



Think Ahead

The background of the slide is a photograph of a wind farm. In the foreground, a paved path leads towards a large wind turbine on a grassy hill. To the left, a body of water is visible with several other wind turbines in the distance. The sky is clear and blue.

SUSTAINABILITY REPORTING – THE GUIDE TO PREPARATION

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Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over **247,000** members and **526,000** future members in **181** countries.

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What this guide addresses

Organisations need to prepare sustainability-related information, either for the purposes of their own sustainability reporting or because they are part of the *value chain* of a sustainability reporter.

Sustainability reporting requirements are developing rapidly, with the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (or the 'ISSB Standards') serving as the basis for globally consistent reporting. While these standards have been developed to provide complete reporting for an investor audience, their design is such that they should support interoperability with other sustainability reporting regimes.

This guide is the first in a series and aims to help all organisations irrespective of size, industry or sector get started in the sustainability reporting cycle that comprises essential processes, people and technology requirements. This is both for the *ISSB Standards* and as a baseline for other regimes.

With the help of the many participants who contributed their expertise on this topic at our global roundtables and interviews on this topic, we have identified eight stages of the sustainability reporting cycle, which also serve as the basis for the structure of this guide, addressing:

- who is accountable and responsible for sustainability reporting
- the processes for identifying material sustainability-related information for reporting purposes
- determining, collecting and reporting the data
- considerations for verification that can lead to continual improvement of reporting, and
- the vital role of people and technology in enabling quality reporting.

As with any series, there will be more content to come and so this guide is not exhaustive. All are encouraged to engage continually with ACCA's work in this area.

The guide's researchers and the methodology



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The creation of this guide was only possible through insights from the accountancy, business and finance professionals with expertise in sustainability reporting and assurance, change management, and risk management. These individuals participated in our global roundtables and interviews on preparing for sustainability reporting. They also shared insights on the associated ethical challenges. Further, some of these participants volunteered and reviewed the contents of this guide.

We acknowledge and thank all these individuals for giving their time and invaluable insights (see [Acknowledgements](#)).

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Foreword



Helen Brand OBE
Chief Executive, ACCA

High-quality *integrated sustainability-related and financial information* is vital for the successful development and implementation of equitable sustainability strategies and, in turn, sustainable value creation.

The development of sustainability-related financial disclosure requirements by the International Sustainability Standards Board (ISSB) should drive the generation of much-needed consistent and high-quality reporting of sustainability-related financial information to meet investors' needs. Accordingly, ACCA welcomes the development of these standards, irrespective of whether they are used on their own or in conjunction with those of other reporting regimes.

Nonetheless, there is considerable demand for all involved to generate trusted and reliable sustainability-related information. This demand extends to designing, implementing and continually improving the relevant processes and systems, including technology, as well as activities to equip people with the necessary capabilities and ways of working.

ACCA's work in influencing relevant policy and regulation, and our qualification and education products are developed to equip our members and future members. This guide, the first in a series, aims to help all those involved in preparing for sustainability reporting to get started. We do this through articulating the eight key stages of the sustainability reporting cycle, supporting its contents with examples and short explanatory videos developed in conjunction with the ISSB.

We call on all those requiring, preparing or providing assurance on sustainability-related information to take their time to appreciate the guide's contents. Less-well-resourced organisations may well wish to 'start small' when applying this guide, but all should re-engage with this guide and the series as they continue to evolve.

We ask professional accountants, specifically, that you take a leading role. Successful sustainability reporting will help drive transparency, business change and, ultimately, sustainable value generation over the long term. The role of the professional accountant at the heart of this has never been more important.



Introduction

The demand for sustainability-related information is growing

Today's global and ever-changing business world and the environment in which organisations operate mean that, regardless of size, industry and location, they will be required to provide sustainability-related information in some form. This may be owing to mandatory requirements relating to the jurisdiction of operation or because the organisation is part of the value chain of a sustainability reporter.

Stakeholders, whether investors, suppliers, consumers, regulators or employees, are seeking better evaluations of organisations' stewardship: for example, relating to environmental, social and financial issues. These stakeholders want to understand aspects of:

- management of resources, risks and opportunities
- building of culture and brand, and
- attitudes and approaches to innovation, which are essentially the prelude to recognising intangible assets within the financial statements.

In this evaluation, integrated sustainability-related and financial information will help stakeholders assess whether the profitability of a profit-oriented organisation can be sustained for the long-term, or whether a public sector organisation can continue providing public services. In addition, certain stakeholders might want to assess whether and to what extent these profits or services were delivered at the expense of the environment or society.

Failure to provide such information may result in negative implications for the organisation, be it through terms of trade and finance or withdrawal of resources provided by stakeholders. For example, the best talent or suppliers may choose other organisations to provide their human, intellectual and manufactured capitals.¹

Amplifying the demand for reporting are the growing regulatory requirements on organisations to be more equitable and sustainable in how they operate. In turn, this is driving action by organisations and their value chains to provide such information, even if not in the format of a formal sustainability report.²

Therefore, many organisations are turning their attention to implementing processes and systems to support their evolving reporting needs.

¹ The resources and the relationships used and affected by the 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 2023c).

² As of September 2023, sustainability reporting in accordance with the European Sustainability Reporting Standards (ESRS) will be mandatory for all organisations subject to the Corporate Sustainability Reporting Directive (CSRD). The European Commission intended that these reports should help stakeholders evaluate the sustainability performance of organisations, as part of the European Green Deal (Source: European Commission 2023a).

Elsewhere, governments, regulators, and stock exchanges, such as those in 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). The latter are often referred to as TCFD-aligned disclosure requirements.

The ISSB Standards are likely to be endorsed and adopted by many jurisdictions following endorsement by the International Organization of Securities Commissions (IOSCO), with recommendations to its 130 member jurisdictions to consider how they can incorporate the ISSB Standards into their respective regulatory frameworks to produce consistent and comparable sustainability-related information across the globe. Together, these capital markets authorities regulate over 95% of the world's securities markets. Growth and emerging markets make up 75% of IOSCO membership (IFRS Foundation 2023a).

Sustainability reporting underpins better business

Organisations may be familiar with the ‘waterfall’ approach to developing a strategy, implementing it, managing risks and then reporting externally on progress. Sustainability reporting requirements, however, extend to explaining the approach as well as the progress made – for many professional accountants this is a big change. This more holistic reporting requirement will deliver benefits beyond the core purpose of the report (see Box A).

Box A: Potential synergies from sustainability reporting

Short term

More thoroughly considered ways of working, including changes to the organisation’s governance, business model, policies and codes of conduct

Clearer understanding of its value-creation process

Improved operational efficiency

Improved customer retention

Medium term

Improved communication with internal and external stakeholders

Better capital and resource allocation

Change in culture to more generally embed sustainability

Mindset shift towards being more forward-thinking and integrative in approaches to problem solving

Attracting sustainability-conscious investors and lenders to provide access to green finance products to fund more sustainable activities

Long term

Improved resilience and longevity

Maintain social licence to operate

Positive brand reputation

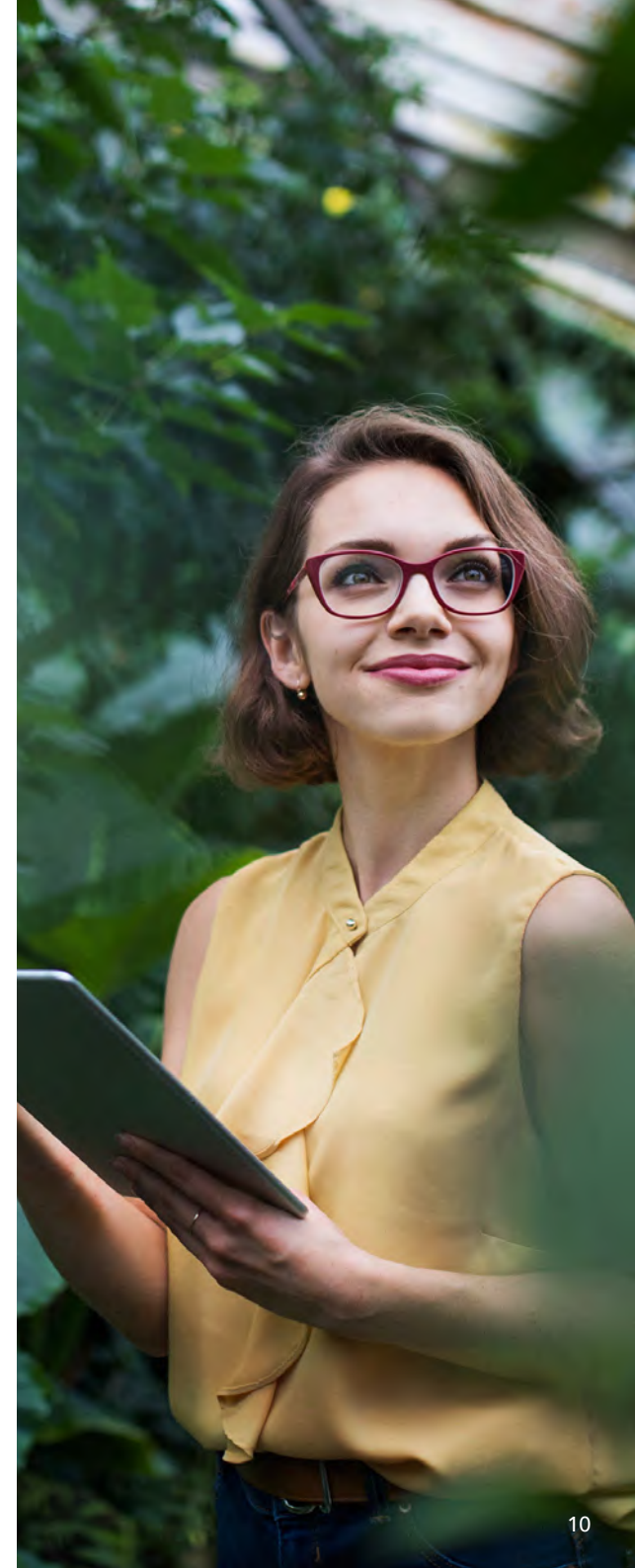
Overall improved financial performance and market value

Improved talent attraction and retention to the organisation with the required drive and capabilities for sustainable business transition

Attracting the next generation of sustainability-conscious customers

High-quality sustainability-related data

These potential synergies may not always emerge in this order, as the pace at which they emerge will depend on the organisation’s unique circumstances. Some benefits may be realised concurrently, while others may carry through across different periods. This list of potential synergies is not exhaustive.





What this guide seeks to achieve and for whom

To meet demands for reporting and realise potential synergies, this first-in-the-series guide sets out important considerations to start preparing for sustainability reporting.

We provide suggestions supported with examples that are relevant to all responsible and accountable for the process-, technology- and people-related matters associated with the preparation for and management of sustainability reporting. The insights within the guide are intended to be sector-agnostic and can be adapted to organisations of various sizes in different industries. For example, less-well-resourced organisations may wish to simplify steps by consolidating or introducing them piecemeal.

While the guide focuses on preparing for sustainability reporting in accordance with the ISSB Standards, the 'building-blocks' nature of the ISSB Standards and how ACCA has developed the guide make it equally relevant to organisations applying other sustainability reporting frameworks or standards.

Therefore, in this work we aim to support *senior management*, talent developers and, of course, professional accountants across a wide range of different organisations.

How to use this guide





Understanding the sustainability reporting cycle

Organisations embarking on the sustainability reporting journey would do well to establish a sustainability reporting cycle, setting out what needs to be done, how, when and by whom.

There are eight stages to the sustainability reporting cycle and these form the basis for the structure of this guide (see [Box B](#)). The eight stages have been developed with proportionality in mind, and outline:

- who is accountable and responsible
- the processes for identifying material sustainability-related information for reporting purposes
- determining, collecting and reporting the data
- considerations for verification that can lead to continual improvement of reporting, and
- the role of people and technology as vital enablers.

Box B: The sustainability reporting cycle

Note. An organisation's main engagement with the cycle will usually follow the clockwise flow suggested. In practice, when engaging with a particular stage, the organisation may find it necessary to return to an earlier stage or one of the earlier underpinning activities detailed within a previous stage.

When undertaking sustainability reporting, there may well be instances when working on one stage may necessitate considering another stage or parts within a stage. For instance, new information discovered when collecting data for reporting may prompt the organisation to revisit the identification of *sustainability-related risks and opportunities (SRROs)* that could reasonably be expected to affect the organisation's prospects or material information about those SRROs. Beyond reporting, the organisation may also revisit its strategy for managing its SRROs.

In support of a simpler engagement, we have designed the guide such that each stage can be engaged with independently of another. Where relevant, we have included links or outlines to key interconnected content from other stages. We encourage all involved to take time to work through the suggested processes, then design processes appropriate to their organisation and implement them. There's no one-size-fits-all solution. It's also essential to reflect and return to the cycle to build in continual improvement. Those designing and implementing processes for the first time may wish to engage with this guide's content piecemeal, and all are encouraged to return regularly to its key messages.

Finally, we recommend that time be invested in documenting the implemented processes, an effort that will be rewarded with benefits of:

- **effective and efficient management of resources** to meet reporting requirements, including from a regulatory perspective
- **ensuring a clear direction and collaboration** among all who are involved in the sustainability reporting journey, including those within an organisation's value chain
- **better quality, and continual improvements in,** reporting, and
- **demystifying what may seem a daunting process.**

Referring to the sustainability reporting cycle's supporting suggestions and examples

This guide is supported by [short explanatory videos](#) addressing some of the more complex concepts and requirements of the ISSB Standards (ACCA n.d.a). You can use these videos to gain a quick overview of the reporting requirements.

However, this guide and the explanatory videos do not reflect all the requirements of the ISSB Standards, or other sustainability reporting frameworks or standards. Accordingly, this guide and the explanatory videos do not substitute reading the ISSB Standards, or other applicable frameworks or standards.

Nothing in this guide will modify, ie it will neither add, remove, nor change, any requirements in the ISSB Standards, or other sustainability reporting frameworks or standards. Where relevant, references to the requirements of the ISSB Standards are mentioned in the footnote.

In some instances, suggestions or examples in this guide may exceed the requirements of the ISSB Standards. These suggestions or examples have been included to illustrate a good practice for the organisation's consideration. The suggestions and examples that feature outline the vital considerations for process, people and technology. They will assist in better appreciation of the stages within the sustainability reporting cycle, as well as the benefits of engaging with providers of sustainability-related data, technology vendors or other stakeholders. Terms defined in the [Glossary](#) are in *italics* the first time they appear in this guide.

Appreciating and suggesting how this series of guides evolves

While the eight stages are likely to remain unchanged, the detail within will change, because sustainability reporting addresses many different matters, often for many stakeholders with different interests. This has the potential for making provision of all relevant guidance at the same time nearly impossible and probably overwhelming for those responsible for preparation. Further, the sustainability reporting requirements will evolve, meaning that the detail within the stages will also need to change.

Therefore, keep abreast of our work in this area of sustainability reporting: there will be more in this series, including further support for less-well-resourced organisations. We are also interested to learn more about the progress being made in sustainability reporting and the related needs of organisations and accountants, and so we will continue to connect with those engaged with ACCA's work in this space.



Executive summary



Sustainability reporting enables the creation and sustaining of long-term value

The organisations investing in developing or continually improving their sustainability strategies and associated reporting are most likely to benefit from also being financially sustainable – not just for the long term but more immediately.

Sustainability-related information, especially when integrated with financial information, equips all involved in organisational decision-making with the insight to appreciate better the interconnections and interdependencies that exist between social, environmental and cultural factors and innovation, financial and many more matters. In turn, these decision-makers are better informed when evaluating and deciding on the trade-offs between these matters over the short, medium and long term, thereby helping to facilitate a just transition to a more sustainable world. They are also more able to meet the demands for sustainability-related information from their many stakeholders who are already engaged with sustainability, whether customers, suppliers, employees or investors. Arguably, and most crucially, these organisations will comply with growing amounts of regulation relevant to the organisation's operations.

Sustainability-related information can take many forms, including information to fulfil procurement and value chain service-level requirements, product labelling and marketing information. For corporate reporting, formal sustainability-related information may be integrated into or presented alongside financial information.

A failure by organisations to own and disclose their sustainability-related information may well mean that others will use tools such as digital methods, including artificial intelligence (AI), to approximate it (Telling 2023), sanctions from regulators, and less favourable terms of trade and finance.

What is the call to action?

The key, and striking, difference between sustainability reporting and financial reporting is the greater emphasis in the former on communicating the approach that organisations are taking to identify the sustainability-related risks and opportunities (SRROs), how they inform strategy and the business model, and in turn, the setting of targets and metrics, together with assessing progress. Essentially, this demands reflection, judgement and externalising the approach to governance which, for many business, finance and accountancy leaders, will mean a shift in behaviours and mindset beyond reporting of the financial position and performance of a strategy.

Additionally, at the outset, getting started will almost certainly demand spending time and effort in reviewing operational processes, instituting systems – including emerging technologies – and equipping all involved with the relevant capabilities.

Achieving quality in sustainability reporting needn't be a race; instead, it's a cycle based on knowing what you want to achieve, equipping yourself with the capabilities, starting the cycle, getting others onboard, and always reassessing for continual improvement. Central to this is having the courage to get started, the ability to apply judgement in the context of your organisation, especially in dealing with uncertainty and the scale of what lies ahead, and finding ways to improve.

The stages to fulfilling the call to action

Therefore, in getting started, many organisations may need to design, implement and continually improve incrementally upon the activities within the cycle of stages proposed in this guide. There are in total eight stages, each with several underpinning actions (see [Box C](#)).



Box C: The sustainability reporting cycle



Note. An organisation's main engagement with the cycle will usually follow the clockwise flow suggested. In practice, when engaging with a particular stage, the organisation may find it necessary to return to an earlier stage or one of the earlier underpinning activities detailed within a stage.



The underpinning activities for each stage

As stated in the section ‘[how to use this guide](#)’, the eight stages are likely to remain unchanged, but the underpinning activities may well need refining and certainly will be added to. ACCA will update the sustainability reporting cycle as needed; therefore, keep abreast of our future work on this.

For now, the key activities relating to each stage include those set out in Table A.

Table A: Underpinning activities for each of the reporting stages

STAGE	STAGE UNDERPINNING ACTIVITIES
Allocating responsibility for sustainability reporting	Leverage the reporting process Decide who are Responsible, Accountable, Consulted, and Informed Enhance governance
Establishing the reporting landscape	Understand the organisation and its environment Identify relevant reporting frameworks Identify priority areas
Determining the material sustainability-related information to be reported	Identify and understand what is important Apply a three-step approach to determine material information about SRROs for reporting Step 1: Identify the organisation’s SRROs ■ Leverage existing risk management or business planning processes ■ Scan the environment and external sources ■ Identify SRROs centrally or at a suitable component Step 2: Assess whether any SRROs could reasonably be expected to affect the organisation’s prospects ■ Assess the extent to which identified SRROs could affect the organisation’s prospects ■ Prioritise the SRROs that could reasonably be expected to affect the organisation’s prospects ■ Validate the SRROs that could reasonably be expected to affect the organisation’s prospects Step 3: Identify material information about the SRROs that could reasonably be expected to affect the organisation’s prospects, for reporting Reassess materiality judgements

STAGE	STAGE UNDERPINNING ACTIVITIES
Determining the data requirements	Determine the reporting boundary and material information in the value chain Set the scope and parameters of data collection - Understand stakeholders' information needs - Align data collection to reporting needs - Consider data while setting measurable metrics and targets Determine the data requirements for each SRRO to be reported
Collecting the data	Select appropriate sources of data - Identify and understand existing data in use - Identify and consider available sources of data - Ethically consider the proportionality of cost against benefit Establish the data collection methodology - Consider available technology options - Align frequency of data collection with reporting timelines - Use consistent methodology - Maximise use of data collected - Practise responsible procurement - Keep the data collection process simple - Embed verification within processes and systems Consider the use of external support
Reporting on the collected data	Select the means of communication Ensure connectivity of information Apply the qualitative characteristics of good reporting Enhance the reporting package
Implementing reporting	Create a formal implementation plan
Implementing reporting: technology as an enabler	Set a clear strategy for using technology to facilitate sustainability reporting Ensure the right level of governance is built into the technology Assess the credibility of technology used in sustainability reporting

STAGE	STAGE UNDERPINNING ACTIVITIES
Implementing reporting: people as enablers	Make the case for investing in people Who is accountable and what are the people-related sustainability reporting considerations? Create awareness of their responsibility among individuals and teams, as well as the what, why and how of reporting Review the organisation design – positioning of functions, capacity, and access to capabilities ■ Emphasise the enhanced and increasingly connected role of the risk and finance functions ■ Invest in internal audit ■ Enable globally distributed ways of working for multi-jurisdictional and better integration of reported information ■ Create flexible collaborative and technology-enabled environment for data, insights and feedback loops Engage and manage providers and users of sustainability-related information ■ Introduce sustainability reporting the right way – at the right time and with the relevant roles ■ Set expectations for continual change ■ Build in opportunities to learn from sustainability experts or collaborate to overcome some of the resource challenges ■ Embed compliance with the ethical code among all using sustainability reporting content Manage talent ■ Know the capabilities required ■ Determine and implement the strategy to access the required capabilities ■ Measure and reward commitment and progress ■ Develop and implement the strategy for retaining talent
Verifying what is reported, and continual improvement	Obtain assurance ■ Consider the type and level of assurance ■ Select assurance providers ■ Expand the role of audit committee Set metrics to drive continual improvement ■ Quality of data over time ■ Stakeholders' feedback on value of sustainability-related information ■ Disseminate sustainability knowledge across the organisation and its retention ■ Integration of sustainability in discussions across the organisation



Who is responsible and accountable for sustainability reporting?

Everyone within the organisation is likely to have some responsibility, from those in risk management, finance, human resources, and technology, to those in operational functions, including supply-chain management functions. Therefore, *those charged with governance* in the organisation will need to demonstrate sustainability reporting leadership, being accountable for ensuring that responsibilities for reporting are clear and are properly assumed.

Responsibility for producing the sustainability report is likely to become an increasing part of the professional accountant's role, not least because of the increasing need to present a holistic story of sustainability-related and financial performance, position and future prospects.

Further, the provision of sustainability-related information is not limited to large or complex organisations so, in smaller organisations, resource constraints are likely to make the finance function responsible for sustainability-related information.



1. Allocating responsibility for sustainability reporting

Figure 1.1: The sustainability reporting cycle: allocating responsibility



Allocating responsibility for sustainability reporting

- Leverage the reporting process
- Decide who are Responsible, Accountable, Consulted and Informed
- Enhance governance

Sustainability reporting is a subset of corporate reporting which, in turn, is essentially about accountability and communication (ACCA 2021b). Whereas the corporate reporting focus has previously been on financial reporting, today's approach incorporates sustainability reporting, which provides a more holistic view of the organisation.

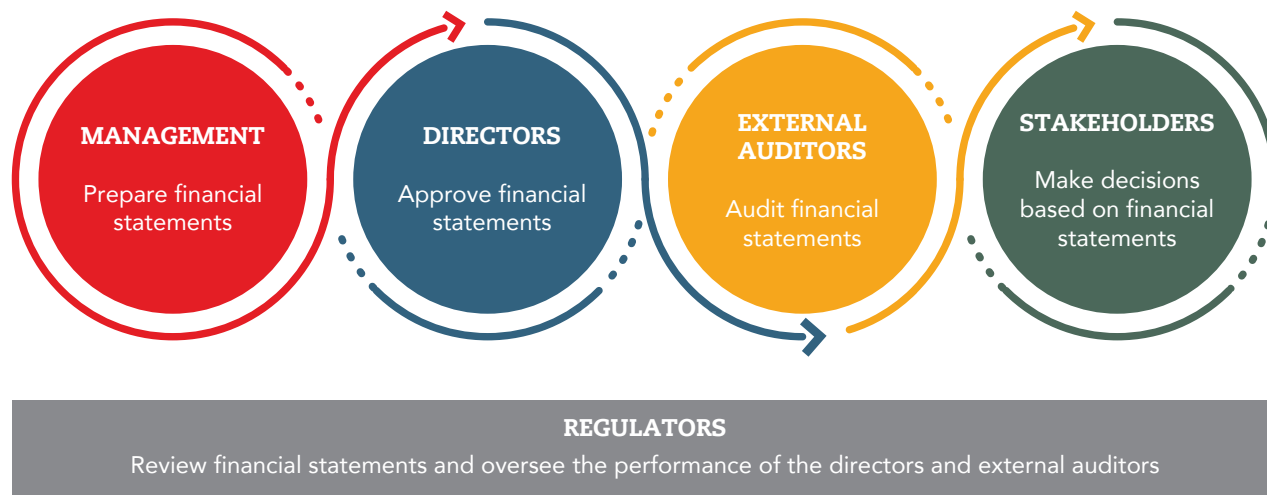
In this stage (Figure 1.1), the guidance we provide relates to the following activities:

- leveraging the reporting process
- deciding those who are to be responsible, accountable, consulted and informed
- enhancing governance.

1.1 Leverage the reporting process

Deciding who in the organisation should be responsible for sustainability reporting begins with looking at the existing financial reporting process. As in financial reporting, each participant in the sustainability reporting process has a role in ensuring that relevant, useful, comparable, reliable and consistent information is provided to enable *primary users* and *other users* to make informed decisions. For a large organisation, other users can include individuals from risk management, finance, human resources and technology, as well as those in operational functions, including the supply-chain management function. It is important to note that while the reporting process may not change significantly on the surface, the organisation still needs to consider how the roles and interactions among the respective participants might need to change (see Box 1.1).

Box 1.1: Key participants in the financial reporting process



Source: CA ANZ and ACCA (2017)



1.2 Decide who are responsible, accountable, consulted, and informed

An organisation should not stop at identifying and deciding who is responsible – it is equally important to identify and decide who among those along the reporting process are accountable, consulted and kept informed. Having a sufficiently detailed Responsibility Assignment Matrix (or ‘RACI Chart’) in place can ease communication and ensure clarity throughout the organisation, by ensuring that everyone is always on the same page (see Box 1.2). Details could include information about how oversight is exercised in a situation where particular responsibilities were delegated. With this in place, the organisation can then look to reviewing and updating its terms of reference, mandates, and other policies to reflect changes where necessary.

The responsibility for producing the sustainability report is likely to become an increasing part of the professional accountant’s role, for reasons including the need to present a holistic story about an organisation’s sustainability-related and financial performance, position, and future prospects. Because providing sustainability-related information is not limited to large or more complex organisations, it is also likely that much smaller organisations facing resource constraints will make responsibility for sustainability-related information a required part of the role of the finance function.

Box 1.2: What is a Responsibility Assignment Matrix (or RACI Chart)?

The Responsibility Assignment Matrix (or RACI Chart) (Friedman 2008) spells out the roles of all stakeholders, from within and outside the organisation, from all participating departments. It also guides internal communications by clearly identifying who receives information, how frequently, and at what level of detail.

RACI stands for ‘Responsible, Accountable, Consulted and Informed’. Typically, each role in the activity for each task is assigned, at most, only one type of participation (ie R, A, C or I). Assigning a role to more than one type of participation indicates that the level of participation has yet to be fully resolved, which will limit the clarity and value that this matrix can bring to the organisation.

An example of how a Responsibility Assignment Matrix can be developed is illustrated below.

Relevant activity	Responsible [does the task]	Accountable [signs off task as having been satisfactorily completed]	Consulted [provides input based on having knowledge and/or understanding of the task]	Informed [made aware at the high-level, usually does not need the full details]
Activity 1	Eg individual(s) from operational segment, division or component.	Eg head of operational segment, division or component to whom the responsible individual(s) report(s).	This can include subject matter experts as well as responsible individuals from other relevant operational segments, divisions or components. Eg if the activity is sensitive to changes in local jurisdictional legislation, individuals from the legal team or with the relevant legal background might fall within this category.	Eg overall head to whom the accountable individual reports.
Activity 2				
Activity 3				

1.3 Enhance governance

Those charged with governance have a vital role in overseeing an organisation's strategy, decisions on major transactions, and its risk management process and related policies. With sustainability reporting developments, the governance role is expanding to include sustainability and related reporting considerations, including considerations of any necessary trade-offs associated with SRROs in pursuit of a just transition.³ For example, these might include considering the environmental impacts of building new operations against employment opportunities that would be created for the surrounding community. Regardless, care is needed to avoid a 'compliance mindset' and ensure that governance is not reduced to a box-ticking exercise (ACCA 2018a).

Senior management should support those charged with governance in their oversight of SRROs through the use of controls and procedures, which should be integrated consistently across the organisation's internal functions. Where those charged with governance have delegated responsibility for a particular role, there should be a clear line of reporting and oversight exercised over that position (see Box 1.2), with clear expectations set on the scope and frequency of reporting to those charged with governance, in order to facilitate timely decision-making and effective oversight.

Governance is important for all organisations, irrespective of size. Large organisations are likely to have more complex governance structures spanning across different functions and components. In contrast, a smaller organisation might find that the majority of its governance roles are held by a small group of individuals.

We set out in Box 1.3 some questions that those charged with governance, or audit committees, can pose to senior management in fulfilling their expanded role.

Box 1.3: Sample questions that those charged with governance can ask senior management

The board of directors can make sustainability, and reporting on it, an organisational priority by including it as a standing item on its board meeting agendas. Questions that previously focused on financial reporting can be expanded to cover sustainability reporting as well, as illustrated below.

Can you give us a brief overview of the process for preparing the **sustainability-related and** financial information in the organisation's annual report, including the review processes?

What has made you confident about the accuracy and integrity of the **sustainability-related and** financial information reported?

What were the key assumptions made in preparing the **sustainability-related and** financial information reported?

What were the areas requiring the most judgement and how did you mitigate any bias that may have affected these judgements?

Have any **external reviews** been undertaken (ie by a regulator)? If so, what were the findings of these reviews and how are recommendations arising from the review being managed?

If applicable, were the external auditors **and/or sustainability assurance providers** engaged to undertake any additional engagements (ie tax compliance or consultancy services)?

Source: Adapted from CAANZ and ACCA (2017)

³ IFRS S1, paragraphs 27 and 33(c).

2. Establishing the reporting landscape

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



Establishing the reporting landscape

- Understand the organisation and its environment
- Identify relevant reporting frameworks
- Identify priority areas

Before charting a path and making key decisions, it is important, first, to understand and evaluate where the organisation currently stands in relation to sustainability reporting and the environment in which it is operating (Figure 2.1).

Corporate reporting applies a ‘building blocks’ approach, layering sustainability and other disclosures with financial disclosures. Reporting frameworks applied are often a combination of mandatory and non-mandatory requirements, which can be at international, regional and/or national jurisdiction levels, with certain requirements applying to all organisations and other requirements being industry specific. See Box 2.1 for a high-level illustration of the ‘building blocks’ approach showing how different corporate reporting initiatives fit together.

In this stage (Figure 2.1), the guidance we provide relates to the following activities:

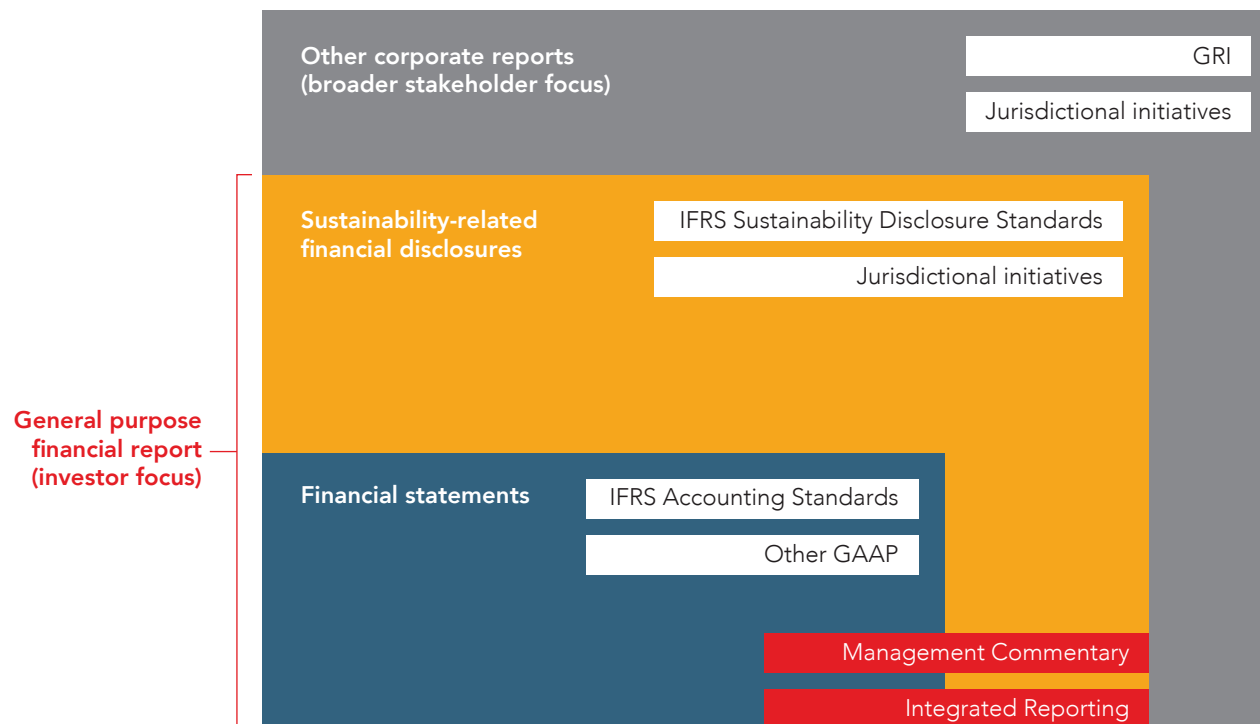
- understanding the organisation and its environment
- identifying relevant reporting frameworks
- identifying priority frameworks.

2.1 Understand the organisation and its environment

As a start, those responsible can ask these questions to determine the parameters within which the applicable reporting frameworks should be identified.

- **Where does the organisation operate?** This covers the organisation’s legal form and where it is physically located, as well as the jurisdictions in and with which the organisation carries out its activities. These can be at international, regional and/or national levels, and can include activities carried out online through a virtual platform.
- **In which industries is the organisation involved?** A larger or more complex organisation might be involved in a range of activities spanning multiple industries, which might be (though not necessarily) interrelated. Each industry is likely to have its own set of requirements, with certain industries, eg finance, healthcare, being more heavily regulated than others.

Box 2.1: A high-level illustration of how different corporate reporting initiatives fit together



Source: Adapted from IFRS Foundation (2023b)

2.2 Identify relevant reporting frameworks

Next, the organisation should identify the legislation, jurisdictional and industry requirements, relating to sustainability reporting, that are applicable to the organisation. Every organisation, regardless of size and complexity, needs to comply with a combination of jurisdiction- and industry-specific disclosure requirements, which can differ in complexity depending on where and how the organisation operates.

The organisation’s legal form is likely to determine the extent to which requirements apply, and the level of disclosures required. For example, companies often have different, if overlapping, reporting requirements from other types of organisations, such as sole proprietorships, partnerships, clubs, societies and cooperatives. Similarly, publicly traded organisations are likely to have disclosure requirements that are different from and more stringent than those for organisations that are not publicly traded.

An organisation operating across multiple jurisdictions might have the added complexity of first having to consider the base disclosure requirements that pertain to all organisations operating in each jurisdiction. The organisation will need to be alert to the possibility that a subsidiary operating in a different jurisdiction from its parent might be required to make disclosures at the same level as, or in a greater level of detail than, its parent. Then, the organisation needs to overlay that base with industry-specific requirements in the respective jurisdictions, and consider how these apply together and interact with the organisation’s overall structure and value chain.

Care will also be needed to consider whether there are also international or regional requirements that the organisation must comply with in addition to national requirements. If organisations keep a watchful eye on areas for policy development pertaining to encouraging sustainable business practices, they can also gain a head start on future reporting requirements (see Box 2.2).

Box 2.2: Sources of insight for potential policy development and the reporting landscape

The work of organisations such as the Organisation for Economic Co-operations and Development (OECD) highlight the environmental and societal aspects of concern (OECD n.d.a) and the areas for potential policy interventions (OECD n.d.b). Monitoring of such policies will assist in identifying and reporting on sustainability-related risks and opportunities (SRROs), and possibly the development of future sustainability reporting standards.

Further, if the development of reporting requirements in Europe reflects what is to come for other jurisdictions, then all organisations should keep a watchful eye on these.

Year	In scope	Required to publish with assurance by a CSRD-compliant assurer ESRS-compliant sustainability reports for the period commencing on or after
2025	Large, listed companies; large banks; large insurance undertakings; and some large companies in scope of the European Union (EU) Non-Financial Reporting Directive (NFRD)	1 January 2024
2026	Large EU-listed and non-listed companies not currently in scope of the EU NFRD	1 January 2025
2027	Listed small and medium-sized entities (SMEs) and non-EU-listed SMEs and insurance undertakings	1 January 2026
2029	Listed SMEs that opted out from 2026 and 2027 reporting	1 January 2028
2029	Non-EU companies with substantial activity in the EU	1 January 2028 at the group level

The requirement to report using European standards extends to certain non-European organisations too. European organisations may also need to follow their own reporting requirements plus those of other jurisdictions.

Source: Adapted from European Commission 2023b; requirements correct as at July 2023.

Thereafter, the organisation can identify those additional non-mandatory reporting frameworks that it wishes to adopt. An organisation's selection of relevant reporting frameworks should align with and complement its strategic vision and direction. It will also need to assess how the selected reporting frameworks will interact with, and to what extent they can complement, the mandatory requirements that the organisation must adhere to across all the jurisdictions and industries with and in which it operates. For instance, local requirements may be aligned with the framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD) (see Box 2.3).

Box 2.3: Example of layering a non-mandatory reporting framework over local mandatory reporting requirements

An organisation currently applying its local TCFD-aligned disclosure requirements to its sustainability reporting may decide to apply the ISSB Standards, which may yet to be adopted in the jurisdiction in which it operates.

As disclosures made using the ISSB Standards are also in compliance with the TCFD recommendations, this is likely to ease the organisation's application of the ISSB Standards. Even so, it still needs to perform a gap analysis to assess the extent to which existing disclosures meet the requirements of the ISSB Standards, which can sometimes go beyond the TCFD recommendations.

In doing so, the organisation will need to be mindful of, and resolve differences arising from, the two frameworks' use of similar, but not identical, language. They can also assess how the transition reliefs in the ISSB Standards might be helpful in the initial stage of implementation. Transition reliefs are only applicable during the transition period, however, and a plan towards full implementation will be needed in the longer term.

2.3 Identify priority areas

Having worked through the above stages, the organisation is now ready to prioritise where it will focus its efforts – initial focus might be on mandatory requirements. There is also a need to ensure that it has monitoring activity in place, as this is an evolving space where requirements may change from time to time, at a pace that can differ from one jurisdiction or industry to another, and is often influenced by their respective levels of maturity (see Box 2.4).

For example, an organisation involved in the healthcare industry may prioritise implementing mandatory regulatory requirements over implementing encouraged best practices.

While an organisation may decide to apply multiple frameworks in communicating its sustainability journey, it also needs to remain mindful of its available resources for achieving that goal. This topic is explored in greater detail in [section 7.3](#).

Box 2.4: Identifying priority areas

'In terms of evaluating the landscape, evaluating the legislation... making that key decision on which legislation we are going to follow first – What's the priority for us? Which one eventually becomes more strict? ... This is a moving space' (a change-management consultant).



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



Determining the material sustainability-related information to be reported

- Identify and understand what is important
- Apply a three-step approach to determine material information about sustainability-related risks and opportunities for reporting
- Reassess materiality judgements

Sustainability reporting is likely to cover a range of matters but, for it to be useful to primary and other users, the emphasis should be on material information. In this stage, the guidance we provide advises on:

- identifying and understanding what is important
- applying a three-step approach to determine material information about sustainability-related risks and opportunities (SRROs) for reporting
- reassessing *materiality* judgements (Figure 3.1 and Box 3.1).

Box 3.1: Explanatory videos on ISSB Standards

Watch these [explainer videos](#) (ACCA n.d.a) to help you understand the requirements in the ISSB Standards.

- **General overview of IFRS S1: Sustainability**
- **General overview of IFRS S1: The TCFD structure**
- **Key features of IFRS S2**

3.1 Identify and understand what is important

Before reporting, an organisation needs first to understand its business model, strategy and value chain. Establishing (or revisiting) the organisation's purpose and vision can help the organisation chart its direction better, to achieve its aspirations, eg towards achieving net zero, decarbonisation efforts, effluent reduction.

An organisation's reporting needs are likely to be driven by:

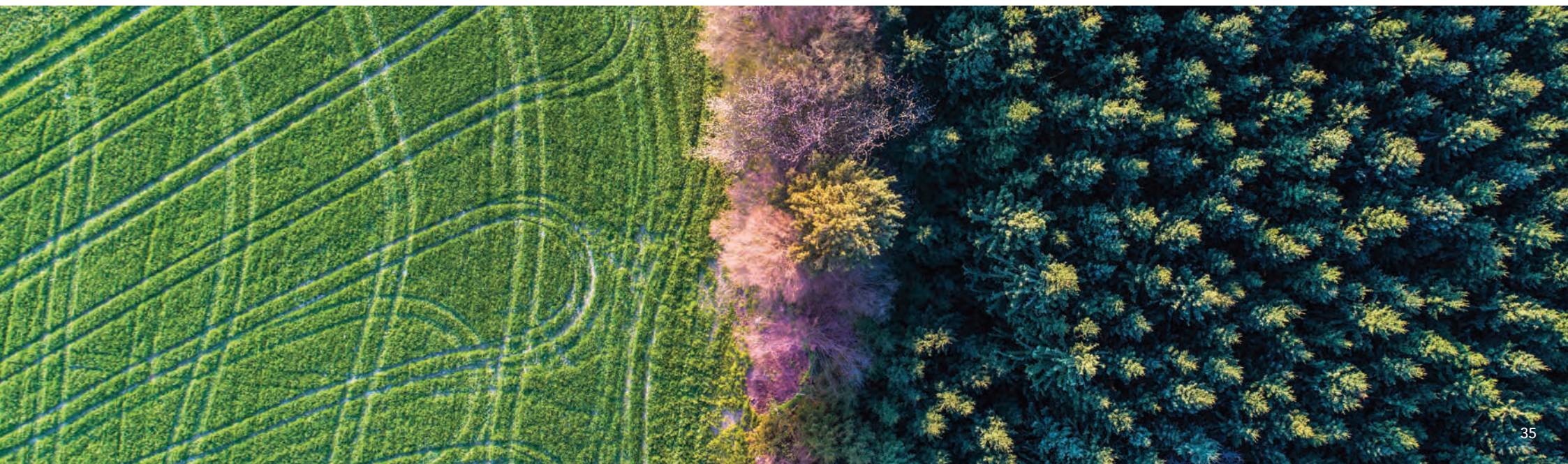
- the information needed by the organisation's senior management and those charged with governance to make informed decisions
- the mandatory reporting requirements to which the organisation is subject, and
- the legitimate information needs of primary and other users. (ACCA 2021b)

Disclosures that meet these reporting needs will be guided by the organisation's materiality assessment and require considerable judgement. The organisation will need to make various judgements in determining the material sustainability-related information to be reported. For example⁴ in:

- determining which sources of guidance in the ISSB Standards, or other reporting standards, to apply
- identifying SRROs that could be reasonably expected to affect the organisation's prospects
- identifying material information to be disclosed, in accordance with the standard that specifically applies to an SRRO; in the absence of a standard that specifically applies to the SRRO, judgement is applied to identify information that is relevant to the decision-making of primary users of the organisation's *general purpose financial reports*, and faithfully represents that SRRO
- assessing whether an event or change in circumstances is significant and requires reassessment of the scope of all affected SRROs throughout the organisation's value chain

At the same time, reporting for internal and external purposes should be as closely aligned as possible, both in content and frequency, to optimise operational efficiency and usefulness. This can help organisations reduce their reporting burden.

⁴ IFRS S1, paragraph 75 and Appendix C.



3.2 Apply a three-step approach to determine material information about sustainability-related risks and opportunities for reporting

Determining material information about SRROs for reporting needs a three-step approach:

- **Step 1:** identify the organisation's SRROs
- **Step 2:** assess whether any SRROs could reasonably be expected to affect the organisation's prospects, then
- **Step 3:** determine material information about the SRROs that could reasonably be expected to affect the organisation's prospects, for reporting externally.

The size and complexity of the organisation, and the resources and capabilities of the people managing the process, may decide whether these steps happen at the same or different times, and be done by the same or different people. A less-well-resourced and less complex organisation may favour conducting the three steps together, as the same people are likely to be responsible for the tasks. In contrast, larger and more complex organisations may choose to carry out these steps separately, with the added granularity of considering them at different levels or geographic locations.

Step 1: Identify the organisation's SRROs

Leverage existing risk management or business-planning processes

An organisation may use its existing risk management process or business-planning process to identify its SRROs. IFRS S1 requires an organisation to use reasonable and supportable information that is available at the reporting date to identify SRROs, including information about past events, current conditions, and forecasts of future conditions⁵. There may be gaps if the existing risk management or business-planning process was not designed to identify and manage SRROs, but such processes can be enhanced to:

- assess risks and opportunities arising from new objectives or new sustainability-related targets that the organisation has set for itself or is required to meet as a result of laws and regulations

- use scenario analysis, taking into account forward-looking information to identify SRROs
- assess risks and opportunities arising from the product life cycle assessment (LCA) (see Box 3.2).

Section 7.3 on people, specifically [section 7.3.4](#), provides guidance on how existing processes may be enhanced.

Box 3.2: Conduct a product life cycle assessment to identify SRROs and more

A product LCA helps an organisation to evaluate the capitals, including natural capitals, in its value chain (ACCA 2021a). A 'product' may be either goods or services. An organisation's dependencies on these capitals and its impacts on those capitals may give rise to SRROs for the organisation. For example, an organisation could be exposed to the related consequences of SRROs faced by stakeholders throughout its value chain.

A product LCA aids:

- the identification of SRROs across the product life cycle
- the identification of metrics for internal and external reporting
- the identification of the interconnections and trade-offs between the capitals, for decision making
- the identification of data needs, 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, and includes references to LCA consultants who can provide specific advice or conduct the LCA.

⁵ IFRS S1, paragraph B6(a).



Scan the environment and external sources

Besides identifying SRROs from information that is developed internally, the organisation may further consider the applicability of:

- relevant sustainability reporting standards and/or frameworks to identify SRROs that are applicable to the organisation, eg refer to requirements and sources of guidance in the ISSB Standards⁶
- corporate reports of competitors or industry peers for SRROs (and related metrics and targets) that others have identified and assess whether these are applicable to the organisation
- environmental and societal trends or drivers of change that may result in SRROs for the organisation
- social media platforms or news channels for news and views about the organisation.

Scan your industry peers or competitors

When scanning the corporate reports of competitors or industry peers for SRROs that others have identified, consider whether data that has been made publicly available:

- can be used by the organisation in its own scenario analysis and reporting, or
- can balance its efforts in collecting data from stakeholders up and down its value chain.

Scan the work of experts or other authoritative sources

The works of the Intergovernmental Panel on Climate Change (IPCC), or other authoritative sources may help in identifying SRROs. The IPCC prepares comprehensive assessment reports about the state of scientific, technical and socio-economic knowledge on climate change, its impacts and future risks, and options for reducing the rate at which climate change is taking place (IPCC 2023). The latest IPCC assessment report may help an organisation identify climate-related risks and opportunities (and related metrics and targets) that apply to it and/or provide assumptions and parameters that could be used in its climate-related scenario analysis.

Scan the cyber world

Meanwhile, the speed at which social media and news channels spreads information and influences the public's perception of an organisation should not be

underestimated. It could result in both financial and sustainability implications for the organisation. Technology such as data analytics and artificial intelligence can be used to scour the internet and social media for concerns or sentiments about the organisation and the industries it is involved in, to identify SRROs.

Identify SRROs centrally or at a suitable component

Identifying SRROs may be done centrally or delegated to a suitable component of the organisation. The organisation may use a central-to-component approach, a component-to-central approach, or a combination of both approaches.

- In using a central-to-component approach, a list of SRROs is identified and maintained centrally. This list of SRROs is then shared with components in the organisation. These components senior management will assess the extent to which each SRRO could affect their respective components' prospects. Assessed SRROs are then aggregated and prioritised (or ranked) centrally.
- In using a component-to-central approach, SRROs are identified by each component and then aggregated centrally. The extent to which each SRRO could affect the organisation's prospects is assessed centrally, together with senior management of all components. Assessed SRROs are then prioritised.

Step 2: Assess whether any SRROs could reasonably be expected to affect the organisation's prospects

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

In assessing whether the identified SRROs could reasonably be expected to affect the organisation's prospects, evaluate:

- the organisation's **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

- the **scope of the organisation's value chain**, including its breadth and composition, in relation to each of those SRROs⁷. (See Box 3.3)

Box 3.3: Determining whether the SRROs could reasonably be expected to affect the organisation's prospects in the context of the ISSB Standards

IFRS S1 sets out the requirements for identifying and determining SRROs that could reasonably be expected to affect the organisation's prospects but does not dictate any particular process. An organisation is required to explain its processes and the related policies it uses to identify, assess, prioritise and monitor SRROs, and the extent to which, and how, these processes are integrated into, and inform, its overall risk management process⁸.

The search for information to identify SRROs that could reasonably be expected to affect its prospects need not be exhaustive. Organisations are required to use all reasonable and supportable information that is available at the reporting date without undue cost or effort.

The assessment of what constitutes undue cost or effort depends on the organisation's specific circumstances. It requires a balanced consideration of the costs and efforts for the organisation and the benefits of the resulting information for primary users⁹. That assessment is not static and may change over time as circumstances change.

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

- **Materiality, what to disclose and when** (ACCA n.d.a).

⁶ IFRS S1, paragraphs 54–59 and Appendix C.

⁷ IFRS S1, paragraph B6.

⁸ IFRS S1, paragraphs 44 (a)–(c).

⁹ IFRS S1, paragraph B10.

A significant event or significant change in circumstances may cause the scope of an organisation's SRROs to change, even when the organisation is not directly involved in those events or circumstances. (See Box 3.4.)

Box 3.4: Could significant events or significant changes in circumstances trigger reassessment of affected SRROs?

A significant event or significant change in circumstances can occur in which the organisation is not directly involved, but which still affects it. This may also arise as a result of a change in what the organisation assesses to be important to primary users of its general purpose financial reports.

Examples of such significant events or significant changes in circumstances include¹⁰:

- a significant change in the organisation's value chain (for example, a supplier in the value chain makes a change that significantly alters its *greenhouse gas (GHG) emissions*)
- a significant change in the organisation's business model, activities or corporate structure (for example, a merger or acquisition expands the organisation's value chain), and
- a significant change in the organisation's exposure to SRROs (for example, a supplier in the value chain is affected by a new regulation that the organisation had not anticipated).

On the occurrence of such a significant event or significant change in circumstances, the organisation is required by IFRS S1 to reassess the scope of all affected SRROs throughout its value chain¹¹.

Prioritise the SRROs that could reasonably be expected to affect the organisation's prospects

Regardless of the approach taken, those charged with governance should have oversight of the process of prioritising (or ranking) the SRROs that could reasonably be expected to affect the organisation's prospects. This process may form part of an organisation's business planning process. The governance body that is responsible for oversight of SRROs could be the board, a committee or equivalent body charged with governance. While the ISSB Standards do not specify the responsibilities of those charged with governance, they require disclosures on governance to enable primary users to understand the governance processes, controls and procedures used to monitor, manage and oversee the organisation's SRROs¹².

Validate the SRROs that could reasonably be expected to affect the organisation's prospects

Determining which SRROs could reasonably be expected to affect the organisation's prospects is a key matter of importance and heavily subjective. Judgements drive the contents for sustainability reporting, and indeed the sustainability strategy itself. That fact warrants efforts to carry out validation to challenge assumptions that the organisation has determined the right SRROs. A great way of doing this is to validate the SRROs with stakeholders (see Box 3.5).

¹⁰ IFRS S1, paragraph B11.

¹¹ IFRS S1, paragraph B11.

¹² IFRS S1, paragraph 26.



Box 3.5: Validating the SRROs with stakeholders

Validating the SRROs that could reasonably be expected to affect the organisation’s prospects with key stakeholders may unveil the real concerns of each stakeholder group while establishing whether the organisation has determined the right SRROs. These key stakeholders include:

- internal stakeholders, such as senior management, those charged with governance, and other employees
- primary users of general purpose financial reports, such as shareholders, investors and lenders
- other external stakeholders, such as key suppliers and customers in the value chain, and regulators.

Assessing the extent to which different key stakeholders care about the SRROs that have been determined (ACCA 2021b) may be done through:

- existing sources, such as employee engagement surveys, customer surveys, social media interactions and questions raised at investor presentations and annual general meetings
- specific stakeholder engagement to gain feedback on SRROs that could reasonably be expected to affect the organisation’s prospects, through interviews, meetings, and workshops.

Organisations that operate in multiple jurisdictions would need to be alert for SRROs and the associated information that may be relevant for reporting within the context of one reporting framework or standard, though it may not be considered material in another. For example, an organisation may report its sustainability-related information in accordance with the ISSB Standards and the European Sustainability Reporting Standards (ESRS). The latter require sustainability matters to be assessed using the *double materiality* principle.

In certain circumstances, a particular SRRO could be relevant for reporting if:

- its information is relevant to external stakeholders, other than primary users, as it affects them or the environment, or
- it is considered material in the context of another reporting framework or standard that the organisation is/will be complying with, or
- law or regulation specify requirements for disclosure about the particular SRRO.

The validation process may begin with stakeholders other than the primary users. The next step is to validate whether information about an SRRO, either individually or in combination with other information, is material to primary users when taken as a whole. The approach for validating SRROs with stakeholders is not standardised and can be adapted for the different stakeholder groups (Datamaran 2023).

See Figure 3.2 for an example of how assessing SRROs that could be relevant for reporting may look like.

Figure 3.2: Assessing SRROs that could be relevant for reporting



Note. This diagram is for illustration only and is not to scale. Organisations may find other ways that are more suitable for their circumstances to illustrate the assessment of SRROs that could reasonably be expected to affect the organisation’s prospects.

Step 3: Identify material information about the SRROs that could reasonably be expected to affect the organisation's prospects, for reporting

The threshold that distinguishes material information from non-material information will be unique to each organisation.

In determining material information for reporting about the SRROs that could reasonably be expected to affect the organisation's prospects, the following factors need to be assessed:

- The **requirements of relevant sustainability reporting standards or frameworks** that specifically apply to that SRRO.
- The information's **relevance to the organisation's purpose and business**, by taking into account the nature, magnitude and likelihood of actual or anticipated effects from the SRROs.
- Its **relevance to key internal and external stakeholders** – if information about an SRRO is highly scrutinised by primary users, it could be material for reporting regardless of the magnitude of its potential effects (see Box 3.6).
- Both **quantitative and qualitative factors**, such as the magnitude and the nature of the effect of an SRRO on the organisation, should be assessed. Different factors may be used for environmental, social or governance topics. These factors may include the level of greenhouse gas (GHG) emissions, number of employees, revenue or profit, among others.
- The **extent of managing the SRRO**, such as putting controls around it, and whether the controls will trigger remedial actions. Such actions may include stopping something entirely, changing the way of doing some thing, or sharing the risk. If the importance of managing the SRRO and putting controls around it can be justified, information about the SRRO is most probably material.
- The **potential effects and likelihood of future events** – information about an SRRO is more likely to be material if the potential effects are significant and the event is likely to occur (See Box 3.7).

- The **dynamic pace at which an SRRO can affect an organisation's prospects** – evaluate what can cause an SRRO to affect an organisation's prospects and how quickly it can happen (see Box 3.8).

Box 3.6: Considering influences on users' investing decisions

'If we didn't disclose [information about] this SRRO, would it make a difference to users' investing decision?' (a risk management expert).

Box 3.7: Assessing the potential effects and likelihood of future events

In some cases, SRROs might relate to a possible future event with uncertain outcomes. Information about such SRROs is more likely to be material if the potential effects would be significant and the event is likely to occur¹³. For such cases, the organisation needs to assess:

- the potential effects of the events on the amount, timing and uncertainty of the organisation's future cash flows over the short, medium and long term (referred to as 'the possible outcome'), and
- the range of possible outcomes and the likelihood of the possible outcomes within that range¹⁴.

¹³ IFRS S1, paragraph B23.

¹⁴ IFRS S1, paragraph B22.



Box 3.8: The relationship between multiple forms of materiality

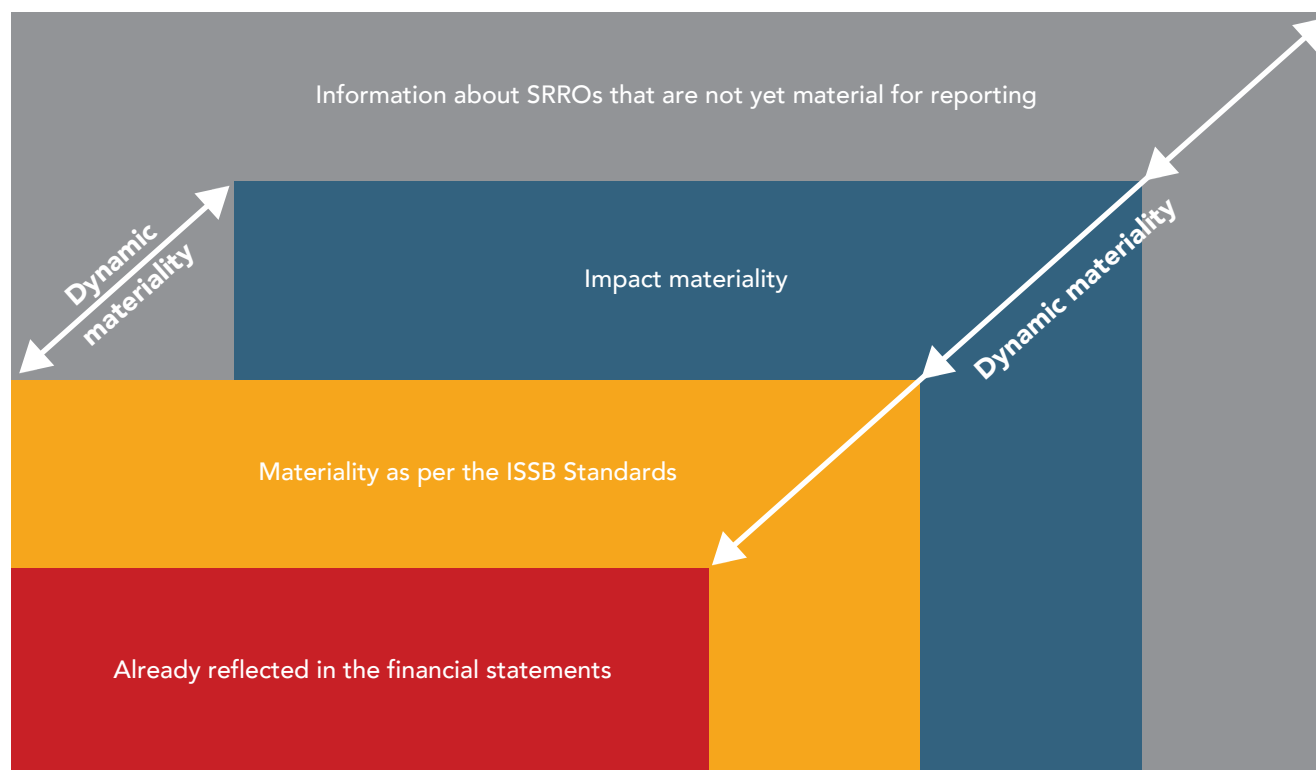
Information needs of primary users may evolve over time¹⁵. Organisations need to be forward-looking and proactively identify and evaluate triggers that may rapidly cause SRROs to affect an organisation's prospects. When it happens, information about an SRRO that appears immaterial today can quickly become material tomorrow (WEF and BCG 2020).

Hence, materiality assessment is a continuous process that requires considerable judgement. This is true regardless of the materiality principle applied.

Organisations that operate in multiple jurisdictions and use more than one reporting framework or standard for their reporting would need to be more vigilant. They need to be alert to, and make judgements about, the new information and developments in the environment and society that can be potential triggers. Some information may become less material over time, though this may be a lesser concern. Figure 3.3 and the accompanying example illustrate how the materiality of information about an SRRO can be dynamic.

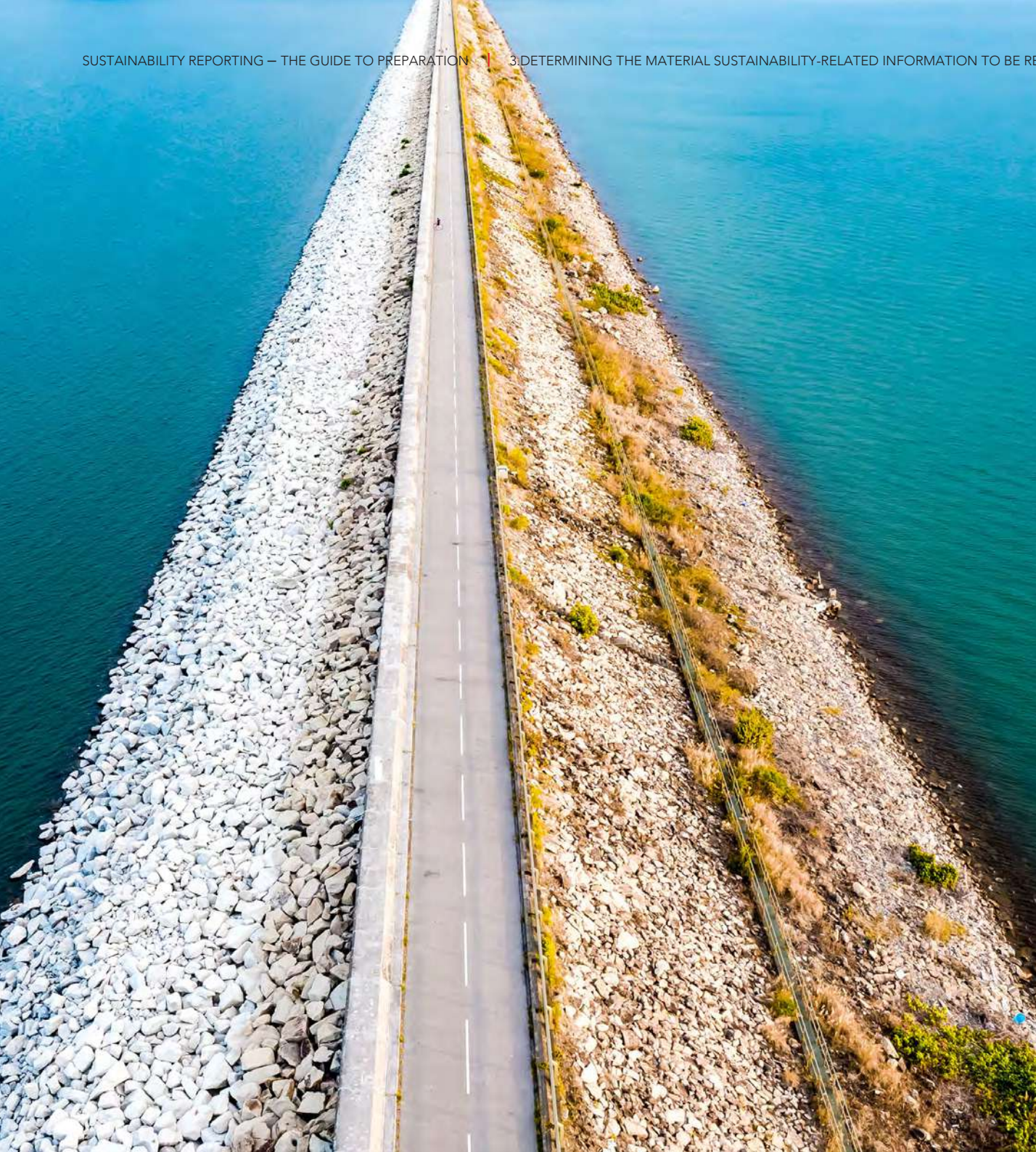
- A geopolitical event (or other SRRO) disrupts the organisation's supply-chain, requiring a change in raw material sourcing or production processes that impairs how employees discharge their role. Judgement will be needed in assessing whether the impact on employees is relevant for impact materiality reporting, and possibly also under ISSB 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 these manufactured goods. Such an event may well be material under the ISSB Standards and the applicable accounting standards (eg the IFRS Accounting Standards), and judgements must be made about the information that will be material to investors.

Figure 3.3: An illustration of the relationship between multiple forms of materiality



Source: Adapted from Cristofaro and Gulluscio 2023.

¹⁵ IFRS S1, paragraph B18.



3.3 Reassess materiality judgements

Material information about an organisation's SRROs may change over time. Information that was material in the previous period may no longer be material now, if circumstances have changed. Conversely, information that was not material in the previous period may now become material. As mentioned earlier, this could happen rapidly (see [Box 3.8](#) and [Figure 3.3](#)). A new (or previously unidentified) SRRO may even arise (see [Box 3.4](#)).

The ISSB Standards require materiality judgements to be reassessed at each reporting date, taking into account changed (or new) circumstances and assumptions¹⁶.

¹⁶ IFRS S1, paragraph B28.

4. Determining the data requirements

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



Determining the data requirements

- Determine the reporting boundary and material information in the value chain
- Set the scope and parameters of data collection
- Determine the data requirements for each sustainability-related risk and opportunity to be reported

Data is the means by which an organisation can analyse and interpret the present and look towards the future, using techniques such as predictive analytics and scenario analysis to demonstrate impact over the short, medium and long term (ACCA 2022a). Having a universal data model is essential to this.

Part of the data model is informed by the prior stages of the reporting cycle, but there are additional considerations that relate to:

- determining the reporting boundary and value chain
- setting the scope and parameters of data collection
- determining the data requirements (Figure 4.1).

Watch these [explainer videos](#) to help you understand the requirements in the ISSB Standards (ACCA n.d.a).

- **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 material information in the value chain

An organisation's dependencies on various capitals (or resources and relationships) throughout its value chain and its impacts on those capitals will probably give rise to sustainability-related risks and opportunities (SRROs) for the organisation.

An organisation should determine its reporting boundary in accordance with the applicable sustainability reporting standards. Specific disclosures may be required that depend on data from investees and from stakeholders in its value chain (see Box 4.1).

Care is needed to apply the right criteria in determining the reporting boundary throughout an organisation's value

chain. Using different approaches will result in different extents of value chain reporting and thus produce variable results (see Box 4.2).

Box 4.1: Identifying the consolidated group and its value chain for sustainability reporting

Sustainability-related information prepared in accordance with the ISSB Standards needs to be for the same reporting organisation as the related financial statements¹⁷. 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.

An organisation's sustainability-related information should enable the primary users of its general purpose financial reports to understand the effects of the SRROs on the cash flows, access to finance and cost of capital over the short, medium and long term for the parent and its subsidiaries¹⁸.

The organisation is required to describe:

- the current and anticipated effects of SRROs on the organisation's business model and value chain¹⁹, and
- where in its business model and value chain the SRROs are concentrated, such as geographical areas, facilities and types of assets²⁰.

When disclosing Scope 1 and Scope 2 GHG emissions, the organisation disaggregates emissions between the consolidated accounting group and other investees, such as associates, joint ventures and unconsolidated subsidiaries.²¹

Watch these [explainer videos](#) to help you understand the requirements in the ISSB Standards (ACCA n.d.a).

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

Box 4.2: Reporting GHG emissions in the value chain

In reporting information about Scope 3 GHG emissions in accordance with paragraph 29(a)(vi) of IFRS S2, enable primary users to understand the source of these GHG emissions by considering all 15 categories of Scope 3 GHG emissions throughout the organisation's entire value chain (upstream and downstream) and disclosure of the categories that are included within its measure of Scope 3 GHG emissions²². The 15 categories of Scope 3 GHG emissions are described in the *Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard* (Greenhouse Gas Protocol 2011). An organisation whose activities include asset management, commercial banking or insurance would be required to disclose additional information about the organisation's Category 15 GHG emissions or those associated with its investments (financed emissions)²³.

IFRS S2 also requires Scope 3 GHG emissions to be measured in accordance with the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (Greenhouse Gas Protocol 2004), to the extent that the requirements do not conflict with the requirements in IFRS S2²⁴.

If the organisation is required by a jurisdictional authority or an exchange on which the organisation is listed to use a different method for measuring its GHG emissions, it is permitted to use this method for as long as the jurisdictional or exchange requirement applies to the organisation²⁵.

¹⁷ IFRS S1, paragraph 20.

¹⁸ IFRS S1, paragraph B38.

¹⁹ IFRS S1, paragraph 32(a) and IFRS 2, paragraph 13(a).

²⁰ IFRS S1, paragraph 32(a) and IFRS 2, paragraph 13(b).

²¹ For an organisation applying the IFRS Accounting Standards, the consolidated accounting group comprises the parent and consolidated subsidiaries (see IFRS S2, paragraph 29(a)(iv)).

²² IFRS S2, paragraph 29(a)(vi)(1) and paragraph B32.

²³ IFRS S2, paragraph 29(a)(vi)(2).

²⁴ IFRS S2, paragraph 29(a)(ii) and paragraph B23.

²⁵ IFRS S2, paragraph 29(a)(ii) and paragraph B24.



4.2 Set the scope and parameters of data collection

4.2.1 Understand stakeholders' information needs

It is important to understand why the data identified for collection is necessary, and how it interacts with and fits into the organisation's business model and overall sustainability strategy.

For a more holistic understanding of which data will be able to meet stakeholders' information needs, and to inform the organisation's decision making relating to [data collection methodology](#) (see section 5.2), an organisation may engage with the following partners:

- **financial capital providers and financial institutions**, to understand what data they will require and how they intend to harvest the data directly from the organisation
- **technology vendors**, to understand what data they collect from the organisation, its value chain and their other customers; technology vendors may be able to share insights on the organisation's data collection or data validation/verification
- **local chambers of commerce or industry networks**, to consider how they can support data collection, by working collectively.

4.2.2 Align data collection to reporting needs

As much as possible, data collected should align to reporting needs for internal and external purposes, including for stakeholder-management purposes. Providing stakeholders with information based on a common set of data establishes the foundation for a common understanding, which is key to developing and maintaining an effective relationship between an organisation and its stakeholders. Being able to look through the same lens reduces misunderstandings and improves decision making. For this, the data must be relevant and aligned with the organisation's business model, purpose and direction so as to be decision-useful.

4.2.3 Consider data while setting measurable metrics and targets

The value and usefulness of data is unlocked through comparison of an organisation's metrics with internal targets, industry benchmarks and other organisational metrics. Where possible, the sustainability-related data should have qualities consistent with the financial data. Box 4.3 gives an example of how the ISSB Standards can be applied in identifying metrics for measuring an organisation's progress towards its targets.

The availability of data and the organisation's ability to collect those data are also critical to its ability to report progress against those targets. Though setting targets is not a typical corporate reporting activity, organisations should think holistically about how its sustainability reporting process may interact with its strategy to manage SRROs. Box 4.4 highlights examples of such considerations when setting sustainability-related targets to manage SRROs.

Box 4.3: Identifying metrics for measuring progress towards targets

In measuring progress towards any targets that the organisation has set, and any targets it is required to meet by law or regulation, reliable metrics and taxonomy should be used to identify and describe the reporting data consistently. Referring to the applicable reporting frameworks or standards, in the first instance, will identify the metrics, and associated taxonomy that specifically apply to a given SRRO.

If an organisation applies the ISSB Standards, it applies the IFRS Sustainability Disclosure Standard that specifically applies to that SRRO. If an IFRS Sustainability Disclosure Standard that specifically applies to an SRRO is absent, guidance is supplied by paragraphs 57–59 of IFRS S1 for identifying information (including metrics) that is:

- relevant to the decision-making of primary users of general purpose financial reports, and
- faithfully represents that SRRO.

Given the breadth of sustainability topics, an organisation may use a range of inputs in reporting these metrics, which can include direct measurement, reasonable estimates, and credible and verifiable proxy data.

An organisation is required to use all reasonable and supportable information available to it at the reporting date without undue cost or effort when selecting the measurement approach, inputs and assumptions used in measuring Scope 3 GHG emissions. However, IFRS S2 does not specify the inputs that an organisation uses in measuring its Scope 3 GHG emissions, but the standard requires the organisation to prioritise inputs and assumptions using these characteristics (which are listed in no particular order)²⁶:

- data based on direct measurement (see IFRS S2, paragraphs B43–B45)
- data from specific activities within the organisation's value chain (see IFRS S2, paragraphs B46–B49)
- timely data that faithfully represents the jurisdiction of, and the technology used for, the value chain activity and its GHG emissions (see IFRS S2, paragraphs B50–B52), and
- data that has been verified (see IFRS S2, paragraphs B53–B54).

²⁶ IFRS S2, paragraphs B39–B40



Box 4.4: Setting sustainability-related targets

'Sustainability-related targets tend to be based on long-term aspirations, but care is needed to balance investors' expectations against the organisation's ability to meet the targets set and reporting 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

Working closely with components across the organisation enables identification of the sustainability-related information relevant to SRROs that could reasonably be expected to affect the organisation's prospects, including the relevant metrics (see Box 4.5). The organisation's process in identifying SRROs was explored above in Section 3.

An organisation involved in multiple industries might find it useful to identify overlapping metrics and further isolate them into a practical set of metrics for reporting, which should help to guide data collection as well.

Box 4.5: 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.

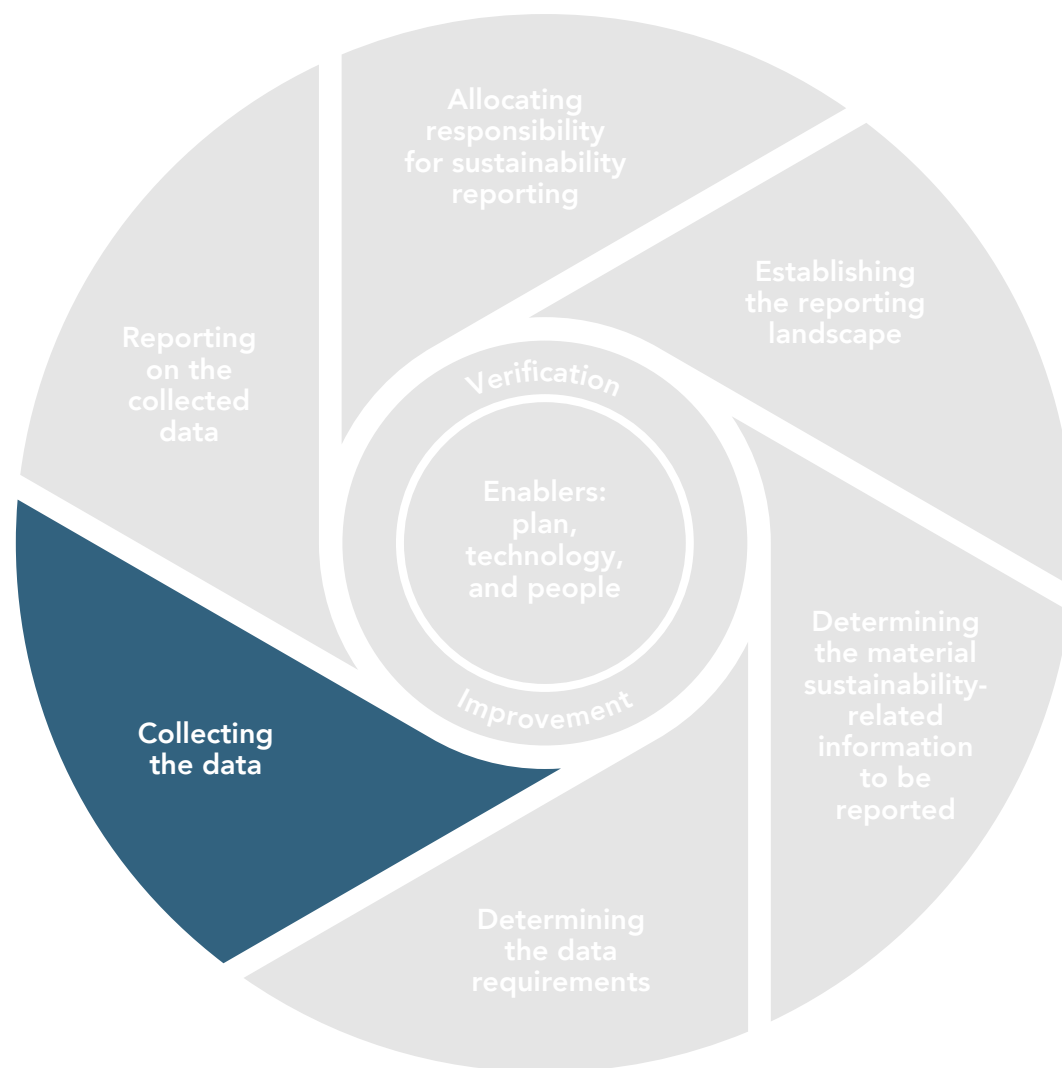
Table 4.1: Examples of potential data requirements for specific metrics

Metric	Potential data requirements
(1) Total water withdrawn (2) Total water consumed Percentage of each in regions with High or Extremely High Baseline Water Stress	■ Types of water sources, which might include surface water, groundwater, rainwater, water obtained from water utilities or other organisations. ■ Water sources in locations with High or Extremely High Baseline Water Stress as classified by the World Resources Institute's (WRI) Water Risk Atlas Tool, Aqueduct (WRI n.d.). ■ Amount of water withdrawn from each source, measured in thousand cubic metres (m³). ■ Amount of water consumed in the organisation's operations, measured in thousand cubic metres (m³). Note. 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 the *Industry-based Guidance on Implementing Climate-related Disclosures: Volume 5 – Household & Personal Products* (ISSB 2023c)

5. Collecting the data

Figure 5.1: The sustainability reporting cycle: collecting the data



Collecting the data

- Select appropriate sources of data
- Establish the data collection methodology
- Consider the use of external support

Data will invariably come through multiple sources, with some obtained through less mature processes and systems. Hence we need to understand and consider how amalgamating different types of data, with differing levels of *verifiability*, will fit into an organisation's overall data collection process and framework.

In this stage, the guidance we provide relates to the following activities:

- selecting sources of data
- establishing the data collection methodology
- considering the use of external support (Figure 5.1).

5.1 Select appropriate sources of data

5.1.1 Identify and understand existing data in use

Identifying sustainability-related data currently in use within the organisation, its availability and how it is being collected is likely to be an organisation-wide exercise. Collaboration and engagement across the organisation's end-to-end product delivery cycle will be key. It is important that the organisation brings its people along on its sustainability reporting journey. When they understand the purpose of the data being collected, the organisation stands to benefit from having better insights into that data.

5.1.2 Identify and consider available sources of data

An organisation might source its data internally or externally. To identify the most appropriate source of data for the organisation, its availability and ease of access, accuracy and verifiability should be considered. Data verifiability through the presence of an audit trail is critical in inspiring stakeholders' trust in the reported information. This is particularly important where there is a greater level of measurement uncertainty, such as verifiability of assumptions involved in making estimates and/or sources of proxy data.

5.1.3 Ethically consider the proportionality of cost against benefit

Ethics are involved when assessing the cost and effort of obtaining the necessary data to support sustainability reporting, and whether they are proportionate to the benefits of providing that information. For a start, it's best to prioritise reporting that uses available and accessible data.

The ISSB introduced the concept of 'all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort' to ease the burden of disclosure and assist organisations in applying the ISSB Standards²⁷. The ISSB Standards may specify what is reasonable and supportable information in specific cases²⁸.

For example, when preparing disclosures about the anticipated financial effects of an SRRO, an organisation is required to use²⁹:

- all reasonable and supportable information that is available to the organisation at the reporting date without undue cost or effort; and
- an approach that is commensurate with the skills, capabilities and resources that are available to the entity for preparing those disclosures.

5.2 Establish the data collection methodology

5.2.1 Consider available technology options

If the necessary data is not readily available in the desired form, mechanisms should be set up to collect, process and/or monitor it, eg through internal surveys. Algorithm-driven data collection may result in a more efficient data collection process, especially when value chain reporting is involved. We explore using technology to facilitate sustainability reporting in [section 7.2](#).

5.2.2 Align frequency of data collection with reporting timelines

Aligning the frequency at which the data is collected and reported requires taking into consideration mandatory reporting timelines. For example, the ISSB Standards require sustainability-related information to be issued at the same time as the related financial statements³⁰. Therefore, data must be collected on a timely basis to enable an organisation to issue its sustainability-related information for the same reporting period and at the same time as the organisation's corresponding financial information.

5.2.3 Use consistent methodology

Sustainability reporting data should be collected at consistent intervals using a consistent methodology. If an organisation's data collection methodology can be improved to collect better-quality data, it should move

towards adopting the better methodology. See further details in [section 6.3](#) for an outline of how a disclosure can explain what has changed as a result of the improvement.

5.2.4 Maximise use of data collected

An organisation should aim to align the data collected to meet both internal and external reporting needs at the same time. Maximising the usefulness of the data collected while optimising operational efficiency through economies of scale helps organisations to minimise their reporting burden. Close alignment between an organisation's sustainability strategy and reporting needs also helps solidify appreciation of the former.

5.2.5 Practise responsible procurement

To support value chain reporting, an organisation could practise (or enhance its) responsible procurement. Implementing a supply chain code of conduct might further instil financial and social transparency along the supply chain, thereby creating accountability and full disclosure for issues such as human rights, health and safety, and environmental impacts. For example, an organisation can enhance its questionnaires for suppliers (which form part of their responsible procurement process) to probe topics such as the suppliers' codes of conduct, and/or information about their approaches to child labour, GHG emissions, etc. This mechanism can then be used to monitor suppliers' practices against the organisation's supply chain code of conduct. We explore other key areas for supply chain collaboration in our report on [Supply Chains: A finance professional's perspective](#) (ACCA 2022a).

²⁷ Basis for Conclusions for IFRS S1, paragraph BC9.

²⁸ IFRS S1, paragraph B8.

²⁹ IFRS S1, paragraph 37.

³⁰ IFRS S1, paragraph 64.

5.2.6 Keep the data-collection process simple

Organisations should strive to keep the data-collection process as simple as possible (eg through the use of technology). Organisations might also find it helpful to demonstrate to stakeholders in the value chain how reporting on such data can be beneficial to them (see Box A in section [sustainability reporting underpins better business](#)). In practice, there may be instances where data cannot be collected directly from the value chain, in which case, the organisation will need to consider whether sourcing for proxy data will meet its needs. ACCA's *Professional Accountants Changing Business for the Planet – A simple guide to natural capital management for performance managers* (ACCA 2021a) has some examples that might be useful.

5.2.7 Embed verification within processes and systems

An organisation needs to plan for [verification](#) within its processes and systems to ensure that its outputs are credible and can be relied upon. Controls for sustainability reporting should apply the same rigour as controls for financial reporting. The effectiveness of these internal controls over sustainability reporting needs to be monitored periodically and ideally, should coincide with the monitoring of internal controls over financial reporting (see Box 5.1).

Box 5.1: Considerations for internal controls over sustainability-related data

The data used in sustainability reporting is often different from that used in financial statements, tending to be more unstructured and qualitative, and is estimated using multiple sources. The ability to review large volumes of data in real time can be a necessity for many organisations but is challenging when the volumes of data increase and the potential risk profile broadens. Data governance, quality, modelling and analytics are therefore critical.

One of the challenges faced with such volumes of data is that with traditional sampling techniques it is hard to ensure that appropriate conclusions are drawn from testing.

Overall, 80% of respondents to a recent survey either agreed or strongly agreed that internal controls should be extended to sustainability-related information, and ESG-related reporting (ACCA et al. 2022).

For internal controls to be effective, an appropriate combination of people, process, technology and data is required. If any one of these elements is not effective, the effectiveness of the internal control framework is diminished.

The opportunity to use computing power to constantly review the totality of a population, often referred to as 'continuous monitoring', may offer advantages in internal control monitoring. Data inspection techniques such as using embedded code to identify potential patterns in transactions in real time offers an opportunity not only to improve the performance of a control but also to increase the value added to organisations.

It is important to strike a balance between the continuous monitoring of data and the identification of transactions that might require further investigation or subsequent audit work, based on the assessment of strategic risks.

To help you, Chapter 3 of the report, *Internal Control and the Transformation of Entities* (ACCA et al. 2022), contains a detailed discussion on a list of key actions to improve an organisation's internal controls.

In addition, the report *Achieving Effective Internal Control over Sustainability Reporting (ICSR)*, produced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) provides 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

Corporate reporting (which includes sustainability reporting) is a fast-evolving activity which can be challenging for organisations to monitor and navigate, particularly for those involved across multiple jurisdictions and industries.

In our pulse survey (see Box 5.2), over half the respondents stated that their organisations collect and process sustainability reporting data internally. Despite this, an organisation might still find it essential to rely on one or more types of external support, such as:

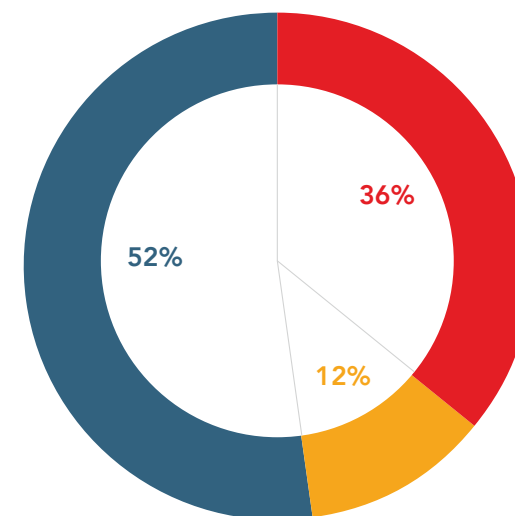
- **external consultants or service providers**, to help identify improvements to the organisation's data collection process, provide necessary skills development and probably provide the added benefit of guiding the organisation to available local incentives, if any
- **the use of third-party vendors (outsourcing)** who can collect, process and report data
- accessing **external sources of data through third-party systems**, such as an open application programming interface (API), to inform an organisation's sustainability reporting. Data from sources such as 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).

In determining whether a particular third-party system is reliable and can be trusted, professional scepticism is needed when asking the following important questions.

- 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?

Box 5.2: Does your organisation outsource data collection and processing for sustainability reporting?

- Yes
- No, but we plan to outsource
- No, we do these internally



Source: ACCA 2023b; 923 respondents.



6. Reporting on the collected data

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



Reporting on the collected data

- Select the means of communication
- Ensure connectivity of information
- Apply the qualitative characteristics of good reporting
- Enhance the reporting package

Data collected will need to be analysed in accordance with the relevant reporting requirements, which may include scenario analysis in accordance with the organisation's business and risk management approach (Figure 6.1). In this stage, the guidance we provide relates to the following activities:

- selecting the means of communication
- ensuring connectivity of information
- applying the qualitative characteristics of good reporting
- enhancing the reporting package.

6.1 Select the means of communication

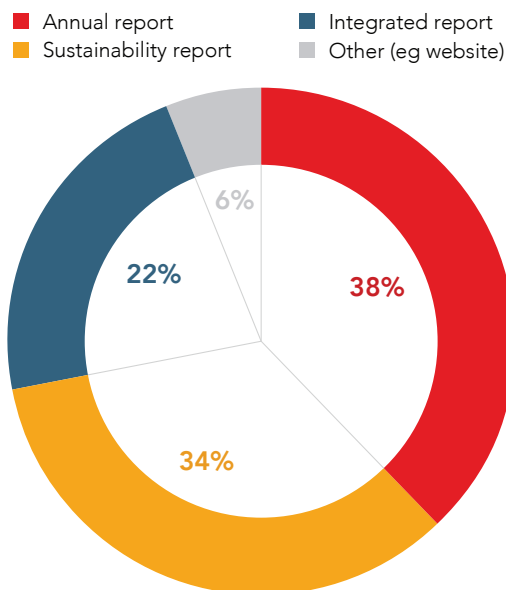
Disclosures tell an organisation's story. With the implementation of sustainability reporting, this extends to telling an organisation's story about its sustainability reporting journey.

Reporting frameworks generally do not specify a location for the reporting of sustainability-related information. Each organisation should determine the most suitable mode of communication, given the types of sustainability-related information involved as well as the audience it intends to reach. This will also be subject to regulatory or other requirements specific to the jurisdictions involved.

As an example, the ISSB Standards suggest that sustainability-related financial disclosures could be included in an organisation's management commentary or a similar report, when it forms part of the general purpose financial reports. Such reports could also be known as 'management's discussion and analysis', 'operating and financial review', 'integrated report' or 'strategic report'. An organisation may also include such disclosures by cross-reference to another report that it publishes.³¹

In line with this train of thought, the annual report is often recognised as an important and trusted means of communication. Box 6.1 indicates that the annual report is currently still the preferred means of communication, with the sustainability report and integrated report also being popular choices. In addition, websites, social media feeds, newsletters, employee meetings and supplier briefings are also ways in which an organisation can communicate more directly, in a more tailored and more timely way, with stakeholders other than investors (ACCA 2021b).

Box 6.1: Does your organisation currently report sustainability-related information? Where is this disclosed?



Source: ACCA 2023c; 989 respondents.

Disclosures about the organisation's business model and policies developed using *integrated thinking* that include medium to long term considerations will be less inclined to materially change year on year, unless the SRROs change. Such disclosures might be presented as publicly available standing information in, say, the organisation's website.

Other, more specific or precise information that needs to be updated from time to time, eg metrics relying on systems and technology for collection, might be presented in a location which can be accessed by investors and other relevant stakeholders. Depending on the organisation's and stakeholders' needs, disclosures on metrics and targets might even be decoupled, such that targets (and comparisons against them) might be periodically reported upon separately.

³¹ IFRS S1, paragraphs 61, 63, and B45–B47.

6.2 Ensure connectivity of information

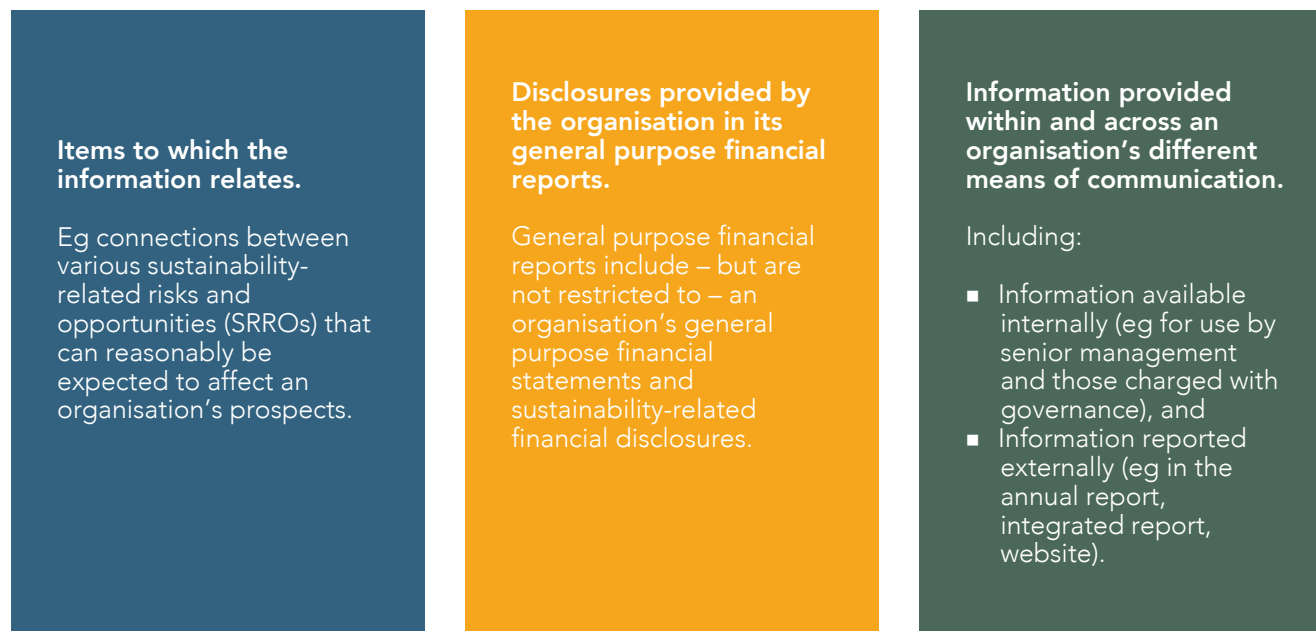
ACCA's research into climate-related disclosures in the construction materials and chemicals industries indicated that disclosures are often scattered, duplicated, and have little to no cross-referencing (Baboukardos et al. 2022). The result is information overload that hinders, instead of enabling, transparency and comparability, with readers having to spend considerable time and effort to find the information that they need.

Organisations need to provide information in a coherent and consistent manner to enable primary and other users to understand the connections between various types of information as shown in Figure 6.2.

Drawing connections between disclosures involves, but is not limited to, providing necessary explanations and cross-references, and using consistent data, assumptions and units of measurement. Organisations should clearly and concisely explain these connections and avoid unnecessary duplication where disclosures involve common items of information.³² (See Box 6.2.)

Disclosures on the organisation's past performance, current position and future prospects should also clearly demonstrate how value has been created and how the organisation intends to create more value in the future, reflecting the interaction of various resources and capitals. For example, applying the Integrated Reporting Framework, disclosures should show the linkages and relationships between the six capitals: financial, manufactured, social, human, intellectual and natural (ACCA 2018b).

Figure 6.2: Various types of information



Box 6.2: An example of connected information

In providing connected information on strategy and financial planning³³ an organisation might explain in its disclosures:

- how its strategy will affect or is likely to affect its financial statements and financial planning
- how its strategy relates to the metrics used to measure progress against targets
- how its use of natural resources or changes within its supply chain could amplify or, in contrast, reduce its SRROs
- the link between its use of natural resources or changes within its supply chain to information about current or expected financial effects on its production costs, its strategic response to mitigate those risks and its related investment in new assets
- the link between its narrative information to the related metrics and targets and to information in the related financial statements.

Further, applying the ISSB Standards together, if oversight of SRROs is managed on an integrated basis, the organisation should avoid duplication by providing integrated risk management disclosures instead of separate disclosures for each SRRO.³⁴

Source: Adapted from the ISSB Standards

³² IFRS S1, paragraph B42.

³³ IFRS S1, paragraph B43.

³⁴ IFRS S2, paragraph 26.

6.3 Apply the qualitative characteristics of good reporting

Sustainability-related information, which can be financial and/or non-financial, should be supported with appropriate narrative (qualitative) disclosures. Often, telling the organisation’s story about its sustainability ambitions and strategy to achieve them can guide its sustainability-related non-financial disclosures.

Good-quality information for corporate reporting (which includes sustainability reporting) generally demonstrates these qualitative characteristics as set out in IFRS S1³⁵, and shown in Figure 6.3.

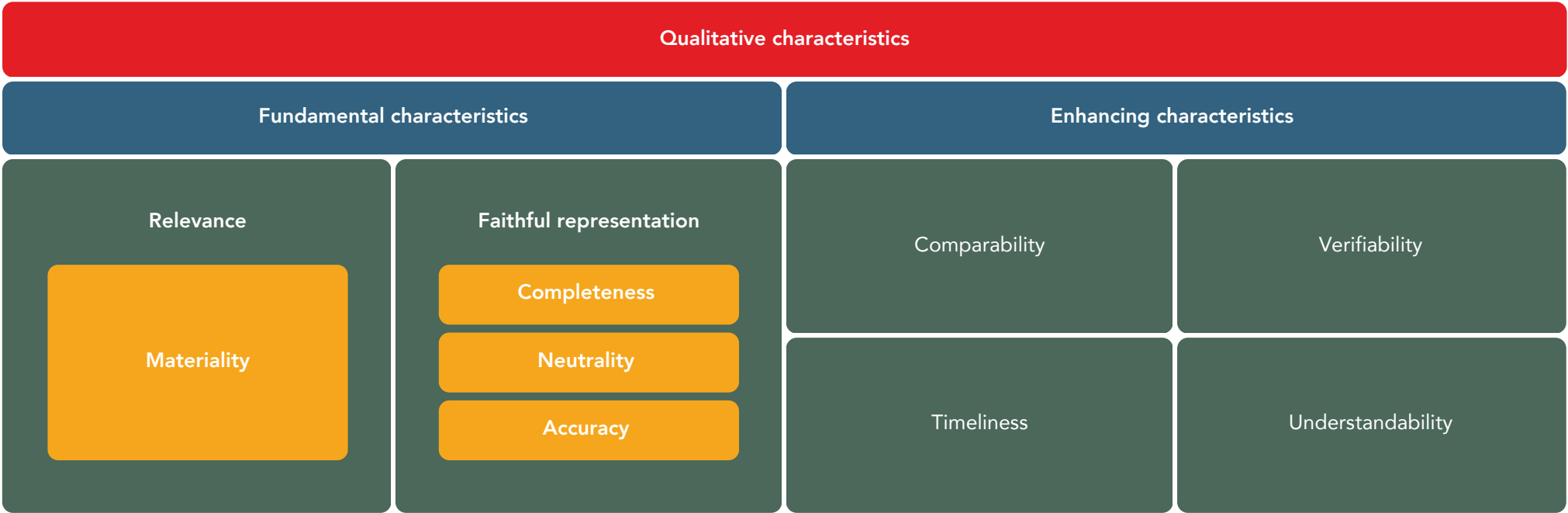
IFRS S1 specifies that for sustainability-related information to be useful, it must be relevant and faithfully represent what it purports to represent. This usefulness is enhanced if the information is comparable, verifiable, timely and understandable. To achieve faithful representation, disclosures should provide a complete, neutral and accurate depiction of an organisation’s SRROs.³⁶

To support the credibility of sustainability-related information, the ISSB Standards prescribe disclosures of inputs, assumptions and judgements used in preparing that information. Where there are changes to this information in subsequent years, the ISSB Standards also prescribe the disclosure requirements for comparative information³⁷.

Beyond this, an organisation might also provide disclosures explaining subsequent changes and improvements made to its data collection methodology, the process and the changes to the type of data used for current and previous periods.

³⁵ IFRS S1, Appendix D.
³⁶ IFRS S1, paragraphs 10-16.
³⁷ IFRS S1, paragraphs 70-71.

Figure 6.3: Qualitative characteristics of useful information for corporate reporting



Source: Adapted from IFRS S1, Appendix D (ISSB 2023a) and *Tenets of good corporate reporting* (ACCA 2018b).

6.4 Enhance the reporting package

Having worked through the earlier stages of the sustainability reporting cycle, the organisation should now be ready to incorporate additional, relevant data into its reporting package and move to the next stage of preparing its disclosures.

Every organisation, regardless of size and complexity, is likely to have some form of reporting package to help guide its internal reporting process. This reporting package might range in complexity from a set of spreadsheets to automated, system-generated reports based on data collated from multiple locations and sources. To a certain extent, additional work might be needed to design the output of this reporting package in a form suitable for stakeholders’ consumption.

A set of worksheets is included in the Appendices to guide preparation of sustainability-related information in accordance with the ISSB Standards, which integrate the TCFD recommendations’ four core pillars (see Box 6.3).

- [Appendix A](#) provides a sample worksheet for preparing information for disclosure in accordance with IFRS S1, to communicate the effects of an organisation’s SRROs (other than climate-related) over the short, medium and long term.
- [Appendix B](#) provides a sample worksheet for preparing information for disclosure in accordance with IFRS S2, to communicate the effects of an organisation’s climate-related risks and opportunities over the short, medium and long term.

Box 6.3: The four pillars of the TCFD recommendations integrated into the ISSB Standards

The ISSB Standards integrate the TCFD recommendations’ four core pillars, which can also be used to structure an organisation’s disclosures. However, the requirements of the ISSB Standards can sometimes go beyond the TCFD recommendations (IFRS Foundation 2023d).

Table 6.1: The four core pillars of TCFD’s recommendations

Governance	Strategy	Risk management	Metrics and targets
Governance processes, controls and procedures the organisation uses to monitor and manage SRROs. See also Section 1, Allocating responsibility for sustainability reporting, which explores the Responsibility Assignment Matrix, a possible source of information for disclosures. Other sources to consider include the organisation’s internal policies and terms of reference.	The approach that the organisation uses to manage SRROs. See Box 6.4 on how an organisation can communicate its SRROs to relevant stakeholders.	Processes the organisation uses to identify, assess, prioritise and monitor SRROs. Disclosures should enable understanding of how these processes are integrated into, and inform, the organisation’s overall risk management process, as well as enable assessment of the organisation’s overall risk profile and overall risk management process. See also Section 3, Determining the material sustainability-related information to be reported.	The organisation’s performance in relation to SRROs, including progress towards any targets the organisation has set or is required to meet by law or regulation. Disclosures for each SRRO must include metrics required by the ISSB Standards. In the absence of an ISSB Standard that specifically applies to the SRROs, paragraphs 54–58 and Appendix C of IFRS S1 set out the Sources of Guidance to guide identification of applicable metrics. See also Section 4, Determining the data requirements.

Source: Adapted from the ISSB Standards



Box 6.4: Communicating to relevant stakeholders the SRROs that could reasonably be expected to affect an organisation's prospects

The list of prioritised SRROs that could reasonably be expected to affect an organisation's prospects may be expanded into a schedule, to include relevant information such as timescale and people (or organisational component) responsible for managing each SRRO. This schedule should be made accessible to senior management and employees as their roles require.

The schedule of SRROs should assist in:

- describing the organisation's environment-, social-, and governance-related targets to help internal and external stakeholders understand and consider what is important for the organisation, and
- setting its sustainability strategy.

It is important to convey a clear strategy to both internal and external stakeholders on how the organisation will achieve its sustainability-related targets.

7. Implementing reporting

Figure 7.1: The sustainability reporting cycle: implementing reporting

Implementing reporting: plan, technology and people as enablers

- Create a formal implementation plan
- Use technology as an enabler
 - Set the strategy
 - Establish governance
 - Assess the credibility
- Work with people as enablers
 - Make the case
 - Create awareness
 - Review the organisation design
 - Engage and manage providers and users of sustainability-related information
 - Manage talent

Successful implementation of any process but, in particular, one that brings 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 ISSB Standards

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

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

7.1 Create a formal implementation plan

Considering the breadth and depth of changes that an organisation will probably need to implement to achieve its reporting needs and goals, the organisation might wish to supplement its sustainability reporting cycle (see Executive summary, [The stages to fulfilling the call to action](#)) and RACI chart (see [section 1.1](#), [Box 1.2](#)) with a formal implementation plan specifying timescales to guide its execution. This plan, supported by technology and people as enablers, might include details on the following aspects.

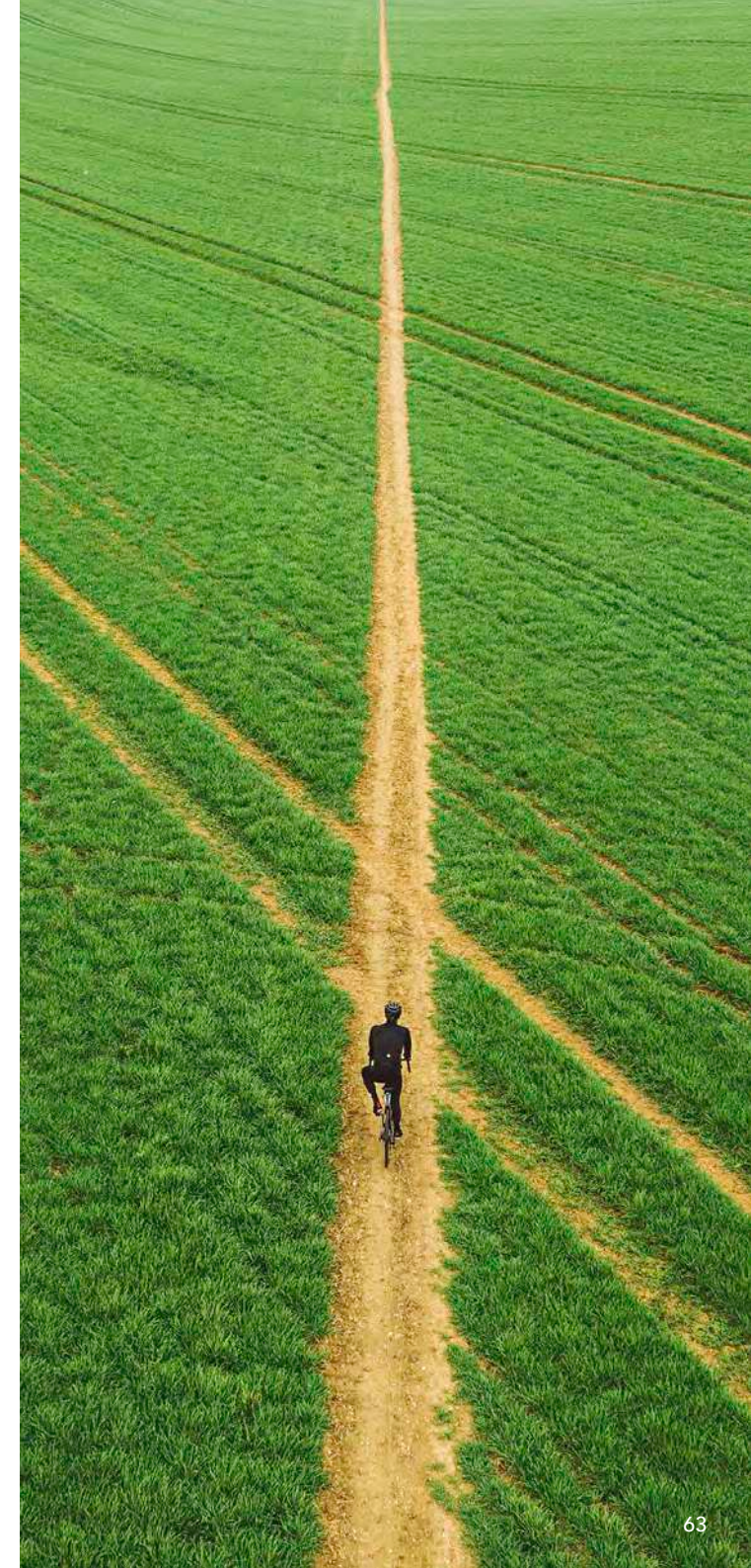
- **Systems development** – setting appropriate timescales for building the necessary systems and processes to support them.
- **Enhancing standard operating policies and procedures** to incorporate timescales for sustainability-related data collection and verification. This can include specifying when data is updated centrally, at a designated time, so that reporting teams will know when to watch for updated or new requirements. The organisation might also consider aligning the timing for updates of financial, sustainability-related and other

corporate reporting data to build discipline for data collection among the reporting teams.

- **Establishing a reporting hub** comprising an interdisciplinary team of individuals charged with developing and maintaining the organisation's overall corporate reporting process. This hub should have the authority and capabilities to set organisation-wide minimum standards on controls, data collection and evidence requirements, including the designated levels. For instance, whether data collection happens at site, industry, country, or regional level.
- **Holding awareness sessions** for internal and external stakeholders, **and training** for those expected to use the new systems (Box 7.2).

Box 7.2: Financial and sustainability reporting should be taken equally seriously

'The system is only as good as the person who is [in]putting the data. So, building that human capability is critical, and this is a problem that we continue to face every day. It's so important that everyone takes non-financial reporting as seriously as financial reporting' (an accountant involved in the sustainability reporting process).



7. Implementing reporting: Technology as an enabler

7.2 Technology as an enabler

The available technology options will depend on the size and complexity of the organisation and its activities, as will the extent to which they can aid the organisation in its data collection efforts to facilitate sustainability reporting.

An organisation may start by capturing data for sustainability reporting with the 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 Forms³⁸), and subsequently move to applications with enhanced data analytics capabilities to support homogeneity. On the scalability and flexibility of a technology, consider whether the system and its vendor(s) will grow in tandem with the organisation.

³⁸ 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 examples presented within this guide.

7.2.1 Set a clear strategy for using technology to facilitate sustainability reporting

There should be a clear purpose for using technology, taking into account the following points when selecting the technologies for an organisation's reporting platform:

- the reporting objectives and the organisation's needs that the technology is intended to address
 - the data that will be collected, processed and reported on (see Section 4, [Determining the data requirements](#))
 - the scalability and flexibility of the technology to meet the organisation's future needs
 - 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 digital core (ACCA et al. 2021).
- Before deciding on a technology, it is important to understand the reporting framework or standards applied and the data that will eventually be reported on. The technology should have the flexibility to adapt to changes as the reporting frameworks or standards evolve. Having a clear view of the following criteria will help in selecting the right technology (Box 7.3):
- 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.

Box 7.3: Poor data quality negates the benefits of using technology

'... 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).



7.2.2 Ensure the right level of governance is built into the technology

The right level of governance in the use of technology is important for collecting good-quality data and supporting its verification.

- **Data should be stored centrally, thus giving everyone one source of data.** If centralised storage is not possible, storage should be in as few locations as possible. Where the organisation finds it unavoidable to use multiple systems, these systems should be linked in such a way as to help eliminate duplication and to facilitate data retrieval. This will improve operational efficiency, and facilitate decision-making in accordance with the organisation's policies and monitoring of its performance against its targets. An added benefit is the creation of a large data pool which can serve as inputs into predictive and prescriptive analytical techniques for scenario analysis.
 - **The technology should link to, and integrate with, the organisation's internal sustainability-related policies and targets.** Such linking and integration will enable the organisation to maintain its direction towards, and focus on, its sustainability-related goals while meeting its sustainability reporting needs. This can also help the organisation embed sustainability-related and ethical practices into its day-to-day activities and culture and potentially extend them to its value chain.
 - **The technology should offer multiple data-input options.** The technology for recording and collecting data from an organisation's activities should be linked to its existing reporting systems. Data collection and data transfers should be automated as much as possible. Data should be tagged according to the organisation's use and its reporting needs, for ease of reporting subsequently. Data could be structured or unstructured, and may include:
 - operational data, eg number of customers, staff, location, size/area
 - ESG data, eg GHG emissions, energy consumption, water use, waste, morbidity and mortality rates, gender and ethnicity pay gap, and
 - financial data.
- Data reporters in the organisation and in its value chain should be able to input data themselves, and subsequently allowed to check their own data. For example, the organisation may request stakeholders in its value chain to input their own data. A supplier's data on Scope 1 and Scope 2 GHG emissions, for instance, will contribute towards a large proportion of the organisation's Scope 3 GHG emissions.
- **It should be possible to perform automated checks.** The technology should have an automated checking mechanism at the individual and consolidated level, eg checking consistency of data types being reported by different reporters with similar business models throughout the value chain, consistency of data types across GHG emissions, accuracy, validity and completeness of data. This would facilitate continuous monitoring and continuous auditing techniques.
 - **The technology should have data analytics and data visualisation capabilities.** It should have access to business intelligence capabilities to analyse data for internal and external reporting and aid in conducting scenario analysis. Visualised information in the form of a dashboard or infographics would be useful for:
 - monitoring performance against targets, or
 - assessing options before making decisions, and
 - external presentations to inform stakeholders.
 - **There should be customisable access rights to data.** Access to data is essential to enabling the sharing of real-time information to reveal an organisation's performance in relation to its sustainability-related risks and opportunities (SRROs), which increasingly requires operational and financial information to be managed in an integrated manner. This allows people in the organisation (as their roles require) to work with data and, as a result, make data-informed decisions (ACCA 2023a). Customisable access rights allow the organisation to decide whether data should be made available to all employees or to limit the access of specific data to certain employees owing to the sensitive nature of such data, eg personal data. This is particularly important when controlling whether the data is downloadable or can be exported to spreadsheets for reporting externally.

- **The technology should be equipped with cybersecurity features.** Organisations should check that their technology provider will provide an effective level of security. The same should be done for internal and external stakeholders accessing the organisation's network, either to provide or obtain data. With more devices accessing the organisation's networks, one weak link is all that it takes to create a potential security breach. It is important that organisations have a robust approach to cyber governance as part of their overall risk management process, to protect against security breaches or cyberattacks (ACCA et al. 2019).
- **The chosen system should support the development of data and technology-related capabilities among its users,** for example via a helpdesk or digital assistance. We touch on capabilities and verification in sections 5.2.7, 7.3.5 and 8.2.

7.2.3 Assess the credibility of technology used in sustainability reporting

There are concerns over the reliability and verifiability of data collected internally or by other parties that is used in sustainability-related disclosures. Systems for collecting ESG data are less mature than ERP systems used for financial information. Organisations are encouraged to monitor the evolving landscape as the technology for sustainability reporting develops.

Data is collected but not always traceable to its source, especially when manual interventions are involved. As mentioned in [section 5.2.7](#), the technology should include verifiable audit trails that will enable audits to be performed on the data collected, processed, stored and reported by the system. This would allow the system and the data that it processes to be accredited by independent third parties, thus improving trust in the information reported.

Traceability of data can be enhanced by:

- installing monitoring equipment (eg sensors) to automate data collection, albeit at additional costs, and
- using software to automate calculations or conversion of data.

Investing in new technology or integrating it with existing systems may require deep consideration of its design and functionality. These are important matters to be discussed with technology vendors or service providers before making any purchases (See Box 7.4).

Box 7.4: Design considerations for technology

These design considerations would help an organisation determine the most important features that are relevant to its needs. Large organisations may find many of these features relevant, while less-well-resourced organisations may not need all these features immediately. This list may not include all the features that could be relevant to an organisation. They are organised into several themes for consideration.

Themes for consideration	The system should
System architecture and integration	■ store data centrally (ie providing one source of data, or often referred to as single source of truth) ■ link to and integrate with internal policies and targets ■ link to or integrate with existing systems to pull data from them (eg financial reporting, payroll, ERP) ■ be intuitive and offer straightforward user interfaces ■ be scalable – the technology (and the vendor) should have the ability to grow as the organisation grows.
Data governance and management	■ perform automated aggregation of data from internal and external sources into one place ■ perform automated checking of data accuracy, consistency and completeness ■ have verifiable audit trails such that will enable audits to be performed on the data that it collects, processes, stores and reports ■ provide proxy data to supplement data from the value chain ■ be equipped with cybersecurity features to protect against unauthorised access and data breaches.
Access	■ be accessible to internal and external stakeholders (eg suppliers, customers), allowing them to input data directly, where applicable ■ be accessible to all employees, depending on customisable access rights, allowing access to the organisation's policies and data.
Capabilities	■ produce output (eg reporting templates) that can be used for internal and external reporting ■ produce visualised information (eg dashboards or infographics) for monitoring and presentations ■ have sufficient flexibility to adapt to the evolving needs of the organisation and the applicable reporting frameworks or standards.

7. Implementing reporting: People as enablers

7.3 People as enablers

In this section on people as enablers we explore the key matters relating to people, specifically:

- making the case for investing in people
- establishing who is accountable and responsible for delivery
- creating awareness and education on sustainability reporting and the necessary processes
- reviewing the organisation design to ensure people are best placed to fulfil their roles
- engaging and managing external stakeholders so that they appreciate the sustainability-related information they will receive and need to provide
- managing talent to ensure the appropriate capabilities (skills, mindsets and behaviours) exist.

Before getting into the detail all should watch the [explainer video](#) to help you understand the requirements in the ISSB Standards:

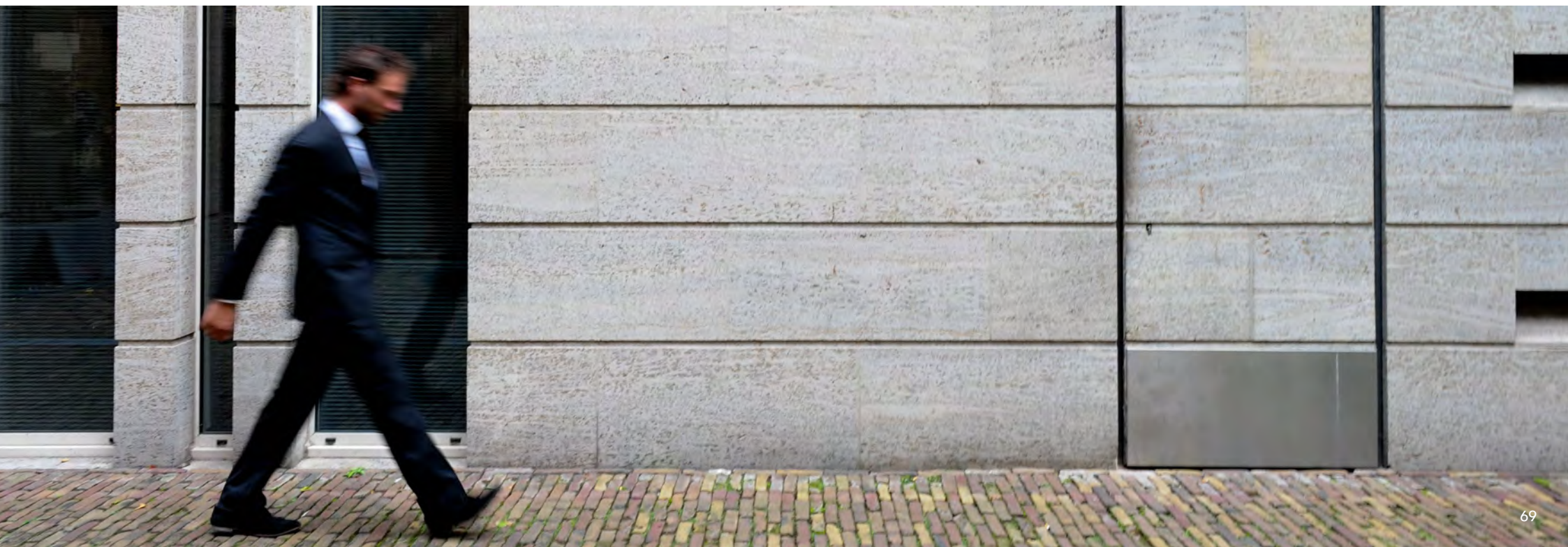
- **Building sustainability disclosure capabilities** (ACCA n.d.a).

7.3.1 Make the case for investing in people

Introducing sustainability reporting, even in order to provide data to others in the value chain, will be a major undertaking. For many organisations, this will necessitate making the case for investment in people, be it for the development of new capabilities, improving the way in which teams operate, or changing the organisational structure. This case should centre on people's essential roles in various aspects of the organisation.

- **Embracing a culture that considers sustainability more generally** will create a commitment towards embedding sustainability holistically across the organisation and driving high-quality sustainability reporting.
- **Influencing the content and pace of regulatory developments:** sustainable business regulation, its reporting and assurance requirements are progressing at pace and will continue to do so. In turn, to ensure fit-for-purpose regulation, organisations should make their views known among regulatory authorities, for instance, in the reporting on business model transformation plans in compliance and support of national sustainability-related targets.
- **Building the processes and systems** in the design, implementation and their operation.
- **Engagement to access and share data and insights:** sustainability-related reporting requires considerable amounts of data and insights from across the organisation, value chain and other parties in the external environment. Further, the resulting sustainability reports and information are of interest to a wider range of stakeholders than perhaps is the case with financial reports, therefore greater consideration of the engagement with these stakeholders is required.
- **Filling the knowledge gap:** in and across many organisations, sustainability reporting will require training on the wealth of new knowledge relating to such topics as the environment, economy, human rights, social and working conditions, responsible products, and society (GRI n.d.).

- **Developing integrative-thinking capabilities:** collectively building processes, incorporating technology and persuading people to embrace sustainability reporting constitute what ACCA's insights work has shown is a complex multi-dimensional problem. To solve such problems, individuals need to demonstrate five integrative-thinking capabilities that will require initial and continual development as sustainability issues and the business landscape evolve (see [Box 7.5](#)).





Box 7.5: Complex multi-dimensional problems and the five integrative-thinking capabilities

Complex multi-dimensional problems:

- are difficult to define
- involve complex systems
- are difficult to approach
- introduce uncertainty as to whether or when they have been fully resolved.

To solve them, individuals need to apply five integrative-thinking capabilities (Figure 7.2).

These capabilities are the personal and interpersonal skills, mindsets and behaviours necessary in problem-solving.

- **Continually becoming:** nurturing the five personal capabilities that enable a finance professional to grow and evolve continually through time.

- **Empathising:** solving problems through understanding others' viewpoints and seeing things from the perspectives of the various stakeholders.
- **Exploring:** searching out unfamiliar territory to learn about it, and inviting others to join in the exploration – asking questions, modelling plausible scenarios and testing assumptions.
- **Co-creating:** seizing the opportunities that arise from collaborating with others, including people outside one's own organisation.
- **Empowering:** enabling team members and, in some cases, external stakeholders, to take actions and to influence outcomes.

Figure 7.2: The five integrative-thinking capabilities



Source: Machado, Chen et al. 2023

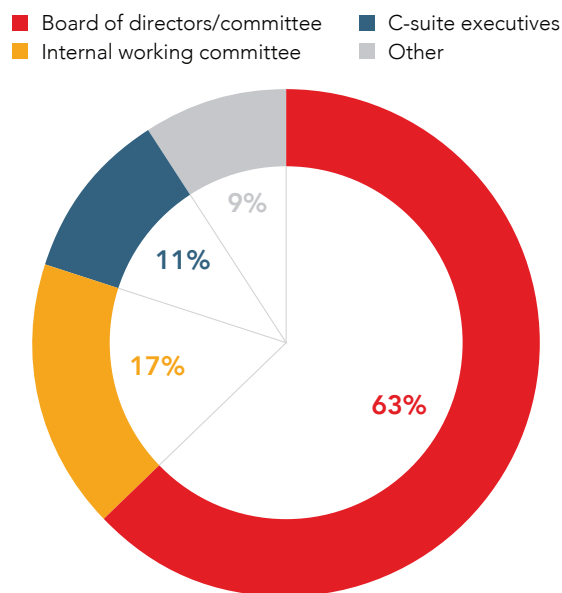
7.3.2 Who is accountable and what are the people-related sustainability reporting considerations?

A pulse survey of over 1,000 respondents engaged in ACCA's work helped us appreciate views on those currently accountable for reporting on sustainability-related information. Over 60% of survey respondents identified the board of directors or board committees in this role (see Box 7.6). However, this is merely the tip of the iceberg as responsibility will extend to many more across the organisation.

Senior management, effectively those who set the tone from the top, therefore including those charged with governance, will need to start now, and drive continual incremental improvement in matters of:

- awareness on the individual and collective responsibility for reporting
- organisation design – positioning of the key responsible functions, ensuring capacity and accessing capabilities
- external engagement and management
- talent management.

Box 7.6: Does your organisation currently report sustainability-related information? Who is accountable?



Source: ACCA 2023d; 1,015 respondents.



7.3.3 Create awareness of their responsibility among individuals and teams, as well as the what, why and how of reporting

The senior management and those charged with governance are likely to require awareness of the developments in major sustainability reporting standards and frameworks, including those from the ISSB. These will include the requirements relevant to the organisation's own jurisdiction and significant operations, including where it is a major component of a value chain of other reporters.

Before turning to reporting, there should be a focus upon the development of capabilities, including knowledge, skills and mindset, that are generally needed when considering sustainability. This more general consideration should encompass the following areas.

- **The meaning of sustainability and the contribution that sustainability reporting could make towards organisational success** in the context of stakeholders, resources and strategies.
 - **Stakeholders** range from investors and consumers, to employees and their communities, etc., and so it is vital to consider what the implications of the organisation's strategy, its progress and business model might be for these stakeholders. This may include an outline of the value and costs each stakeholder respectively receives and incurs, and what that means for the organisation.
 - **Resources upon which the organisation is dependent** affect, for instance, the risks presented to the organisation by their current use.
 - **Different environmental, social and financial sustainability strategies** are relevant to the organisation, as are the ways they might be implemented:
 - 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 organisation's sustainability-related matters**, especially risks and opportunities include the implications for achievement of the organisation's strategy under a range of scenarios.
- **The key reporting requirements and associated data** for the organisation must be assessed, plus those required by stakeholders and the material information about sustainability-related risks and opportunities (SRROs).

This capability development must extend beyond senior management to across the organisation, as this will drive commitment and quality in sustainability reporting. Therefore, we propose a combination of top-down and bottom-up approaches. This can facilitate the necessary change in culture to place greater emphasis on sustainability. Each function, whether exercised by internal teams or any committees that use external resources, such as audit, risk and even remuneration committees, should appreciate the above matters both in the context of their role and the bigger picture (see [Box 7.7](#)).



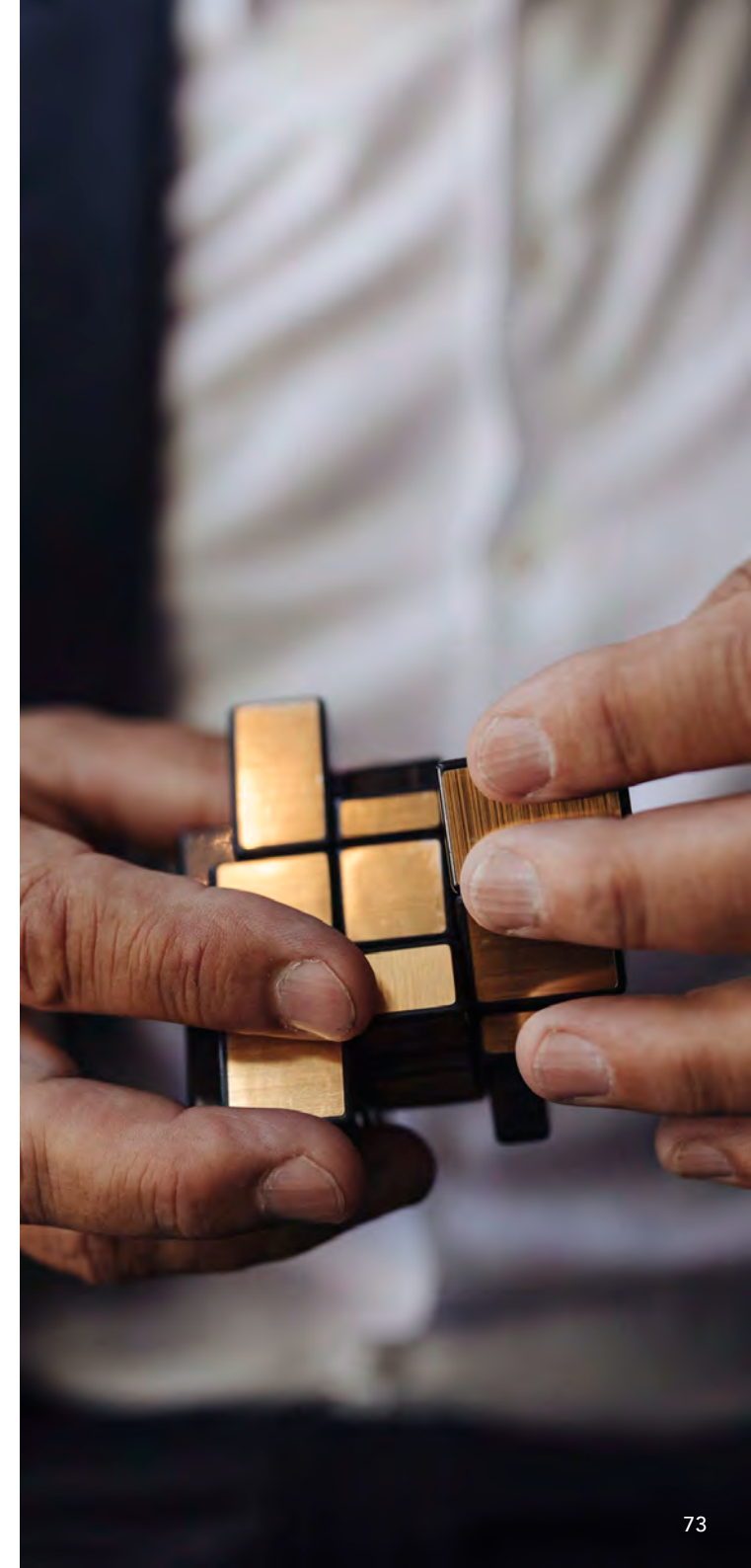
Box 7.7: Examples of functional team questions to raise awareness

To help develop better awareness of sustainability reporting, specifically of what it entails and its value, the following are a few questions each functional team, such as purchasing, processing, finance, and selling could consider in a bottom-up approach.

In the context of my team

- What are the SRROs applicable to us? Including:
 - their type – transition 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 and how might the associated information be material for our team's function? Or would it affect them differently from other functional teams and at the organisational level?
 - How similar are they?
 - Do the SRROs net off, could they be netted off or exacerbated when we consider other functions or the organisational level?
- What will we do to manage our risks? And how will we work with other functions to achieve better sustainability outcomes for the organisation?
- What should we be communicating to others on our risks and their management?
- How is our sustainability-related data used by other functions in creating the organisation's sustainability report? In what format do they require this information?
- What are the key sources of data to support our reporting requirements? What do we need other functions, teams or external stakeholders to provide?

Collective insight can then be consolidated and distilled as relevant to senior management and their committees, which will help in the development, implementation and management of processes.



7.3.4 Review the organisation design – positioning of functions, capacity and access to capabilities

The way in which organisations are structured and run is central to their effective operation and should be reviewed when major changes arise, such as the introduction of sustainability reporting.

From managing analysis, and integration of data to the many differing user needs of sustainability reporting data and insights, organisation design should incorporate:

- emphasising the enhanced and more connected roles of risk and finance functions
- the greater need for internal audit
- integrating and managing diverse reporting regimes, and
- flexible collaborative and technology-enabled environments.

Emphasise the enhanced and increasingly connected role of the risk and finance functions

The finance function is likely to be aware of coming changes in sustainability reporting, whereas the risk management function may not be. At a high level, the role of risk management may appear unchanged, but there will be practical changes pertaining to sustainability reporting (See [Box 7.8](#)).

- **There will be changes in the topics and range of stakeholders, including the interrelationships and interdependencies, for the risk function to consider.** There will probably be a greater focus than may be the case currently on:
 - **issues** relating to the planet (climate, pollution, biodiversity, natural ecosystems and ecosystem services, etc.), people (human rights, human capital, wellbeing, equality, etc.), prosperity (financial growth, reduced poverty, education, etc.) and peace and partnerships (sustainable communities, justice, etc.)
 - **the resources or capitals** (natural, human, financial, manufactured, etc.) upon which the organisation is dependent or has an impact
 - **the SRROs relevant to stakeholders** (of whom there will be a greater variety than for financial

reports) – Section 3 on [determining the material sustainability-related information to be reported](#) starts with a need to appreciate a greater set of risks and opportunities for all stakeholders before considering what is material just for the organisation reporting

- **how SRROs could reasonably be expected to affect the organisation's prospects.**
- **There will be changes in ways of working,** for instance:
 - **in how the work of the risk function is presented and communicated,** owing to the greater use of the resulting risk insights by other teams, including within external reporting – perhaps more in the financial, as well as the sustainability, report ([Box 7.8](#))
 - **in being more collaborative with other functions and external stakeholders,** in order to appreciate the aforementioned topics, stakeholders and the interrelationships.
- **The size of the risk function and capabilities needed will change.** Together with the finance function, the risk function will need to take on extra tasks.
 - **The two functions will need to track and report on potential risks in accordance with the requirements of the sustainability reporting standards.**

These standards are being released and updated piecemeal, with some legalistic language. There is urgency in reporting driven by fairly immediate reporting dates on which each new standard becomes effective. This means finance and risk functions may need to upskill at short notice to appreciate the language used, and track and work with these standards while they are in development, for example, from the exposure draft stage.
 - **Finance and risk management must consider jurisdictional regulatory developments** because:
 - an organisation's strategy may focus on financial sustainability, yet operate in a jurisdiction where reporting is required on the sustainability-related matters of material concern to a broader range of stakeholders, or

- the organisation may be required to apply sustainability reporting standards in addition to those applicable to their jurisdiction.

This may well mean more resource capability for scanning for potential jurisdictional sustainability-related regulatory developments that may affect the organisation's operations (see [Box 2.2](#) in [section 2.2](#)).

- **They will need to use more sophisticated risk methodologies,** for instance, using scenario analysis to assess the way in which information about selected risks and opportunities may dynamically become material. Also, since this is a reporting requirement, being able to identify risks and opportunities that are likely to affect the organisation's prospects in the future, even if they currently do not, would greatly help the organisation to design a better sustainability strategy (see [Box 3.8](#) in [Section 3](#)).
- **There will be different needs for access to sustainability expertise,** together with the skills to engage with it. The rationale for this is articulated in [Section 3](#) on [materiality](#) and [Section 4](#) on [data collection](#).

The organisation design will need to support access to capabilities, probably through connections with others across the organisation, and external specialists, as indicated in the survey results reported in [section 5.3](#), [Box 5.2](#). In summary, access will support insights related to:

- the value chain for Scope 1, 2 or 3 GHG emissions, or geopolitical events that may indirectly affect the organisation
- policy events, such as the Conference of the Parties (COP) (United Nations n.d.) linking to action in relevant jurisdictions
- active listening to current and potential prospective employees, who are likely to provide insights on societal trends that could affect the organisation's prospects, particularly within their communities (see [Box 7.9](#)) or
- academic and business insights, such as on developing and continually evolving the approach to risk appreciation and its reporting, for performance measurement of the chosen strategy.

Box 7.8: Example of the enhanced risk management role

The work of risk management may well incorporate more monitoring and management of the content flowing into financial and sustainability-related disclosures.

- This will include identification of the SRROs that could reasonably be expected to affect the organisation's prospects, especially if and how they may dynamically relate back to the organisation:
 - beyond those most traditionally associated with the industry
 - owing to a shift in the mindset of investors, consumers, and employees towards sustainability, and/or
 - resulting from developments in sustainability-reporting standards.

'From our perspective, the most critical ESG aspect for mining companies is safety. However, given the heightened focus on climate change and biodiversity, external environmental factors propel these hot-button issues to a high level, thereby shifting focus away from safety. This is an intriguing phenomenon we're currently encountering' (a CFO).

- The resilience of the organisation can be determined by using extended scenario analysis that considers many more variables than previously.
- Risk management can support the articulation of the effects of SRROs for accounting and/or disclosure, for example asset valuations or provisions (eg liabilities of uncertain timing or amount), such as with respect to physical or transition risks, and activities aimed at achieving GHG emissions targets.

Box 7.9: The implications of materiality on the work of risk teams

'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 the extent to which we must work with others to discharge our role. We may need teams that are bigger, more connected and with access to more specialist skills' (a risk expert).

Invest in internal audit

The importance of verification should not be underestimated and is explored in [Section 8](#). Fundamentally, verification enables trust and a degree of comfort over the subjectivity associated with sustainability-related information, whether this stems from the data collection, its analysis and evaluation or from the approach to reporting insights. Therefore, the work of internal audit is imperative to reporting reliable sustainability-related information, as they will be sufficiently close to the changes to embed the organisation's sustainability strategies and its reporting.

Further, where external assurance is sought, then their reliance on the work of internal audit may well be increased. Where internal audit work is not done in an organisation today, it may need to be incorporated, as part of the broader role of finance, as a separate function, or outsourced.



Enable globally distributed ways of working for multi-jurisdictional and better integration of reported information

The organisational structure design may need to incorporate new ways of working.

■ A hub and spoke operating model could cater for jurisdictional differences in sustainability reporting.

Given the prevalence of financial reporting based on the IFRS Accounting Standards (either required or permitted) in different jurisdictions, many organisations may have established their reporting team in one jurisdiction. This may not be the possible for organisations with a presence in several jurisdictions where, at the time of writing, sustainability reporting requirements are more likely to differ. These organisations may need to base sustainability reporting expertise in each of these different jurisdictions, hence determining the location of reporting functions and so possibly emphasising the need for globally distributed teams connected by technology.

- **Integrating the work of financial and sustainability functions will also require that one will be in a leading role.** All too often, ACCA's sustainability and integrated reporting work indicate that sustainability and finance functions are entirely separate teams, with insufficient collaboration leading to weak integration of information in reporting. In support of our recommendations over the years, several roundtable participants have also recommended a shift in organisation design to bring these teams closer, either in the form of informal interventions, including encouraging cross-functional engagement, or in more formal interventions, such as merging the teams but definitely with one team taking a lead (see Box 7.10).

Box 7.10: A leader for sustainability-related information

'We have separate finance and sustainability teams – fundamentally they have different business responsibilities'.

'The sustainability team supports with the collation, analysis and provision of climate, other environmental impact, employee diversity, human rights, etc. for use in its various purposes from procurement, marketing, to our integrated financial and sustainability reporting. Importantly, this team also develops recommendations for continual improvement in the delivery of our sustainability strategy and in turn our sustainability report. For instance, supported by insight from the internal audit team, they independently conduct the cycle of plan-do-check-action-plan'.

'This sustainability team is a hub and leader of specialist information, and we in the finance function work closely with them when our work overlaps. A key benefit is that this way of working has led to individuals in that team developing financial and business knowledge. Equally, we have developed some sustainability knowledge. The result is that we are better able to ask the right questions and get better quality sustainability insights' (an amalgamation of comments from roundtable participants).



Create a flexible, collaborative and technology-enabled environment for data, insights and feedback loops

Flexible, collaborative environments within the organisation are crucial for a number of reasons, including the need for:

- **upskilling among employees and their departments**, such as in the assessment of the interconnections between sustainability-related data and insights
- **the analysis and discussion of insights** to shape the content and presentation of reporting and, in some instances, feed back to the future strategy and business model (see Box 7.11)
- **the collection and hosting of analysed data and insights** to enable use in different forms, whether for the organisation's own or its value chain's reporting purposes. In the absence of standardised templates for industries and geographies, value chain reporting may well be different for each value chain in which the organisation operates (see Box 7.12).

Box 7.11: Collaborative insight environments to inform future business

'Our conglomerate business includes an agricultural segment, and we operate in a country where the levels of effluent we emitted into the local environment – land and river – did not contravene local sustainability laws.

'However, we found that our emissions contravened the laws of another jurisdiction into which we wanted to sell our produce. The procurement due diligence process relevant to this other jurisdiction required a broad range of sustainability-related information, including that relating to our agricultural emissions. Further, we discovered that over time, given the size of our potential operations, we would also have to issue sustainability reports in this other jurisdiction.

'The outcome is that we have had to remain alert to the sustainability laws of all other strategic jurisdictions relevant to our operation.

'Therefore, we built a collaborative data-insights sharing environment. Here we inform on developments in reporting and regulatory operating requirements, insights from being involved in procurement and ongoing value chain management processes, etc. The result is that we are able to comply with the most stringent laws relevant to our operations and report against them' (an ESG and accountancy manager).

Box 7.12: The need for information is not homogeneous

'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's Green Finance Skills Webinar, April 2023) (ACCA n.d.b)

Roundtable participants cited technology as the enabler of these flexible environments because many individuals will need to collaborate for sustainability reporting. They may not be in the same location, or need the same information in the same way. This will definitely be the case in larger, more complex organisations operating in multiple industries. As indicated earlier in Section 5 on [process](#) and section 7.2 on [technology](#), the technology used could range from spreadsheet-based templates hosted on web-based collaborative platforms for data collection, to sophisticated applications that integrate with financial reporting systems. If the latter, then this will have implications for strategic investment. Irrespective of the technology, technologists will need to work closely with sustainability, finance, relevant internal functions and value chain counterparts to design and rollout systems, with some potentially having interfaces with those of regulatory authorities (see [Box 7.13](#)).

Box 7.13: The technologist's role in the design of flexible, collaborative environments

'Technologists were central in the design of our carbon footprint tool used by various teams from production, measuring changes in operational processes; sales, advising clients to make sustainable choices; to the finance team, responsible for the production of the integrated report.

They employed a systems-design-thinking methodology, essentially one based on a non-linear, iterative process to: understand user capabilities and needs; state and challenge user needs and assumptions in order to create ideas for solutions; prototype; test; build; implement including training, and continually improve, which may mean looping back to any one of the abovementioned stages' (a CFO).

7.3.5 Engage and manage providers and users of sustainability-related information

Data and information flows between the organisation and external stakeholders are a key requirement for sustainability-related information collection, analysis, and communication. Therefore, organisations will need to plan for external stakeholder engagement to:

- introduce sustainability reporting the right way
- set expectations for continuing change
- learn from sustainability experts, and
- embed ethics.

Introduce sustainability reporting the right way – at the right time and with the relevant roles

Stakeholder engagement is an imperative, whether in conducting life cycle assessments, determining the scope of the value chain, assessing risks and opportunities, establishing metrics and associated data sources, or creating feasible methods for data collection, etc.

Sufficient time should be allocated for these activities. They will almost always take longer than expected and require contact with individuals with whom the organisation may not normally engage, for instance, with the supplier's IT and data specialist rather than the more usual engagement with the sales and finance function.

Further, when introducing change, training for, and mitigating resistance to, that change will be necessary. There may well be organisations or individuals central to the success of sustainability reporting not yet engaged in the value, or simply reluctant because of the effort required. Just as with awareness and education for the organisation's functional teams, external stakeholders will require awareness raising and motivating. Therefore, these change-management activities will be in addition to the more usual stakeholder-relationship management ones (see Box 7.14).

Box 7.14: Introducing sustainability reporting to stakeholders

Various techniques for introducing sustainability reporting requirements to external stakeholders were suggested by roundtable participants including:

- initial engagement using approaches based on design thinking to develop and continually improve templates for collecting, analysing and sharing evaluation of sustainability-related insights
- making requirements to provide sustainability-related information being:
 - 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
- running 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 provision of sustainability-related information, including opportunities to workshop together how they may be overcome; and
- building them into regular engagement with focused agenda time for discussion on sustainability-related risk management, including mitigations and access to data.

Source: An amalgamation of suggestions from roundtable participants

Set expectations for continual change

Once engaged and using reporting processes and systems, updates for changes in regulation, collection and processing of data will be necessary but, importantly, will also be necessitated by changes in the sustainability-related risk profile within the value chain.

Stakeholder acceptance of and engagement in working with change on a regular basis is essential. Those within the value chain will need to know when and how to disseminate their insights about changes to their SRROs' profile. As referenced in the [above subsection](#), this information may not always stem from those responsible for sales-related supplier and customer relationship management. Also, consideration will need to be given to mitigating possible concerns that sharing risk profiles may lead to future detrimental terms of trade (see Box 7.15).

Box 7.15: 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 of negative impact to terms of trade.'

'We had to make clear our rationale for requiring the information, including 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).

Build in opportunities to learn from sustainability experts or to collaborate to overcome some of the resource challenges

Even the best-resourced organisations will need to reflect on how best to bring in skills and learning from outside the organisation, whether from across the industry or the geographic area, to deal with specific sustainability issues, or for reporting and/or verification.

External expertise will almost certainly be required for specific specialist tasks. Organisations are encouraged to incorporate mechanisms for knowledge transfer and upskilling in-house teams while these external experts complete their specialist tasks. As a minimum, such knowledge transfer should ensure that the organisation's employees are better equipped to ask the right questions and understand the answers when they draw on the work of experts in the future.

Collaboration among groups of organisations can provide cost-conscious, efficient and effective ways of learning on shared themes or objectives, such as the requirements of specific types of reporting and/or their practical application (see [Box 7.16](#)). Such an approach will certainly help less-well-resourced organisations get started in sustainability-related reporting.



Box 7.16: Harness the power of connections to support implementation

Different jurisdictions move at different paces and are at different stages of development and maturity of their disclosure frameworks. In a less-mature sustainability reporting landscape, especially where sustainability reporting is not mandated, organisations might consider collaborating and working closely with other stakeholder groups within their jurisdiction (eg regulators, standards-setters, industry peers, system providers) to drive consistency and improve comparability.

Potential areas of collaboration include the following.

- **Developing application guidance** for a specific framework or standard, or trade and procurement policies. This could include developing a standardised measurement methodology together with the applicable metrics, or perhaps producing a standardised or industry-aligned taxonomy.
- **Automating data collection and sharing**, whereby data could be submitted through a common platform with the appropriate verification and assurance process in place. The submitted data could then be collated and shared in aggregate as a form of industry benchmark or serve as a reliable source of input for reporting by individual organisations (eg one organisation's reporting of its Scope 1 and 2 GHG emissions will inform another organisation's reporting of its own Scope 3 GHG emissions).
- **Developing industry-standard structured templates**, eg to identify SRROs and quantify an organisation's susceptibility to them. These templates can build in consideration of how a combination of risk factors might collectively affect an organisation. Data collected through such templates might subsequently feed into a mitigation index, which can then allow better comparison of risks among organisations.
- **Sharing of experiences through learning and development programmes.** Industries and professions stand to gain through continuous knowledge-sharing. Understanding others' sustainability reporting journeys as well as learning from others' experiences can shorten the overall learning curve. This will also have the added benefit of supporting progress towards combating climate change, which is essentially a collective race against time.



Another excellent source of guidance are the many resources being developed by professional accountancy and trade organisations. Box 7.17 sets out a few developed by ACCA.

Box 7.17 : Sources of learning

The following are some the resources currently available; our resources are constantly being updated, therefore keep up to date by accessing the latest [Professional insights](#).

Theme	Title
Considering societal issues	Accounting for Society's Values (ACCA 2023e)
Improving your integrative thinking to manage complex multi-dimensional problems	Integrative Thinking: the guide to becoming a value-adding CFO (Machado, Chen et al. 2023)
Being alert to ethical dilemmas	Ethical Dilemmas in an Era of Sustainability Reporting (Machado, Weaver and Sparkes 2023)
The role of the CFO in driving value	Chief Value Officer – the Important Evolution of the CFO (ACCA 2023a)
Green finance skills	Green Finance Skills: The Guide (Skelton 2023)
Sustainability assurance considerations	Sustainability Assurance – Rising to the Challenge (Rogdaki and Diolas 2023)
Green budgeting for public sector	Green Budgeting: A Toolkit for Public Sector Finance Professionals (ACCA 2022b)
Organisations' readiness for IFRS S2	Companies' Readiness to Adopt IFRS S2 Climate-related Disclosures (Baboukardos et al. 2022)
The role of the accountancy profession in creating a better world	Accounting for a Better World: Priorities for a Transforming Profession (ACCA 2022c)
Climate action and the accountancy profession building a sustainable future	Climate Action and the Accountancy Profession: Building a Sustainable Future (ACCA 2021c)
The role of accountants and their skills to create sustainable organisations	Professional Accountants at the Heart of Sustainable Organisations (ACCA 2021d)
Demonstrating organisations' integrated thinking in integrated reporting	Invisible Threads: Communicating Integrated Thinking (Chen and Hawksley 2021)
The role of professional accountants in natural management	Professional Accountants Changing Business for the Planet: a Guide to Natural Capital Management for Business Leaders (ACCA 2020)
SMEs applying integrated thinking	Integrated Thinking – the Key to SMEs' Resilience? (Chow 2022)
SMEs developing sustainable strategies	How SMEs Can Create a More Sustainable World (ACCA and CA ANZ 2022a)
How SMEs can create a more sustainable world	How SMEs Can Create a more Sustainable World (playbook) (ACCA and CA ANZ 2022b)

Embed compliance with the ethical code among all using sustainability reporting content

Externally facing teams such as media, sales and marketing may want to use sustainability reporting content – 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, care should be taken to ensure that sustainability-related content is used in accordance with the principles of the code of ethics, which may be little known or appreciated outside the accountancy profession, raising the risk of greenwashing (see Box 7.18). In this, professional accountants have a major call to action 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 our work titled *Ethical Dilemmas in an Era of Sustainability Reporting* (Machado, Weaver and Sparkes 2023). The work supports professional accountants in mitigating ethical dilemmas presenting in:

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

Box 7.18: Working with the marketing function

‘Our marketing department is incredibly creative and so we have leveraged this strength to help us stretch our thinking on: how we can be more sustainable across our whole product life cycle; how sustainability-related information is relevant to different teams across the organisation; [and] how we might best communicate our sustainability-related risks, opportunities, strategy, governance, business model, processes, etc. within our sustainability report

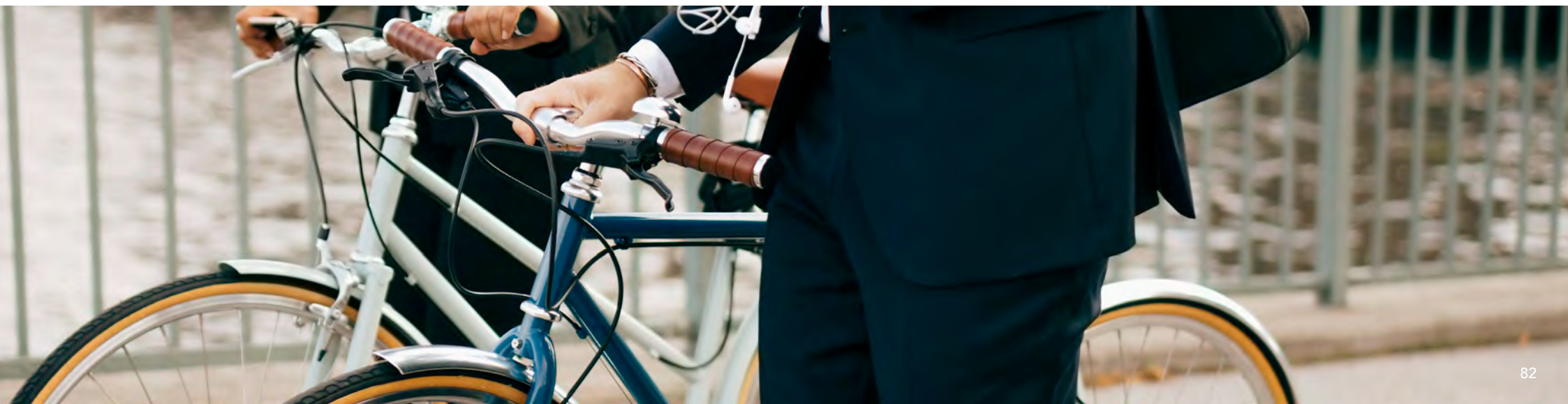
*‘In turn, we have helped impart principles on how to communicate sustainability-related information with integrity [and] the connectivity that sustainability strategy implementation is impacting product prices today and over time, including continual innovation and improvement in how we run our business’
(a change management consultant).*

7.3.6 Manage talent

The strategy for talent management will extend from driving commitment, knowing the capabilities required and accessing them, and onward to retaining that talent. The following are a few considerations in the development and deployment of a talent-management approach.

Know the capabilities required

Throughout this guide we refer to capabilities required. In this section, we summarise those that we have identified as the most important over the course of ACCA’s work on this topic and with input from our roundtable participants (see Box 7.19).



Box 7.19: Sustainability capabilities, including those related to reporting

The ACCA qualification currently develops sustainability-related capabilities in an integrated way, in other words 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 \(ACCA n.d.c\)](#).

ACCA continually monitors and assesses the currency and relevance of these capabilities in the Career Navigator. The capabilities may be updated, refreshed, or removed in the future as the situation/environment evolves, therefore it is vital for all to remain engaged with this work.

Figure 7.3 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). A detailed version of the capabilities can be found within [Appendix C](#) to this guide.

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 7.3: Capabilities most relevant to sustainability



Box 7.19: Sustainability capabilities, including those related to reporting (continued)

 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
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		
 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		

Determine and implement the strategy to access the required capabilities

When deciding on how to access the required capabilities, and so whether to recruit, develop internally, pool (sharing of talent between organisations) or fully outsource, it is important to reflect on the responses to the following questions.

- **What type and variety of sustainability capability is required?** Organisations that require niche skills and many different areas of expertise might use an 'access as and when required' strategy.
- **How and where across the organisation is capability required?** For example, is it needed across many different teams or as a central resource? If across many teams, then upskilling might be preferable.
- **Do we already have finance professionals and others with some of these capabilities?** If so, then internal development might be preferred.
- **For how long is capability required?** Is it for the short or the long term? If for the short term, a shared or outsourcing model might be preferable as it may be deemed cheaper overall.
- **What resources do we have available now to dedicate to recruiting, developing and retaining talent?** Often, to get the best from employees, a considerable effort is required to recruit and onboard.

For developing staff internally, courses from industry, trade, sustainability experts and professional bodies are on the rise. Other methods include making sustainability a natural part of role evolution, where new capabilities are developed:

- **led by nominated sustainability champions**, who develop themselves and then disseminate insight and learning
- **by establishing cross-functional working groups**, to learn collaboratively, and crucially to drive the integration of sustainability capability relevant to each functional group but with awareness of the matters relevant to others (see Box 7.20)
- **by encouraging curiosity** through sharing strategic problem statements related to sustainability and its reporting, of which there are several examples within [ACCA's work on integrative thinking](#) (Machado, Chen

et al. 2023). This curiosity needs to be exercised within an environment, hence [the need for flexible collaborative environments](#) (see Boxes 7.11; 7.13 and related text).

Box 7.20: Cross-functional working group for developing talent

At the same time as establishing cross-functional steering groups to support the organisation's sustainable development, to ensure organisational capability development, these groups often have terms of reference that include:

- learning from each other to build their own sustainability capability
- identifying capability needs and gaps
- designing systems for developing the capabilities of others
- identifying and implementing approaches for capability development
- setting and implementing appraisal of progress
- working with policymakers to understand and, as applicable, influence sustainability regulation relevant not just for reporting but also for the development and implementation of sustainability strategies
- creating and disseminating key regulation to employees, ideally that is applicable to their roles.

Measure and reward commitment and progress

Sustainability reporting knowledge and skills are one thing; another is commitment to and application of those capabilities in an organisationally congruent way. Mechanisms to drive organisationally congruent achievements, skills, mindset and behaviour in the development, implementation and continual improvement exist through:

- remuneration
- non-financial reward systems
- organisationally congruent activities, including sustainability champions.

The above should be supported by clear objectives and mechanisms for fairly and ethically measuring sustainability-related performance within appraisal systems (see Box 7.21).

Box 7.21: Examples of commitment approaches

Commitment to implementing and progressing sustainability reporting is imperative, and sometimes an approach of incentives and penalties is required. Some of these methods are listed below.

- Terms of employment can be amended to include:
 - sustainability-related deliverables incorporated within objectives and key performance indicators that are potentially also linked to remuneration
 - non-financial rewards, including:
 - development opportunities
 - additional time away from work to give back to the community
 - awards for recognition.
- Sustainability champions, essentially employees who are already engaged and knowledgeable, are tasked with raising awareness, motivating and educating other staff in ways relevant to their roles.
- Senior management role-model sustainability knowledge and set sustainability-related values and associated ethical code.
- The role of verification of sustainable practices and reporting is introduced or extended to take into account the approach and effort made by employees.

Develop and implement the strategy for retaining talent

Irrespective of recruiting or outsourcing, organisations should consider how best to sustain benefits from the investment, as the demand for sustainability expert talent is likely to grow (See Box 7.22).

Box 7.22: The talent pool of professional accountants with sustainability expertise is small

'No one wants to continually invest in recruiting and training only to lose the professional to another organisation. The pool of talent [professional accountants with sustainability capability] is likely to be thin on the ground' (a sustainability and finance function leader).

Continuity of expertise is desirable, whether outsourced or internally developed, because each organisation's sustainability-related issues and culture will be different and that takes time to understand. Therefore, irrespective of internal or outsourced capability, in addition to some of the earlier considerations relevant to accessing and rewarding talent, the following points focus solely on retention.

■ Developing capabilities for enhanced value:

- by sustaining employees' expertise: for example, providing time for them to take part in their specialist networks
- by encouraging development of:
 - more generalist capabilities necessary to get the best from others
 - integrated accountancy and sustainability capabilities
 - an appetite for continual learning and development.

■ Stretching capabilities through tasks that introduce challenge.

■ Motivating by appreciating and satisfying their needs:

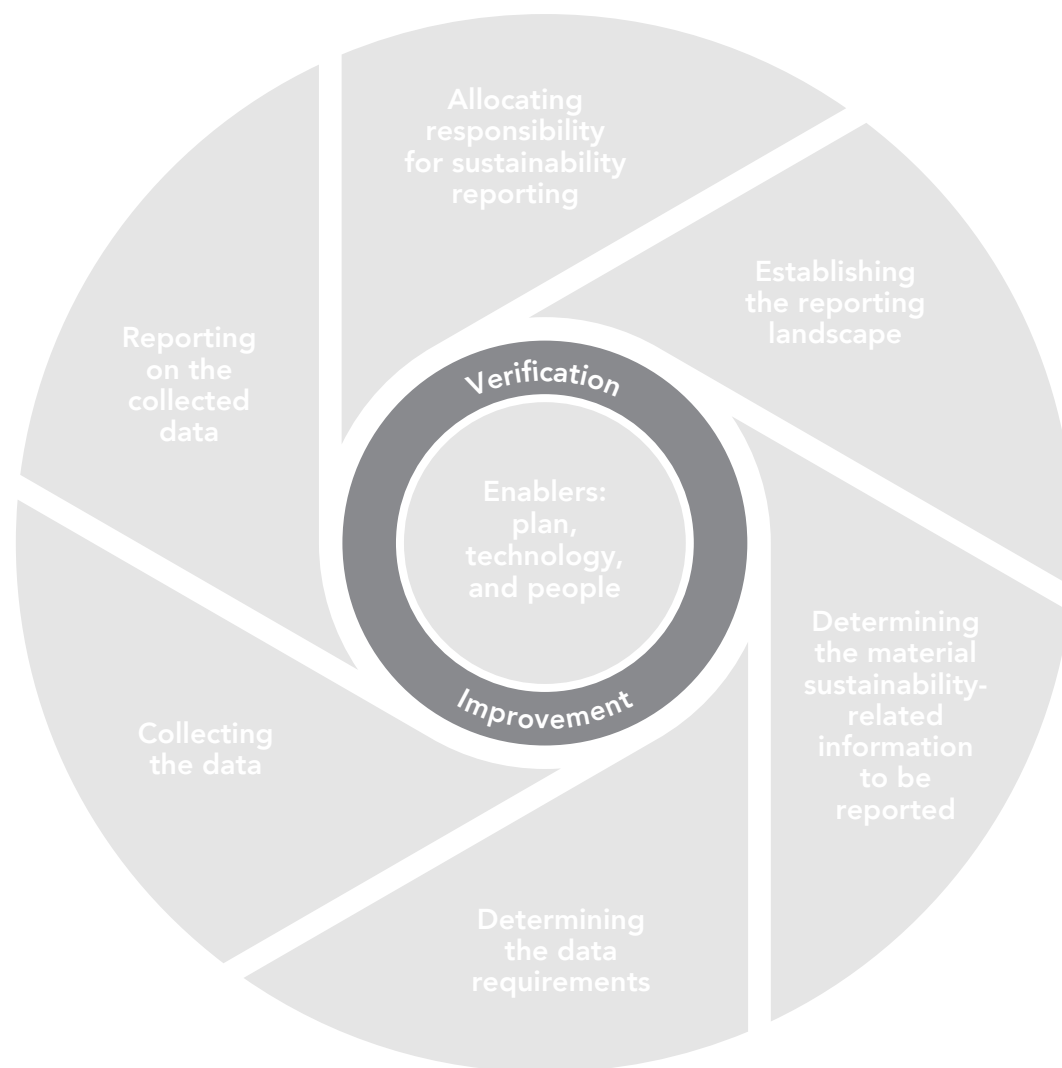
- by recognising the difference their unique capabilities enable, for example, relating to progress on sustainability outcomes; recognition is a personal matter – while financial reward may well be an aspect, non-financial methods are also very important, for example, internal and external communications
- by understanding the factors that matter to the employee and if possible, supplying them, and if this is not possible, explaining why not
- by setting out the career development path to meet ambitions.



8. Verifying what is reported, and continual improvement



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



Verifying what is reported, and continual improvement

- Obtain assurance
- Set metrics to drive continual improvement

Verification supports building trust in sustainability-related information and reporting, and so it is imperative to addressing the quality of reporting across all stages of the sustainability reporting cycle, with both internal and external assurance supporting the oversight role of those charged with governance. This will pave the way towards continual improvement in the quality of reported sustainability-related information.

In this stage, the guidance we provide addresses how to

- obtain assurance
- set metrics to drive continual improvement (Figure 8.1).

8.1 Obtain assurance

Given the importance placed on sustainability-related information, the same rigour must be applied to reporting sustainability-related information as is applied to financial statements, to produce disclosures that are assurable. That verifiability underpins the ability of information to be assured has been mentioned several times when discussing the collection of sustainability-related data, its analysis and the use of technology to produce high-quality sustainability-related information that is credible and can be relied upon for decision-making.

8.1.1 Consider the type and level of assurance

Assurance gives confidence to users of sustainability-related information, including investors. The level of assurance may be determined by jurisdictional regulations. While organisations may begin with obtaining limited assurance, reasonable assurance over sustainability-related information may become the common practice when standard-setting and application of sustainability reporting standards become more mature.

Meanwhile, internal audit is too important to ignore. The internal audit function should ensure that internal controls for the reporting process are effective, and that the information provided by different parts of the organisation is reliable and consistent.

8.1.2 Select 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. Also, 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 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.

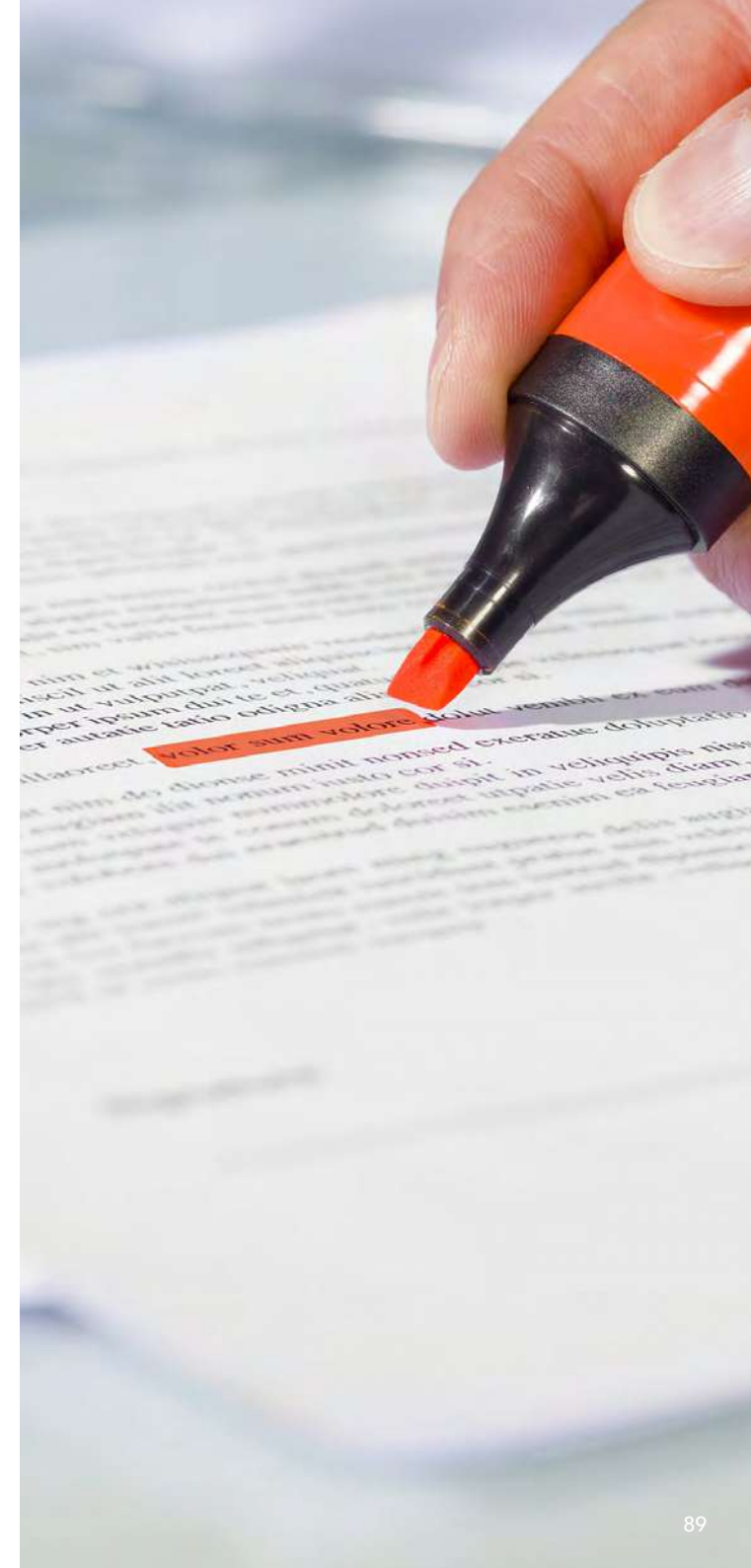
8.1.3 Expand the role of the audit committee

The audit committee plays an important role in effective corporate oversight. If there is no audit committee in the organisation, that role remains with those charged with governance.

The roles and responsibilities of the audit committee in relation to sustainability reporting should mirror those for financial reporting. The audit committee's remit should include:

- building stakeholders' trust on the credibility of the organisation's sustainability-related information
- advising those charged with governance on the assurability of sustainability-related information
- determining the scope for internal and external assurance
- determining the level of assurance
- developing or strengthening the policy for the appointment of sustainability assurance provider
- selecting the independent assurance provider
- ensuring assurance providers have access to appropriate staff and supporting information
- oversight over the quality of the assurance services.

The audit committee, as a whole, should have the relevant competence to fulfil these expanded responsibilities.



8.2 Set metrics to drive continual improvement

Sustainability reporting and all the associated processes will be a relatively new experience for many organisations. Producing high-quality sustainability-related information will be a journey that involves continual improvement and continual collaboration, both within the organisation and externally. For example, this could involve putting feedback loops in place to gather stakeholders' responses to help the organisation gauge the usefulness of reported information.

It could also include proactively setting targets to continually improve the quality of the organisation's sustainability-related disclosures. The metrics used to measure the organisation's own continual improvement in sustainability reporting and progress towards meeting those targets should be disclosed to help primary users appreciate its continual effort to improve the quality of its reported information.

The consideration for metrics and targets used in assessing such progress could include:

8.2.1 Quality of data over time

- Reduced use of undue cost and effort – eg progress on proxy versus direct measurement
- Reduced adjustments for errors
- Progress on integration of processes and systems

8.2.2 Stakeholders' feedback on value of sustainability-related information

- Employee engagement on organisation's sustainability strategy and its reporting
- Feedback from organisation's boards/committees on how useful the information has been in aiding decision-making
- Feedback from external auditors on integration in reporting – eg anticipated effects of climate-related risks on the organisation's cash flows, financial position and financial performance
- Feedback from primary users and investor rating agencies on how useful the information has been in aiding their analysis and decision-making (See Box 8.1)

- Feedback from key stakeholders, including primary users, on any new sustainability-related risks and opportunities (SRROs) that could affect the organisation's prospects, or the removal of any SRROs and the related information from next year's report

Box 8.1: The influence of investor rating agencies on improving data quality

'As many investors still use rating frameworks for data statistics and data screening, we will improve our reports based on those proactive ratings and provide more comparable indicators' (a CFO).

8.2.3 Disseminate sustainability knowledge across the organisation and its retention

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

8.2.4 Integrate 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



Glossary

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

Term	Description	Source
Building blocks approach	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 IFAC 2021
Component of an organisation	A 'component' may be a subsidiary, an operating segment, a business unit, a department, or a business activity. Defining what constitutes a component depends on how the organisation is structured and managed. For example, components could be those parts of the organisation that prepare financial information for inclusion in the consolidated financial statements.	
CFO	Chief financial officer	
COSO	Committee of Sponsoring Organizations of the Treadway Commission	
CSRD	Corporate Sustainability Reporting Directive	
Double materiality	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 shall be considered. ESRS requires an organisation to assess the materiality of sustainability matters based on the double materiality principle.	ESRS 1, paragraphs 21, 28, and 37
Dynamic materiality	A process in which what is immaterial to an organisation today can become material tomorrow	Adapted from WEF and BCG 2020
ERP	Enterprise resource planning	

Term	Description	Source
ESG	Environmental, social and corporate governance	
ESRS	European Sustainability Reporting Standards	
ESRS 1	ESRS 1 <i>General Requirements</i>	
EU	European Union	
General purpose financial reports	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. 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)
Greenhouse gas (GHG) emissions	These comprise the seven greenhouse gases (GHG) listed in the Kyoto Protocol: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), nitrogen trifluoride (NF₃), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆). They are categorised according to the source of emissions. ■ Scope 1 greenhouse gas emissions. Direct GHG emissions that occur from sources that are owned or controlled by an organisation. ■ Scope 2 greenhouse gas emissions. 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. ■ Scope 3 greenhouse gas emissions. 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). Indirect GHG emissions refer to emissions that are a consequence of the activities of an organisation, but occur at sources owned or controlled by another organisation.	Adapted from IFRS S2, Appendix A (ISSB 2023b)
IEA	International Energy Agency	

Term	Description	Source
IESBA	International Ethics Standards Board for Accountants	
IESBA Code	International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA 2018)	
IFRS S1	IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> (ISSB 2023a)	
IFRS S2	IFRS S2 <i>Climate-related Disclosures</i> (ISSB 2023b)	
Integrative thinking	The thinking and action by individuals that will lead to integrated thinking at the organisation level. Such thinking requires personal and interpersonal capabilities, a set of skills, behaviours and mindsets relating to: ■ continually becoming ■ exploring ■ co-creating ■ empathising ■ empowering.	<i>Integrative Thinking: the Guide to Becoming a Value-adding CFO</i> (Machado, Chen et al. 2023)
Integrated thinking	The thinking and action by collections of people, therefore including teams and organisations.	<i>Integrative Thinking: the Guide to Becoming a Value-adding CFO</i> (Machado, Chen et al. 2023)
Integrated sustainability-related and financial information	Information with qualities that demonstrates the interconnectedness, interrelationships and interdependencies between the six capitals (human, natural, intellectual, financial, manufactured, social and relationship)	<i>Get to grips with the six capitals</i> (IFRS Foundation 2023c)
IOSCO	International Organization of Securities Commissions	
IPCC	Intergovernmental Panel on Climate Change	
ISA 200	ISA 200 <i>Overall Objectives of the Independent Auditor and The Conduct of an Audit in accordance with International Standards on Auditing</i>	

Term	Description	Source
ISSB	The International Sustainability Standards Board, which has set out four key objectives: ■ to develop standards for a global baseline of sustainability disclosures ■ to meet the information needs of investors ■ to enable companies to provide comprehensive sustainability information to global capital markets, and ■ to facilitate interoperability with disclosures that are jurisdiction-specific and/or aimed at broader stakeholder groups.	
ISSB Standards	Collectively refers to the IFRS Sustainability Disclosure Standards, ie IFRS S1 and IFRS S2	
Materiality	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 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
NFRD	Non-Financial Reporting Directive	
Other users of sustainability-related information (other users)	They are users of sustainability-related information other than primary users of general purpose financial reports. For example: ■ 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. ■ individuals external to the organisation (external stakeholders), such as key suppliers and customers in the value chain, and regulators.	
Primary users of general purpose financial reports (primary users)	They are existing and potential investors, lenders and other creditors of an organisation.	Adapted from IFRS S1, Appendix A (ISSB 2023a)

Term	Description	Source
Senior management	The person(s) with executive responsibility for the conduct of the organisation's operations. Management may include some or all of those charged with governance, or an owner-manager.	Adapted from ISA 200, paragraph 13(a)
SME	Small and medium-sized entity	
SRROs	Sustainability-related risks and opportunities	
SRROs that could reasonably be expected to affect the organisation's prospects	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
TCFD	Task Force on Climate-related Financial Disclosures	
Those charged with governance	The person(s) or body with responsibility for overseeing the strategic direction of the organisation and obligations related to its accountability. This includes oversight of its financial and sustainability reporting process. Those charged with governance may include management personnel, or an owner-manager.	Adapted from ISA 200, paragraph 13(o)
UN SDGs	United Nations Sustainable Development Goals	
Value chain	The full range of interactions, resources and relationships related to a reporting entity's business model and the external environment in which it operates. A value chain encompasses the interactions, resources and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption and end-of-life, including interactions, resources and relationships in the entity's operations, such as human resources; those along its supply, marketing and distribution channels, such as materials and service sourcing, and product and service sale and delivery; and the financing, geographical, geopolitical and regulatory environments in which the entity operates.	IFRS S1, Appendix A
Verifiability	Various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Information is verifiable if it is possible to corroborate either the information itself or the inputs used to derive it.	IFRS S1, paragraphs D21–D22

Appendices

Appendix A: IFRS S1 sample worksheet

This sample worksheet is available for download at <https://www.accaglobal.com/sustainability-reporting-guide>.

Disclaimer:

This sample worksheet calls out some of the key requirements of IFRS S1. It does not contain all the requirements in the standard and does not substitute reading all the ISSB Standards.

I. GOVERNANCE

No.	Areas for disclosure	Reference	Disclosure
About the governance body(ies)			
1	Identify parties responsible for oversight of SRROs. This could include governance bodies (e.g., board, committee or equivalent body charged with governance), or specific individual(s) within the organisation.	IFRS S1, paragraph 27(a)	
2	Describe the responsibilities of the parties identified in (a) and where the responsibilities for SRRO are reflected. This could be expanded from the Responsibility Assignment Matrix (or RACI chart). Responsibilities are typically described and detailed in terms of reference, mandates, role descriptions, and other related policies.	IFRS S1, paragraph 27(a)(i)	
3	Describe how the parties identified in (1) determine whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to SRROs.	IFRS S1, paragraph 27(a)(ii)	
4	Explain how and how often those in (1) are informed about the organisation's SRROs.	IFRS S1, paragraph 27(a)(iii)	
5	Explain how those in (1) consider SRROs when overseeing the organisation's strategy, decisions on major transactions, and its risk management process and related policies, including whether they had considered the trade-offs associated with those SRROs.	IFRS S1, paragraph 27(a)(iv)	
6	Explain how those in (1) oversee the setting of targets related to SRROs, and monitors progress towards those targets, including whether and how related performance metrics are included in remuneration policies.	IFRS S1, paragraph 27(a)(v)	
About management			
7	Describe management's role in the governance processes, controls and procedures used to monitor, manage and oversee SRROs. Include information about: (a) whether the role is delegated to a specific management-level position or management-level committee (b) how oversight is exercised over (a) (c) whether management uses controls and procedures to support oversight of SRROs (d) how (c) is integrated with other internal functions	IFRS S1, paragraph 27(b)	

Appendix B: IFRS S2 sample worksheet

This sample worksheet is available for download at <https://www.accaglobal.com/sustainability-reporting-guide>.

Disclaimer:

This sample worksheet calls out some of the key requirements of IFRS S2. It does not contain all the requirements in the standard and does not substitute reading all the ISSB Standards.

1 Describe CRROs that could reasonably be expected to affect the organisation's prospects, and map them to the appropriate time horizons [IFRS S2, paragraphs 10-12, and 15-21]

Information should enable primary users to understand:			Current reporting period				Short term (defined)
Climate-related risks and opportunities (CRROs) that could reasonably be expected to affect the organisation's prospects	Description	Physical risk/ Transition risk?	Effects on cash flows	Effects on financial performance	Effects on financial position	Significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next annual reporting period?	Anticipated effects on access to finance
Ref: N1							
1 Risk A							
2 Risk B							
3 Risk C							
4 Opportunity A							
5 Opportunity B							
6 Opportunity C							

a) Use quantitative (a single amount or a range) and qualitative information to explain
In preparing the anticipated financial effects of CRROs, an organisation should:
 b) Use reasonable and supportable information that is available at the reporting date without undue cost or effort
 c) Use an approach that is commensurate with the skills, capabilities and resources that are available to the organisation

N1 When identifying CRROs that could reasonably be expected to affect the organisation's prospects, consider:

[IFRS S2, paragraph 11]

Source	Is the information reasonable and supportable?	Available at reporting date?	Available without undue cost or effort?
Past events			
Current conditions			
Forecast of future conditions			
Industry-based disclosure topics in the Industry-based Guidance on Implementing IFRS S2 [see also Appendix A on sources of guidance]			

Reflect upon strategy to manage CRROs, taking into consideration:

- N2** (a) investment and disposal plans including plans not contractually committed to; and
 (b) planned sources of funding to implement strategy

- N3** Reflect upon strategy to manage CRROs (eg, changes to revenue, expenses and costs from climate-related physical damages)

Appendix C: Capabilities

The following are the capabilities deemed to be required by professionals undertaking sustainability reporting. Many of these capabilities will be equally relevant to professionals working in other sustainability-related roles, including setting and implementing strategy, and risk management and assurance.

The list is not exhaustive because as sustainability matters evolve so will the capabilities required to manage these matters.

	Sustainability	Expertise	Insight	Ethics	Drive	Collaboration	Digital
ACCA Career Navigator seven capabilities	Applying integrative thinking and action to create, protect and communicate long-term value for the organisation, environment and society.	The functional responsibilities of your role: drawing upon your knowledge and experience, applying your technical expertise to the matter in hand in order to benefit your organisation.	Thinking and operating at an individual level in your organisational context: accurately analysing information, generating new ideas, making clear decisions, organising work, focusing on key priorities and achieving timely results.	Acting in accordance with fundamental principles of professional and personal ethical behaviour, ensuring the use of appropriate ethical frameworks and compliance with laws and regulations.	Your attitude and motivation: being determined, motivating and developing yourself and others to achieve, stretching goals, being curious and open to new approaches, and acting with integrity.	Interacting with others: engaging effectively with internal and external stakeholders, communicating clearly, being inclusive and influencing impactfully.	Proficiently and ethically using existing and emerging data technologies, capabilities, practices and strategies – to enable finance teams to reconfigure how they work together and share information.
Examples of some of the sustainability-relevant capabilities within the Career Navigator	Sustainability knowledge – Understands what sustainability means for the organisation and is aware of the standards and reporting frameworks for sustainable development, including UN SDGs. ESG metrics – Environmental, Social and Governance metrics matter to my organisation to help it deliver its strategy. Sustainability analysis – Compile and analyse key financial and non-financial data	Advisory and consultancy – Develops insight into both internal and external clients' organisational issues and provides expert advice to add value. Supports clients' objectives and plans to improve, innovate and grow sustainably. Identifies efficiencies and responds to changing environments.	Business acumen – Understands and responds to internal and external drivers, maintains a commercial mindset and develops opportunities for growth. Critical thinking – Deals with information and data and gets to the heart of the matter in order to make clear, evidence-based decisions that move issues forward.	Policy compliance – Works within the organisational, regulatory and legislative requirements in place for the role and jurisdiction. Ethical code compliance – Works within the code and understands the consequences of ethical and unethical conduct. Dilemmas mitigation – Identifies and evaluates threats to fundamental ethical principles and implements appropriate safeguards.	Authenticity – Builds trusted relationships, is reliable, acts with integrity and in a manner that is appropriate for a professional accountant, promoting trust in the profession. Leadership – Sets direction and encourages others towards the achievement of the organisation's goals. Change orientation – Questions existing practices, adopts new approaches, adjusts to changing circumstances and responds positively to new ideas.	Communication – Communicates clearly and with confidence, simplifies complexity, presents arguments logically and concisely and presents information using appropriate technologies. Partnerships – Partners and interacts with others, working in teams and with a range of internal and external stakeholders, in order to build and maintain fruitful relationships.	Stakeholder application – Uses and adopts technology and data for the benefit of stakeholders. Design thinking – Applies the concepts of user experience, user interface and design. Business model focus – Relates the business model to the data model and understands the data flows within an organisation. Risk management – Controls and related monitoring technologies.

	Sustainability	Expertise	Insight	Ethics	Drive	Collaboration	Digital
Examples of some of the sustainability-relevant capabilities within the Career Navigator (continued)	Sustainability role of profession – Understands the profession's role in making a positive contribution to, and impact on, sustainable value creation. Solutions development – Identifies and volunteers potential opportunities for sustainable practice. Care for resources – Works with others in a safe and sustainable manner and seeks to reduce the consumption of resources.	Audit and assurance – Provides high-quality work by evaluating information systems and internal controls, gathering evidence and performing procedures to meet the objectives of audit and a variety of assurance engagements. Financial Management – Implements effective investment and financing decisions within the business environment in areas such as investment appraisal, business reorganisations, tax and risk management, treasury and working capital management, to ensure value creation. Performance Management – Delivers financial information, tools, analysis and insight across the organisation; assesses, evaluates and implements management accounting and performance management systems.	Governance and control – Ensures that the structure of rules, practices and processes used to direct and manage the organisation are at the highest levels. Innovation – Looks for new and better ways of doing things, generates new ideas for change and improvement and is open to alternative ways of working. Planning and project management – Undertakes projects, schedules activities, organises and prioritises tasks and monitors progress to achieve objectives in a timely manner.	Ethical mindset – Develops an ethical mindset and consistently demonstrates professional skills and ethical values. Awareness raising – Confident in raising concerns and conflicts of interest and knows how to escalate issues appropriately. Guardian – Acts as a guardian against fraud and illicit financial flows. Public interest – Acts in the public interest and promotes trust in the profession.	Determination – Initiates and drives things forward, follows through and gets things done, is resilient, sets ambitious targets and achieves excellence. Lifelong learning – Manages their own and others' development, coaching and mentoring others, taking responsibility for learning and continually improving and developing professional skills, knowledge and experience.	Inclusion – Respects different views and opinions; recognises, appreciates and values diversity and acts in an inclusive manner. Influences – Offers advice and insights, engages others through persuasion, achieves common ground, resolves potential conflicts and gains support for proposals. Stakeholder focus – Listens to internal and external stakeholders, understands customer requirements by focusing on their needs, solicits and acts upon feedback and provides a positive experience.	Currency – Currency with the technology relevant to the organisation. Communication tools – Uses a wide range of modern communication technologies and platforms to interact and collaborate, construct and interpret straightforward financial models, both historical and forward looking. Analysis – Uses appropriate tools, methods, models and technologies to analyse, interpret, evaluate and communicate data. Insights – Provides insights and supports sound decision-making by effectively using and optimising processes and technology.

	Sustainability	Expertise	Insight	Ethics	Drive	Collaboration	Digital
Examples of some of the sustainability-relevant capabilities within the Career Navigator (continued)		Financial and business reporting – Prepares and communicates high-quality business reports to support stakeholder understanding and decision-making. Risk Management – Ensures effective and appropriate governance, allows evaluation, monitors and implements appropriate risk-identification procedures; by designing and implementing risk, internal audit and control systems. Taxation – Complies with tax regulation and systems, communicates with relevant stakeholders to establish and ethically manage tax liabilities for individuals and companies, using appropriate tax computation and planning techniques.					

	Sustainability	Expertise	Insight	Ethics	Drive	Collaboration	Digital
Capabilities explicitly identified via this research where some capabilities were also identified in ACCA's related work on integrative thinking. Many of these capabilities are included within the Career Navigator	Multi-capitals thinking – Thinks across the various resources the organisation affects and depends upon, eg financial, economic and business acumen, intellectual, reputation and brand, natural resources, manufactured resources, human resources. Currency with policy and regulation – Keeps abreast of the multiple regulations and policy on sustainability reporting requirements relevant to their work. Financial and sustainability-related information integration – Appreciates and can work with financial and non-financial information that typically has different data qualities, eg sustainability reporting considers the approach to sustainable business strategy and implementation as well as progress (performance and position).	Product life-cycle/ value chain assessment – Identifies and analyses the value chain for management and external reporting including triggers for when a re-review is required for changes in the value chain or boundary. Multiple forms of materiality – Works with multiple forms of materiality, eg double, financial, impact, dynamic. New resourcing models – Considers different models for access to sustainability knowledge, risk and learning expertise. Boundary for reporting and its value chain – Appreciates the different boundary, and in turn value chain, implications. Base technical knowledge for key environmental and social topics – Has the appropriate base knowledge, eg GHG emissions, human rights, human capital, biodiversity, ecosystems and ecosystem services.	Interconnected systemic thinking – Thinking is capable of appreciating the interconnectedness, dynamic relationships (feedback loops), causes and associated effects, combines different ideas for something new or extra (sometimes the whole is greater than the sum of its parts). Multi-timeframe thinking – Thinks across different time frames, eg forward looking to the medium and longer term rather than the shorter term. Multiple frameworks application – Develops frameworks and applies multiple frameworks. Extended and open thinking – Capable of initial free, systemic and 360-degree thinking before putting in place limitations. Working with precedents – Capable of setting and updating precedents as the sustainability environment evolves.	Greenwashing risk management – Identifies and manages risks associated with the disclosure of misleading sustainability-related information in reports and other forms of communication. Ethical code champion – Encourages the use of the IESBA Code by others not required to comply, in order to better serve the public interest.	Working at the margins – capable of iterative and piecemeal working, with agility and adaptability, and may include setting and working within parameters for tolerable error, reasonable and supportable judgement. Report with confidence and courage – Decides when to start, and how especially when voluntary or only required for specific purposes, eg value chain and/or when the reporting requirements are immature. Self-aware with a view to growing – Has coping skills, humility, recognising own biases, relating to own experiences. Continual development – Willing to embrace change, adding-value mindset, reflecting, self-aware of gaps, eager to discover, always learning.	Conflict management – Identifies, understands and can manage positive and negative conflict. Multi-stakeholder awareness – Appreciates and balances the needs of multiple stakeholders. Maintaining comparative advantage – Capable of engaging in shared learning for individual and mutual benefit without divulging commercially sensitive information.	Data collection and analysis approaches to support sustainability-related data alignment to financial data qualities – Develops approaches that seek to drive quality of sustainability-related information, eg to reflect its multiple uses, sources and types of data, hence considerations on the level of integrity, format, etc. Leveraging proprietary and publicly available data – Able to use both forms of data while ensuring qualities of good data governance and confidentiality are maintained.

	Sustainability	Expertise	Insight	Ethics	Drive	Collaboration	Digital
Capabilities explicitly identified via this research where some capabilities were also identified in ACCA's related work on integrative thinking. Many of these capabilities are included within the Career Navigator (continued)		Tax as a force for good in business and reporting – Recognises the behavioural impact of tax incentives and penalties and what this might mean for reporting.			Financial and non-financial cost vs. benefit of taking action mindset – Ensures a fair balance between financial and non-financial benefits and costs. Beyond a compliance attitude – Values the rationale for sustainability reporting and seeking to add value to the organisation.		

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