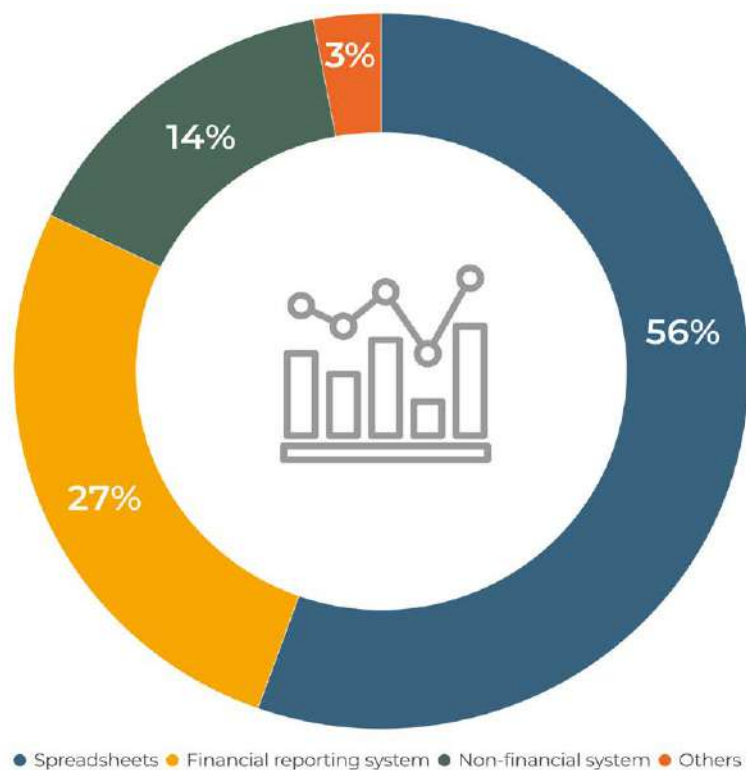


## 6.4 Evolve the reporting package

Whether for formal reporting or reporting within the value chain, evolving the reporting package will require systems to support a reporting process that encapsulates both financial and sustainability-related information. For SMEs, this may range from a set of spreadsheets to automated, system-generated reports based on data collated from multiple locations and sources (see **Box 6.4**).

### Box 6.4: The systems used to enable the sustainability reporting cycle

Which of the following systems do SMEs use to collect, analyse and report sustainability information.



Considerations associated with these systems are addressed in [section 7.2](#), on technology as an enabler.

Source: ACCA (2024), 1,227 respondents

We have developed a set of worksheets that can be used to start capturing the contents to be presented in accordance with the IFRS Sustainability Disclosure Standards. These worksheets can be accessed alongside our other collaterals relating to [Sustainability Reporting – The Guide to Preparation](#) (Machado, Saw and Chow 2023):

- the IFRS S1 worksheet guides on the contents relating to the effects of an organisation's SRROs (other than climate-related)
- the IFRS S2 worksheet guides on the contents relating to the effects of an organisation's climate-related risks and opportunities.

## 6.5 Address the people-related considerations to enable reporting and use of sustainability-related information

### 6.5.1 Leverage integrative thinking

SMEs are often touted as having strengths in areas of customer service (Weitz 2018), probably owing to the relatively high number of differing responsibilities held by a few people in the organisation. This feature means that SMEs are well placed to apply integrative-thinking capabilities (see [Figure 6.3](#)) to reflect and balance their stakeholders' differing needs and to forecast the implications of new or uncertain situations and information.

Determining how to communicate and present sustainability-related information draws on similar capabilities, except that this relates to providing information that complies with the qualitative characteristics of good and connected information and serves a variety of different purposes.



**Figure 6.3: Integrative-thinking capabilities**

The five capabilities are the set of skills, mindset and behaviours necessary to solve complex multi-dimensional problems, summarised here. These problems include making decisions on how to report the approach to managing SRROs ethically to a variety of stakeholders.



- **Continually becoming:** proactive in learning and developing.
- **Empathising:** understanding the viewpoints of stakeholders.
- **Exploring:** asking questions, modelling plausible scenarios, and testing assumptions to understand a problem, discover new insights or develop a solution.
- **Co-creating:** collaborating with others in support of the other capabilities.
- **Empowering:** enabling others to take actions and to influence outcomes.

Source: [Machado, Chen et al. \(2023\)](#)

### 6.5.2 Leverage design and system thinking

Design thinking, which focuses on meeting the needs of users through iterative improvement, and system thinking, which considers the whole organisational ecosystem, are necessary capabilities when designing the presentation and features of communication tools. Once again, SMEs have a comparative advantage over larger organisations because the designer is probably also knowledgeable about the users' needs and ecosystem.

### 6.5.3 Embed ethics among information providers and users

Sustainability is of considerable interest to consumers, especially when they can also appreciate how environmental credentials relate to social matters affecting their communities and product cost.

Therefore, every person who is preparing, communicating and using sustainability-related information should do so ethically. Specifically, they should be objective, have integrity, and apply due care and competence when dealing with sustainability matters, the necessary inputs, process, and outcomes. Failing to do so may risk accusations of greenwashing. Here, professional accountants have a major role in championing the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code) (IESBA 2018).

We provide further guidance in [Ethical Dilemmas in an Era of Sustainability Reporting](#) (Machado, Weaver and Sparkes 2023), which supports mitigating ethical dilemmas in:

- weaknesses in processes and systems
- risks of greenwashing
- insufficient competence and due care, or
- challenges of independence.



## Stage 7: Implementing reporting



**Figure 7.1: The sustainability reporting cycle: implementing reporting**



Successful implementation of any changes as big as sustainability reporting will depend upon the following key elements:

- [creating a formal implementation plan](#)
- [using technology as an enabler](#)
- [working with people as enablers](#) (Figure 7.1).

These are all explored in this stage.



#### BOX 7.1: HELP WITH UNDERSTANDING THE IFRS SUSTAINABILITY DISCLOSURE STANDARDS

Watch this [explainer video](#) to help you understand the requirements in the IFRS Sustainability Disclosure Standards:

- **Considerations of proportionality and scalability in sustainability reporting** (ACCA n.d.b).

## 7.1 Create a formal implementation plan

SMEs at the smaller end of the spectrum will probably include almost the entire organisation in the process design, which makes for simpler implementation internally. That said, steps must still be taken to engage with external stakeholders, and undertaking activities under the following headings.

- **Systems development** – setting appropriate timescales for building the necessary systems, which include spreadsheets (see [section 6.4](#)).
- **Enhancing standard operating policies and procedures** relating to the details of the process for identifying and assessing SRROs; collecting, assessing, analysing and verifying data; and determining the timeline. Consider future-proofing the policies and procedures to cater for the organisation's growth, when processes are outsourced, the succession plan changes, or if new sustainability-related matters require reporting.
- **Holding awareness sessions** for internal and external stakeholders, **and training** for those expected to use the new systems.

## 7.2 Use technology as an enabler

The available technology options will depend on the size and complexity of the SME and its needs for sustainability reporting. Those investing in new technology or adapting existing systems should take account of the factors set out in this stage.

### 7.2.1 Set the purpose for using technology

SME leaders should be clear about the purpose of using technology, specifically:

- the **reporting objectives and the organisation's** needs, for instance
  - catering for different reporting frameworks and standards and the different data types (see Stages [2](#) and [4](#))
  - the capabilities of users who may need to be supported through a helpdesk or digital assistant
  - the scalability and flexibility to meet future needs, such as changes in reporting requirements
  - supporting collaborative work among users (see **Box 7.2** and [Box 7.4](#))
- the **activities for collecting, processing and reporting** data (see Stages [5](#) and [6](#), and [Box 7.3](#))
- **integration with existing systems** (eg financial reporting, payroll, enterprise resource planning (ERP)) or other technology with which it needs to work in unison, akin to the concept of 'the digital core' (ACCA et al. 2021).



#### BOX 7.2: CREATING A FLEXIBLE, COLLABORATIVE, AND TECHNOLOGY-ENABLED ENVIRONMENT FOR DATA, INSIGHTS, AND FEEDBACK LOOPS

Flexible and collaborative environments enabled by technology are crucial for several reasons, including:

- **upskilling among employees and their departments**, such as in the assessment of the interconnections between sustainability-related data and insights
- **setting the system requirements**, such as drawing insights from across the organisation when determining important features and functions, which helps with creating ownership
- **the analysis and discussion of insights** to shape the content and presentation of information and, in some instances, feedback to the future strategy and business model
- **the collection and hosting of analysed data and insights** to enable use in different forms. In the absence of standardised templates for industries and geographies, reporting within the value chain may well be different for each value chain in which the organisation operates.



### BOX 7.3: SET A CLEAR VIEW FOR TECHNOLOGY USE

A clear view of the following criteria will help in selecting the right technology:

- the types of data that need to be collected, eg structured or unstructured data
- the right level of granularity to meet both internal and external reporting needs
- where the data is sourced
- who will collect and input the data from within the organisation, across the consolidated group and along the value chain
- the internal controls over the data
- how the data can be assured
- the gaps in the organisation's data collection and processing infrastructure
- the overall cost and affordability.

*'... rubbish in – rubbish out: there's no point thinking technology is going to be the panacea and solve all of your problems if you don't know where your data is coming from, and you haven't got data at the right granularity to report on'*  
**(an environmental, social, and corporate governance (ESG) reporting and assurance expert).**

Using the spend-based method, some SMEs (and SMPs) have leveraged data in existing accounting systems to report GHG emissions. Some SMEs have supplemented this data with surveys, for example on employees' commuting.

SMEs may start by capturing data for sustainability reporting using technology that is readily available, such as spreadsheet-based templates hosted on web-based collaborative platforms (eg Microsoft Excel spreadsheets hosted on SharePoint™, or Microsoft Forms™<sup>32</sup>), and subsequently move to applications with enhanced data analytics capabilities to support homogeneity.

**Example 1:** In the most basic form, data of specific expenses is collated into spreadsheets and then converted into GHG emissions for reporting. This method enables SMEs to report climate-related information with minimal incremental system cost, though it is labour intensive.

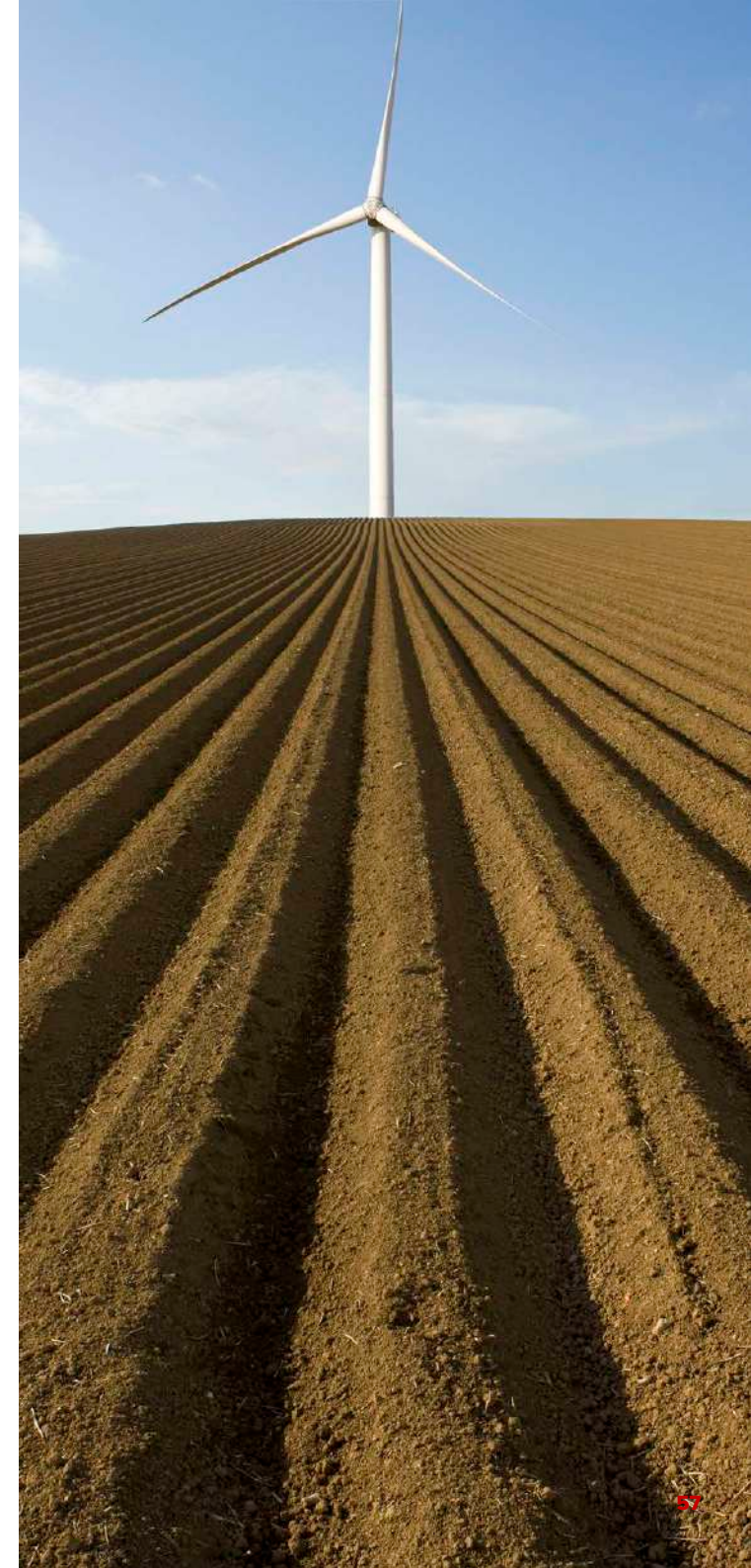
In overcoming the issue of labour when the data volume is huge and spread across multiple locations, some SMEs have used a combination of automation and data analytics tools to reduce the amount of manual data entries and calculations.

**Example 2:** Automation tools (eg Microsoft Power Automate™) are used to collate data from existing accounting systems and convert them into GHG emissions data. Then, the data is analysed according to the reporting requirements and presented on dashboards using a data analytics tool (eg Microsoft PowerBI™).

**Example 3:** Similar to Example 2, but the automation and data analytics tools are developed through partnerships with software developers to meet the needs of SMEs.

An important consideration for both Examples 2 and 3 is the need to make the technology and the process repeatable and scalable so as to service as many SMEs as possible, and thus reduce the implementation cost for these organisations.

<sup>32</sup>Examples like these are used for illustrative purposes only and do not represent endorsement or advocacy for any product or vendor. The same is true for other products or services mentioned within this guide.



### 7.2.2 Build governance into the technology

The right level of governance in the use of technology is important for collecting good quality data and supporting its verification (see **Box 7.4**).

### 7.2.3 Assess the credibility of technology

Data is collected but not always traceable to its source, especially when manual interventions are involved. The technology needs to be credible and should support the verification of data collected, processed, stored and reported using the system (see [section 5.2.7](#) and [Stage 8](#)).

## 7.3 Work with people as enablers

Throughout the guide we have signposted the people-related considerations to ensure that they can implement the respective stages of the sustainability reporting cycle and use the sustainability-related information. What remains in this stage is a summary of the main elements and the capabilities that support the business case for investing in them. Such investment may take the form of internal upskilling by means of training, recruiting specialists or shadowing outsourced resource for specific sustainability reporting activities.

### 7.3.1 Know the required sustainability-related capabilities

Throughout this guide we refer to some of the capabilities required. In this stage, we share the capabilities identified through this and previous research. Many of these capabilities are developed and maintained by professional accountants but there are some that may be new (see [Box 7.5](#)).



#### BOX 7.4: DESIGN CONSIDERATIONS

These design considerations would help an organisation determine the most important features that are relevant to its needs. An SME may not need all these features immediately. While this list is not exhaustive it will get the SME thinking about the key requirements.

| Themes for consideration                   | The system should                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>System architecture and integration</b> | <ul style="list-style-type: none"> <li>■ store data centrally (ie providing one source of data, or often referred to as single source of truth)</li> <li>■ link to and integrate with internal policies and targets</li> <li>■ link to or integrate with existing systems to pull data from them (eg financial reporting, payroll, ERP)</li> <li>■ be intuitive and offer straightforward user interfaces</li> <li>■ be scalable – the technology (and the vendor) should have the ability to grow as the organisation grows.</li> </ul>                             |
| <b>Data governance and management</b>      | <ul style="list-style-type: none"> <li>■ perform automated aggregation of data from internal and external sources into one place</li> <li>■ perform automated checking of data accuracy, consistency and completeness</li> <li>■ have verifiable audit trails such that will enable audits to be performed on the data that it collects, processes, stores and reports</li> <li>■ provide proxy data to supplement data from the value chain</li> <li>■ be equipped with cybersecurity features to protect against unauthorised access and data breaches.</li> </ul> |
| <b>Access</b>                              | <ul style="list-style-type: none"> <li>■ be accessible to internal and external stakeholders (eg suppliers, customers), allowing them to input data directly, where applicable</li> <li>■ be accessible to all employees, depending on customisable access rights, allowing access to the organisation's policies and data.</li> </ul>                                                                                                                                                                                                                               |
| <b>Capabilities</b>                        | <ul style="list-style-type: none"> <li>■ produce output (eg reporting templates) that can be used for internal and external reporting</li> <li>■ produce visualised information (eg dashboards or infographics) for monitoring and presentations</li> <li>■ have sufficient flexibility to adapt to the evolving needs of the organisation and the applicable reporting frameworks or standards.</li> </ul>                                                                                                                                                          |

## BOX 7.5: SUSTAINABILITY-RELATED CAPABILITIES, INCLUDING FOR REPORTING

The ACCA qualification currently develops sustainability-related capabilities in an integrated way, ie together with the broader capabilities required by a professional accountant. A good example is the inclusion of sustainability reporting standards alongside corporate reporting. These broader capabilities are summarised within the [ACCA Career Navigator](#) (ACCA n.d.e).

ACCA continually monitors and assesses the currency and relevance of the capabilities in the Career Navigator. The capabilities may be updated, refreshed, or removed in the future, so do continue to engage with our work.

**Figure 7.2** summarises the ACCA Career Navigator capabilities most relevant to sustainability (in black), together with those identified through our work on integrative thinking (in red) and through engagement with roundtable participants (in blue). The full detailed explanation of these capabilities can be found within [Sustainability Reporting – The Guide to Preparation](#) (Machado, Saw and Chow 2023: Appendix C).

We encourage engagement with the capabilities:

- for personal development – in identifying a portfolio of skills to be developed over one's career
- for employers – in assembling the portfolio of skills for a sustainability-related role
- for career coaches – in working with coachees to build a customised learning and development (L&D) programme for upskilling staff.

**Figure 7.2: Capabilities most relevant to sustainability**



Source: Machado, Saw and Chow (2023)

## BOX 7.5: SUSTAINABILITY-RELATED CAPABILITIES, INCLUDING FOR REPORTING (CONT.)



### Sustainability

What sustainability entails  
ESG metrics  
Sustainability analysis  
The role of the profession  
Solutions for sustainable business  
Care for resources  
**Multi-capitals thinking**  
**Currency with policy and regulations**  
**Financial and sustainability information integration**



### Insight

Business acumen  
Critical thinking  
Governance and control  
Innovation  
Planning and project management  
**Interconnected systemic thinking**  
**Multi-timeframe thinking**  
**Multiple framework application**  
**Extended and open thinking**  
**Working with precedents**



### Collaboration

Communication  
Partnerships  
Inclusion  
Influences  
Stakeholder focus  
**Conflict management**  
**Multi-stakeholder awareness**  
**Maintaining comparative advantage**



### Expertise

Advisory and consultancy  
Audit and assurance  
Financial management  
Performance management  
Financial and business reporting  
Risk management  
Taxation  
**Product life cycle/value chain assessment**  
**Multiple form materiality**  
New resourcing models  
Boundary for reporting and its value chain  
Base technical knowledge of major environmental and social topics  
Tax as a force of good in reporting and business



### Ethics

Policy compliance  
Ethical code compliance  
Dilemmas mitigation  
Ethical mindset  
Awareness raising  
Guardian  
Public interest  
**Greenwashing risk management**  
**Ethical code champion**



### Digital

Stakeholder application  
Design thinking  
Business model focus  
Risk management  
Currency  
Communication tools  
Analysis  
Insights  
Data collection and analysis approaches to support sustainability-related data alignment to financial data qualities  
Leveraging proprietary and publicly available data



### Drive

Authenticity  
Leadership  
Change orientation  
Determination  
Lifelong learning  
**Working at the margins**  
**Report with confidence and courage**  
**Self-awareness with a view to grow**  
**Continual development**  
Financial and non-financial cost vs. benefit of a taking action mindset  
**Beyond compliance attitude**

Key: Capabilities from

- ACCA Career Navigator (ACCA n.d.c)
- *Integrative thinking: the guide to becoming a value-adding CFO* (Machado, Chen et al. 2023)
- This research

### 7.3.2 Apply the people-related considerations identified throughout the cycle

The people-related considerations throughout the guide have been grouped into themes.

#### ■ About the organisation

- [SME leaders must embed a sustainability culture](#)
- [Build connectivity into the organisation design](#)
- [Harness the power of shared resources through collaboration](#)
- [Collaborate to create generally accepted sustainability-related information](#)
- [Build capabilities for risk monitoring](#)
- [Invest in horizon scanning of the operational and reporting landscape for sustainability](#)

#### ■ Skills and accessing them

- [Determine and implement the strategy to access the required capabilities](#)
- [Engage professional accountants to connect financial and sustainability-related information](#)
- [Enhance and embed sustainability-related knowledge](#)
- [Leverage integrative thinking when communicating sustainability-related information](#)
- [Leverage design and system thinking](#)
- [Embed ethics among providers and users of sustainability-related information](#)
- [Invest in empowered, objective, and competent internal audit capability](#)
- [Establish the selection criteria for assurance providers](#)

#### ■ Change management

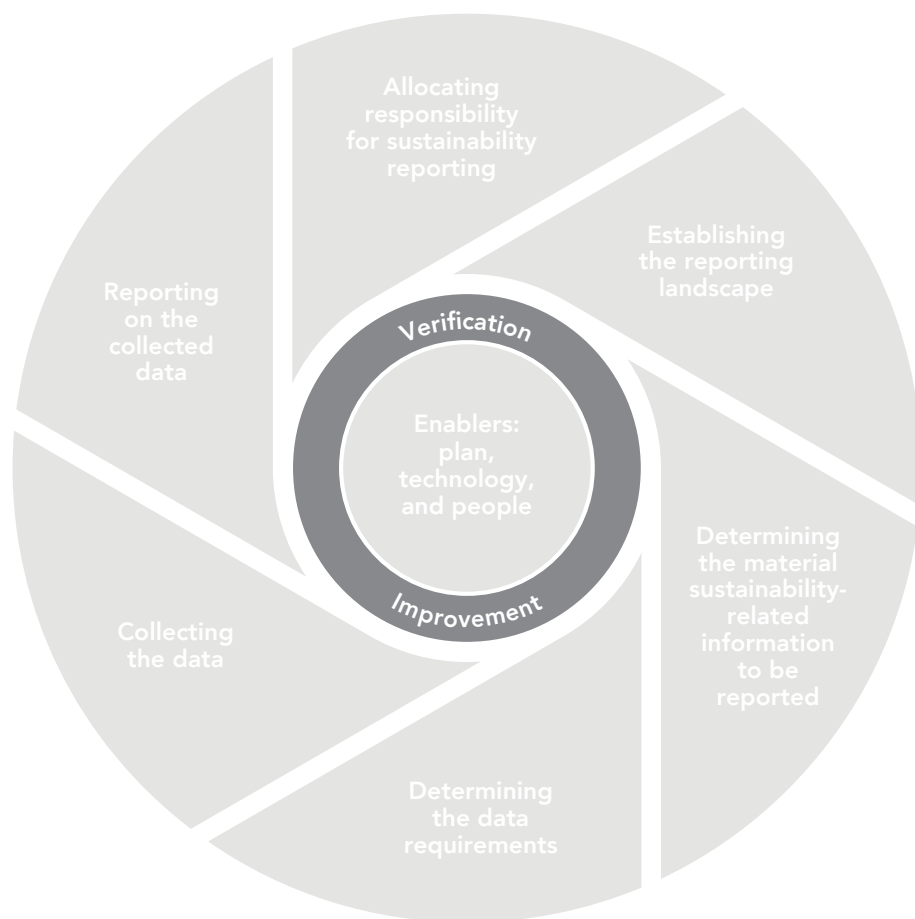
- [Introduce sustainability reporting in the right way – at the right time and with the relevant roles](#)
- [Set expectations for continual change](#)



## Stage 8: Verifying what is reported, and continual improvement



**Figure 8.1: The sustainability reporting cycle: verification and continual improvement**



Verification of the reporting process, inputs (data) and resulting outputs supports building trust and, potentially, continual improvement in the SME's reporting of sustainability-related information. It is crucial that this information is reliable and trustworthy.

In this stage (**Figure 8.1**), we outline considerations for

- [obtaining assurance](#)
- [setting metrics to drive continual improvement](#), and
- [addressing people-related considerations when enabling verification and continual improvement](#).

## 8.1 Obtain assurance

An SME that currently does not obtain independent (external) assurance<sup>33</sup> for its financial statements may not consider it necessary to assure its sustainability-related information. For such an SME, the question will be whether the value of assurance outweighs the cost and effort (**see Box 8.1**).



### BOX 8.1: THE BENEFITS OF ASSURANCE OVER SUSTAINABILITY-RELATED INFORMATION

Key customers and finance providers (eg banks) of SMEs may be subject to assurance requirements and need to minimise the risk of material misstatements in information supplied by an SME. Assurance over sustainability-related information provides confidence to these stakeholders that the SME is providing credible and reliable information. Assurance may provide the SME with a competitive advantage in trade if it is a first mover and for continued access to trade contracts when independent assurance becomes mandatory in future. Assurance is also important for talent attraction as it informs prospective recruits that the SME is committed to sustainability.

An SME may begin with internal audit before moving towards obtaining independent assurance. Internal audit allows the SME to review its internal processes, identify gaps and risks in the organisation (some of which may have implications for data collection and reporting), then deploy solutions for improvement. Together, these risk mitigation, management and internal audit processes may improve profitability besides building credibility and trust. The internal audit may be conducted using outsourced resource, such as an SMP, or internally developed talent.

<sup>33</sup> We encountered several terms, such as 'certification', 'review', 'audit' and 'assurance' during our research. These terms may have different meanings and therefore we encourage SMEs to clarify the requirements of the regulator(s) or key stakeholder(s) that demand them.

## 8.2 Set metrics to drive continual improvement

The SME should strive to provide better information over time. To do that, it may use internal metrics and feedback from stakeholders to continually improve processes throughout the sustainability reporting cycle, the inputs used and quality of reported information. Below, we suggest some metrics and feedback that could be used.

### 8.2.1 Quality of data over time

- Reduced use of the 'undue cost and effort' concept – eg progress from proxy to direct measurements.
- Reduced adjustments for errors.
- Progress on integration of sustainability-related and financial processes and systems.

### 8.2.2 Stakeholders' feedback on value of sustainability-related information

- Employee engagement on the sustainability strategy and its reporting.
- Feedback from SME owners and managers on how useful the information has been in aiding decision-making.
- Feedback from assurers on the connectivity between sustainability-related and financial information – eg anticipated effects of climate-related risks on the organisation's cash flows, financial position and financial performance.
- Feedback from primary users on how useful the information has been in aiding their decision-making.
- Feedback from key stakeholders, including primary users, on any new SRROs that could affect the organisation's prospects, or the removal of any SRROs and the related information from the next year's report.

### 8.2.3 Sustainability-related knowledge across the organisation and its retention

- Training completed and being used.
- Staff turnover of those with sustainability-related capabilities.

### 8.2.4 Integration of sustainability in discussions across the organisation

- The availability and ease of access to sustainability-related data across the organisation.
- Whether sustainability reporting content is used alongside financial information for decision-making.

## 8.3 Address the people-related considerations when enabling verification and continual improvement

### 8.3.1 Invest in empowered, objective and competent internal audit capability

The merit of internal audit is outlined in [Box 8.1](#) above. The individuals involved need to be competent in the relevant sustainability-related matters, know the data, and be sufficiently removed from designing, implementing, and using the sustainability reporting process to safeguard their objectivity. These individuals must be able to influence action for continual improvement throughout the sustainability reporting cycle. Depending on the SME's ambition, resource and affordability, internal audit could be introduced by adding to the activities of the finance function, or creating a separate role, or outsourcing. The SME may focus on implementing the reporting process first, introducing internal audit subsequently.

### 8.3.2 Establish the selection criteria for assurance providers

When selecting independent assurance providers, it's important to understand what options are available and, if applicable, the local regulatory requirements in the jurisdiction. The assurance provider should:

- have the right credentials – eg certification/accreditation
- have the right subject-matter competence – as sustainability reporting can relate to a large variety of subject matters, a good understanding of the relevant subject matter at the outset is fundamental to delivering a high-quality and reliable assurance engagement (Rogdaki and Diolas 2023)
- have experience dealing with the industry in which the organisation operates, if industry knowledge is important
- have a good understanding of the link between sustainability-related and financial information
- abide by ethical requirements
- be regulated.

# Glossary

Terms defined in the Glossary are in *italics* the first time they appear in this guide.

| Term                                     | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Source                                                         |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| <b>Building blocks approach</b>          | The 'building blocks' approach enables organisations to use a global baseline of requirements to provide sustainability-related information that is material to investors, with the flexibility for regional and/or national 'building blocks' to be added when necessary to meet the information needs of other stakeholders.                                                                                                                                                                                                          | Adapted from <a href="#">IFAC 2021</a>                         |
| <b>Climate-related physical risks</b>    | These are risks resulting from climate change that can be event-driven or from longer-term shifts in climatic patterns. These risks could carry financial implications for an organisation. For example, declining rainfall may reduce the availability and quality of crops an organisation source from the area and thus causing financial implications for the organisation.                                                                                                                                                         | Adapted from IFRS S2, Appendix A (ISSB 2023c)                  |
| <b>Climate-related transition risks</b>  | These are risks that arise from efforts to transition to a lower-carbon economy including policy, legal, technological, market and reputational risks. These risks could carry financial implications for an organisation. For example, shifting consumers' preference for more sustainable products may have financial implications for an organisation.                                                                                                                                                                               | Adapted from IFRS S2, Appendix A (ISSB 2023c)                  |
| <b>Double materiality</b>                | Double materiality, in the context of ESRS, has two dimensions, namely: impact materiality and financial materiality. A sustainability matter is material when it meets the criteria for impact materiality or financial materiality, or both. Impact materiality and financial materiality assessments are interrelated and the interdependencies between these two dimensions must be considered.<br><br>ESRS requires an organisation to assess the materiality of sustainability matters based on the double materiality principle. | ESRS 1 <i>General Requirements</i> , paragraphs 21, 28, and 37 |
| <b>ESRS</b>                              | European Sustainability Reporting Standards                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                |
| <b>General purpose financial reports</b> | Reports that provide financial information about a reporting entity that is useful to primary users in making decisions relating to providing resources to the entity.<br><br>General purpose financial reports include – but are not restricted to – an entity's general purpose financial statements and sustainability-related financial disclosures.                                                                                                                                                                                | Adapted from IFRS S1, Appendix A (ISSB 2023a)                  |

| Term                                  | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Source                                                                                                        |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| <b>Greenhouse gas (GHG) emissions</b> | <p>These comprise the seven greenhouse gases (GHGs) listed in the Kyoto Protocol: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), nitrogen trifluoride (NF<sub>3</sub>), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>).</p> <p>They are categorised according to the source of emissions.</p> <ul style="list-style-type: none"> <li>■ <b>Scope 1 greenhouse gas emissions.</b> Direct GHG emissions that occur from sources that are owned or controlled by an organisation.</li> <li>■ <b>Scope 2 greenhouse gas emissions.</b> Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the organisation. Purchased and acquired electricity is electricity that is purchased or otherwise brought into an organisation's boundary. Scope 2 GHG emissions physically occur at the facility where electricity is generated</li> <li>■ <b>Scope 3 greenhouse gas emissions.</b> Indirect GHG emissions (not included in Scope 2 GHG emissions) that occur in the value chain of an organisation, including both upstream and downstream emissions. Scope 3 GHG emissions include the Scope 3 categories in the <i>Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard</i> (Greenhouse Gas Protocol 2011).</li> </ul> <p>The term 'indirect GHG emissions' refers to emissions that are a consequence of the activities of an organisation but occur at sources owned or controlled by another organisation.</p> | Adapted from IFRS S2, Appendix A (ISSB 2023c)                                                                 |
| <b>IESBA Code</b>                     | International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) (IESBA 2018)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                               |
| <a href="#">IFRS S1</a>               | IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> (ISSB 2023a)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                               |
| <a href="#">IFRS S2</a>               | IFRS S2 <i>Climate-related Disclosures</i> (ISSB 2023c)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                               |
| <b>Integrative thinking</b>           | <p>The thinking and action by individuals that will lead to integrated thinking at the organisation level. Such thinking requires developing personal and interpersonal capabilities, a set of skills, behaviours and mindsets relating to:</p> <ul style="list-style-type: none"> <li>■ continually becoming</li> <li>■ exploring</li> <li>■ co-creating</li> <li>■ empathising</li> <li>■ empowering.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <a href="#">Integrative Thinking: The Guide to Becoming a Value-adding CFO</a><br>(Machado, Chen et al. 2023) |

| Term                                                                      | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Source                                                                                                        |
|---------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| <b>Integrated thinking</b>                                                | The thinking and action by collections of people, therefore including teams and organisations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <a href="#">Integrative Thinking: The Guide to Becoming a Value-adding CFO</a><br>(Machado, Chen et al. 2023) |
| <b>ISA 200</b>                                                            | <i>ISA 200 Overall Objectives of the Independent Auditor and The Conduct of an Audit in accordance with International Standards on Auditing</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                               |
| <b>ISSB</b>                                                               | International Sustainability Standards Board                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                               |
| <b>IFRS Sustainability Disclosure Standards</b>                           | Collectively refers to standards issued by the ISSB, ie IFRS S1 and IFRS S2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                               |
| <b>Materiality</b>                                                        | Information is material, in the context of sustainability-related financial disclosures, if omitting, misstating, or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports (q.v.) make on the basis of those reports, which include the organisation's financial statements and sustainability-related financial disclosures. The decisions of primary users relate to providing resources to the organisation. Therefore, information about an SRRO is material if it could reasonably be expected to affect the organisation's cash flows, its access to finance, or cost of capital over the short, medium, or long term. | IFRS S1, paragraphs 18, B14                                                                                   |
| <b>Other users of sustainability-related information (other users)</b>    | These are users of sustainability-related information other than the primary users of general purpose financial reports. For example: <ul style="list-style-type: none"> <li>■ individuals from within the organisation (internal stakeholders), such as those in risk management, finance, human resources, technology, and operational functions, including the supply-chain management function.</li> <li>■ individuals external to the organisation (external stakeholders), such as key suppliers and customers in the value chain, and regulators.</li> </ul>                                                                                                                                           |                                                                                                               |
| <b>Primary users of general purpose financial reports (primary users)</b> | These are existing and potential investors, lenders, and other creditors of an organisation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Adapted from IFRS S1, Appendix A (ISSB 2023a)                                                                 |
| <b>Reporting boundary</b>                                                 | The 'reporting boundary' refers to the reporting organisation and its value chain for which the sustainability-related information is being reported. It is determined in accordance with the applicable sustainability reporting frameworks or standards.<br><br>When the SME is part of the value chain of another organisation (eg banks or customers), the reporting boundary may be determined by that organisation for the purpose of providing information to it.                                                                                                                                                                                                                                      |                                                                                                               |
| <b>Senior management</b>                                                  | The person(s) with executive responsibility for the conduct of the organisation's operations. Senior management may include some or all of those charged with governance (q.v.) or be an owner-manager.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Adapted from ISA 200, paragraph 13(a)                                                                         |

| Term                                                                                  | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Source                                                                                                                                                           |
|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>SMEs</b>                                                                           | Small and medium-sized or lesser-resourced entities (SMEs) tend not to have public accountability and may publish general purpose financial reports for external stakeholders. These organisations tend to have simpler organisation structures and have lesser resources. Therefore, they are less able to meet the full requirements of reporting standards than larger organisations. An organisation may identify as being an SME by using the size criteria of the jurisdiction in which they are based. | Adapted from Section 1, <a href="#">IFRS for SMEs Accounting Standard</a>                                                                                        |
| <b>Spend-based method</b>                                                             | <p>This method estimates GHG emissions by multiplying an activity measure (eg value of goods and services purchased, transportation, etc) by a relevant emission factor.</p> <p>SMEs may need to use more than one method to calculate emissions from various sources. The Greenhouse Gas Protocol website offers many tools and guidance for calculating GHG emissions (see <a href="#">Calculation Tools and Guidance</a>).</p>                                                                             | Adapted from Appendix D, Calculation formula summary tables of Technical Guidance for Calculating Scope 3 Emissions (version 1.0) (Greenhouse Gas Protocol 2013) |
| <b>SRROs</b>                                                                          | Sustainability-related risks and opportunities                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                  |
| <b>SRROs that could reasonably be expected to affect the organisation's prospects</b> | These are SRROs that could reasonably be expected to affect the organisation's cash flows, its access to finance or cost of capital over the short, medium, or long term.                                                                                                                                                                                                                                                                                                                                     | IFRS S1, paragraph 3                                                                                                                                             |
| <b>TCFD</b>                                                                           | Task Force on Climate-related Financial Disclosures                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                  |

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