Applying the IFRS Sustainability Disclosure Standards

Homework assignment
Develop a draft reporting strategy for your company, using what you’ve learned in this training program.
Your Assignment

• This document provides you with a set of steps that can help you to start to develop your organization’s sustainability-related reporting strategy that we will jointly discuss in the training program. Upon completion of the training program you will have the tools to start to develop your own strategy.

• You are encouraged to take a minimum of 1.5 hours to pull together the activities we have worked together on and put on paper an initial draft for your disclosure strategy.

• This strategy can be used to initiate a conversation with your board or team and be used as a starting point to develop a more comprehensive strategy to enhance your company’s disclosure.

• You are not required to and will not be asked to share this strategy with the training team – this is for your own learning process.
A reporting strategy can:

Help the company to **balance opinions** and conclusions based on a **variety of information sources.**

Support **collaboration, knowledge sharing** and **cross-functional, interdisciplinary team** discussions and/or regular meetings with professionals from finance, risk management, controls and planning, investor relations, legal, sustainability and communications departments.

Act as a **reference point** for documenting, explaining and managing the process of preparing disclosures, including where and how judgements have been made.
Together in the training program, we will discuss four steps to effective communication on sustainability-related financial disclosures. In each of the four steps, you will have the opportunity to think through key questions that will help you to develop a draft reporting strategy.
PREPARE

Questions you may want to ask:

• How will data be sourced? Which existing systems and internal controls will need updating and what capacity building requirements does that entail?
• What are the sign-off procedures for sustainability-related information?
• Who will be involved in developing disclosures?
• How will those individuals and departments be organised and what will individual and collective responsibilities be?
How will you build collective capacity and identify the responsible individuals for your disclosure?

1. **Tone from the top**: Identify who in your organization’s board and C-suite will be responsible for oversight of sustainability-related financial disclosures.

2. **Integration**: Identify what teams are already familiar with the evaluation and management of sustainability-related risks and opportunities and what teams will need additional capacity building.

3. **Negotiate**: Working with colleagues and partners to build consensus on how, when and by whom any necessary actions will be taken, monitored and maintained.
ALIGN

Questions you may want to ask:

- What are the **gaps** in your current disclosure?
- What is **required** of your organization and what are your organization’s **ambitions** for its sustainability-related reporting practices?
- What information serves the needs of that audience or those **audiences**?
- What information do you already have and where does it appear in your public reporting? Can you leverage what you already have?
- Are there any communication rules in your jurisdiction?
Identify where you are now and where you want to be

1. Conduct a gap analysis to determine what areas your organization is not yet communicating to investors on. The following pages provide a simplified checklist which can be used to start to identify key aspects of disclosure that should be considered for a high-level gap assessment.

2. Identify what additional reporting requirements your organization wants to consider when setting a goal for sustainability-related disclosure practices.

*Note that this checklist only provides a high-level overview. Companies should use the IFRS Sustainability Disclosure Standards for all disclosure content and explanations.
<table>
<thead>
<tr>
<th>Governance</th>
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<tbody>
<tr>
<td>Do your current disclosures address the governance body responsible for oversight of sustainability-related risks and opportunities by explaining:</td>
</tr>
<tr>
<td>□ The individual(s), board, committee or equivalent body responsible for oversight of sustainability-related risks and opportunities?</td>
</tr>
</tbody>
</table>

Do your current disclosures address the management’s role in governance by explaining:

- □ The controls and procedures used to manage and oversee sustainability-related risks and opportunities?

Note: this checklist is not comprehensive and while it is based on a high-level overview of the IFRS standards, it does not replace the use of the IFRS Sustainability Disclosure Standards as the global baseline for sustainability-related financial disclosures.
<table>
<thead>
<tr>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Do your current disclosures address sustainability-related risks and opportunities by explaining:</strong></td>
</tr>
<tr>
<td>□ The sustainability-related risks and opportunities that could reasonably be expected to affect the company’s prospects?</td>
</tr>
<tr>
<td>□ For climate-related risks and opportunities, are you using the Industry-based Guidance on Implementing IFRS S2 to measure, monitor and assess climate-related risks and opportunities?</td>
</tr>
<tr>
<td><strong>Do your current disclosures address current and anticipated effects on business model and value chain by explaining:</strong></td>
</tr>
<tr>
<td>□ The current and anticipated effects?</td>
</tr>
<tr>
<td>□ Where in the business model and value chain it occurs?</td>
</tr>
<tr>
<td><strong>Do your current disclosures address effects on strategy and decision-making by explaining:</strong></td>
</tr>
<tr>
<td>□ Your company’s actual and planned response to sustainability-related risks and opportunities and how this is reflected in its strategy and decision-making?</td>
</tr>
<tr>
<td>□ Progress against the plans you reported in your previous reporting?</td>
</tr>
<tr>
<td>□ The trade-offs between sustainability-related risks and opportunities that your company has considered?</td>
</tr>
</tbody>
</table>

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### Strategy

Do your current disclosures address effects on financial position, financial performance and cash flows by explaining:

- [ ] Current financial effects of the sustainability-related risks and opportunities?
- [ ] Anticipated financial effects of sustainability-related risks and opportunities over the short-, medium-, and long-term?

Do your current disclosures address organizational resilience by explaining:

- [ ] The company's capacity to adjust to the uncertainties arising from sustainability-related risks?
- [ ] Whether a scenario analysis was used?

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## Risk management

Do your current disclosures address the identification, assessment, prioritization and monitoring of sustainability-related risks and opportunities by explaining:

- The processes and related policies used to identify, assess, prioritize and monitor sustainability-related risks?
- The processes used for identifying, assessing, prioritizing and monitoring sustainability-related opportunities?
- How these processes are integrated into the company’s overall risk management process?
<table>
<thead>
<tr>
<th></th>
<th>Performance on climate-related metrics?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Performance on applicable industry-based metrics, as described in the Industry-based Guidance on Implementing IFRS S2?</td>
</tr>
<tr>
<td></td>
<td>Metrics and performance for each sustainability risk or opportunity that could reasonably be expected to affect the entity’s prospects.</td>
</tr>
</tbody>
</table>

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Climate-related metrics and targets

Do your current disclosures address targets for sustainability-related risks and opportunities by explaining:

- Targets used to monitor progress to achieving strategic goals and those required by law or regulation?
- For climate-related targets, the approach to setting and reviewing targets?
- For GHG emissions targets, details on metrics, approaches and plans to decarbonize?

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IMPLEMENT

Questions you may want to ask:
• Which standards, methodologies, measurement techniques, definition and processes does/will the entity use to develop sustainability-related information?
• What new systems and processes need to be developed?
• What are the circumstances in which the entity will seek external assurance and on what terms?
• What is the process for monitoring progress towards achievement of the reporting strategy goals and objectives?
Building on the gaps identified in the previous section, identify which of the gaps require new processes or systems in place to achieve your disclosure objectives

- **Data collection:** Identify how you can collect the data is not being collected but is required to be disclosed by IFRS
- **Data management:** Identify what teams are responsible for managing this data and what synergies can be capitalized on
Questions you may want to ask:

- Which audience(s) does your entity have to/want to communicate with?
- How can you best organize the sustainability-related financial information?
- What makes the information "pop" with clarity?
  - Graphs, symbols, diagrams, colours
  - Succinctness, clear language, avoid duplication
- Is information complete and traceable?
- Does it make sense?
Companies use various methods to include sustainability-related financial information in their general purpose reporting. These methods may include integrating sustainability-related information throughout the report or separating it out into a separate chapter. In both instances, it’s important to ensure that report users can navigate the information and find connected information.

- **Presentation approach** – identify whether your company should present information in an integrated format (in one report), an autonomous format (a sustainability section in the report) or a combination, and why.

- **Navigation techniques** - brainstorm techniques that can be used to navigate the reporting format you choose and ensure information is easy to identify. Consider for example:
  - Navigation techniques, icons, indexes? Get creative!
  - Highlight connections between information
  - Put similar pieces of information together
USING THIS INFORMATION-
Develop a draft reporting strategy for your company, using what you’ve learned in this training program
TIPS

- We recommend spending at least 1.5 hours this week to develop a draft reporting strategy.
- This strategy is not the final strategy – but it will help you start a conversation within your organization.
- Enlist the input of colleagues, where you get most stuck, ask your team, your leadership or the most directly impacted department.
- Use the resources provided in the training to help you.