SUSTAINBILITY E-BOOK

Preparing for Mandatory Sustainability Disclosures

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CONTENTS

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Preparing for Mandatory Sustainability Disclosures

INTRODUCTION

Climate change is pushing one of the biggest challenges businesses face up the agenda - sustainability reporting. Global regulators are setting new standards for reporting which place requirements on businesses of all sizes.

Around the world, mandatory sustainability disclosure is imminent. The UK is introducing the SDS while the EU is already rolling out the CSRD, amongst a plethora of other legislation.

As new mandatory disclosure requirements emerge, companies of all sizes will be expected to produce sustainability reports to the same standard as current financial reports. Moreover, companies will be expected to comply with industry targets toward goals such as net zero, and be judged by investors on the basis of their assessment of sustainability risks & opportunities.

The future of business reporting is changing.

During periods of change, businesses must adapt to remain resilient and deal with the new expectations placed upon them. Understanding what you will have to report on however is the first step to success. In this e-book, we aim to help you with that first step.

We'll explain what's changing in the reporting landscape, demystify the ISSB inaugural standards and their sources of guidance, and give you access to an extensive list of risks, opportunities and KPIs to consider in your reporting.

WHAT'S CHANGING AND WHAT IS THE ISSB?

In June 2023, the International Sustainability Standards Board (ISSB) released its inaugural standards, known as IFRS S1 and IFRS S2. These standards set a common global language and baseline for multi-jurisdictional reporting.

The ISSB is driving the biggest change and fulfilling the COP26 goal of creating interoperable global reporting standards. Moving forward, the ISSB standards will be a key driving factor in a number of new reporting expectations placed on businesses.

The ISSB was created at COP26 in Glasgow in 2021, with the role of creating a global baseline for sustainability reporting. It comprises representatives from Europe, the UK, USA, Japan and China. Together, they have developed the inaugural standards, which will be accepted and adopted by markets globally by 2024.

> *As new mandatary sustainability disclosures emerge, companies of all sizes will be expected to produce sustainability reports to the same standard as current financial reports.*

What is Sustainability Reporting?

SUSTAINABILITY REPORTING

Sustainability reporting involves the disclosure of a company's environmental, social, and governance (ESG) goals and communication of its efforts and progress towards reaching those goals.

WHY DO COMPANIES REPORT?

A 2022 survey from KPMG showed that 71% of N100 companies are reporting, an increase from 64% 10 years prior. Moreover, almost all of the world's top 250 companies are reporting (96%).

Companies report for many reasons, including regulatory compliance, stakeholder engagement, contractual requirements and brand reputation.

In Europe, the recent introduction of the CSRD will see regulatory requirements expand to apply to over 50,000 organisations from a current requirement of around 11,000. Whilst larger organisations will be impacted first, the CSRD will eventually require listed SMEs and smaller companies to report on their sustainability performance.

WHAT IS INCLUDED IN A REPORT?

Companies will report on different areas, depending on what's most material to their business. When preparing for reporting, many companies will first conduct a materiality assessment to determine what matters to:

- Stakeholders internally and externally
- The business, in terms of both financial and sustainable impact, known as 'double materiality'

This materiality assessment is then used to determine their strategy, governance structure, risk matrices, goals and targets. The sustainability report will then disclose how the firm is performing against those.

6 STEPS TO GETTING STARTED

If you are just getting started with reporting be sure to download this 6 Steps e-book which provides you with a 6 step framework to starting reporting right.

> *"Sustainability reporting involves the disclosure of a company's environmental, social, and governance (ESG) goals and communication of its efforts and progress towards reaching those goals.*

REPORTING LANDSCAPE

What is Changing with Reporting?

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Regulatory Developments

WHO DECIDES WHAT REPORTING LOOKS LIKE?

It's a really good question. You may be wondering how do organisations globally know what to include in their reporting? Where does the "set standard" originate from? And why is that standard now evolving and changing?

The chart below answers all those questions - let's break it down!

REGULATORS

Regulators are the first port of call. They set the standards for what reporting should include. The primary global regulator is the International Sustainability Standards Board, (ISSB), which is setting the standard for other jurisdictions, (Europe, UK etc) to follow.

FRAMEWORKS/STANDARDS

Frameworks follow regulation, and often take on board the guidelines set by regulators and apply them at an industry-specific or national level. Frameworks and standards include the Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI) and ISO certifications. They are often closely aligned with regulation, as is the case with the ESRS, which provide the framework for companies reporting to the CSRD.

GLOBAL GOALS

Global goals come next. These are set by groups such as the United Nations. They include objectives such as the UN Sustainable Development Goals (UNSDGs), the Paris Agreement and the Greenhouse Gas Protocol.

International Sustainability Standards Board (ISSB)

WHAT STANDARDS HAVE THE ISSB SET?

The ISSB approved two new inaugural standards in June 2023 which are intended for adoption from January 2024. These standards are designed to provide a global baseline of sustainability-related disclosures for the capital markets.

The two standards are:

1. IFRS S1 - General requirements for Disclosure of Sustainability-related Financial Information
2. IFRS 2 - General requirements for Disclosure of Climate-related Financial Information

Both standards core objectives lie in setting reporting requirements on risks & opportunities respectively. They both follow similar structures, outlining four Core Content areas that organisations must include within sustainability and climate reporting, which are:

1. Governance - the governance processes, controls and procedures that organisations put in place to manage and monitor risks & opportunities
2. Strategy - the approach organisations use to manage risks & opportunities
3. Risk management - the processes used to identify, assess, prioritise and monitor risks & opportunities.
4. Metrics and targets - how organisations are performing in managing and controlling risks & opportunities, including progress towards any set targets or those required by law.

We'll now explore the two standards and each of the four areas in more detail, however, this is just an overview; we strongly recommend you read them in their entirety here.

What do "Risks" and "Opportunities" look like?

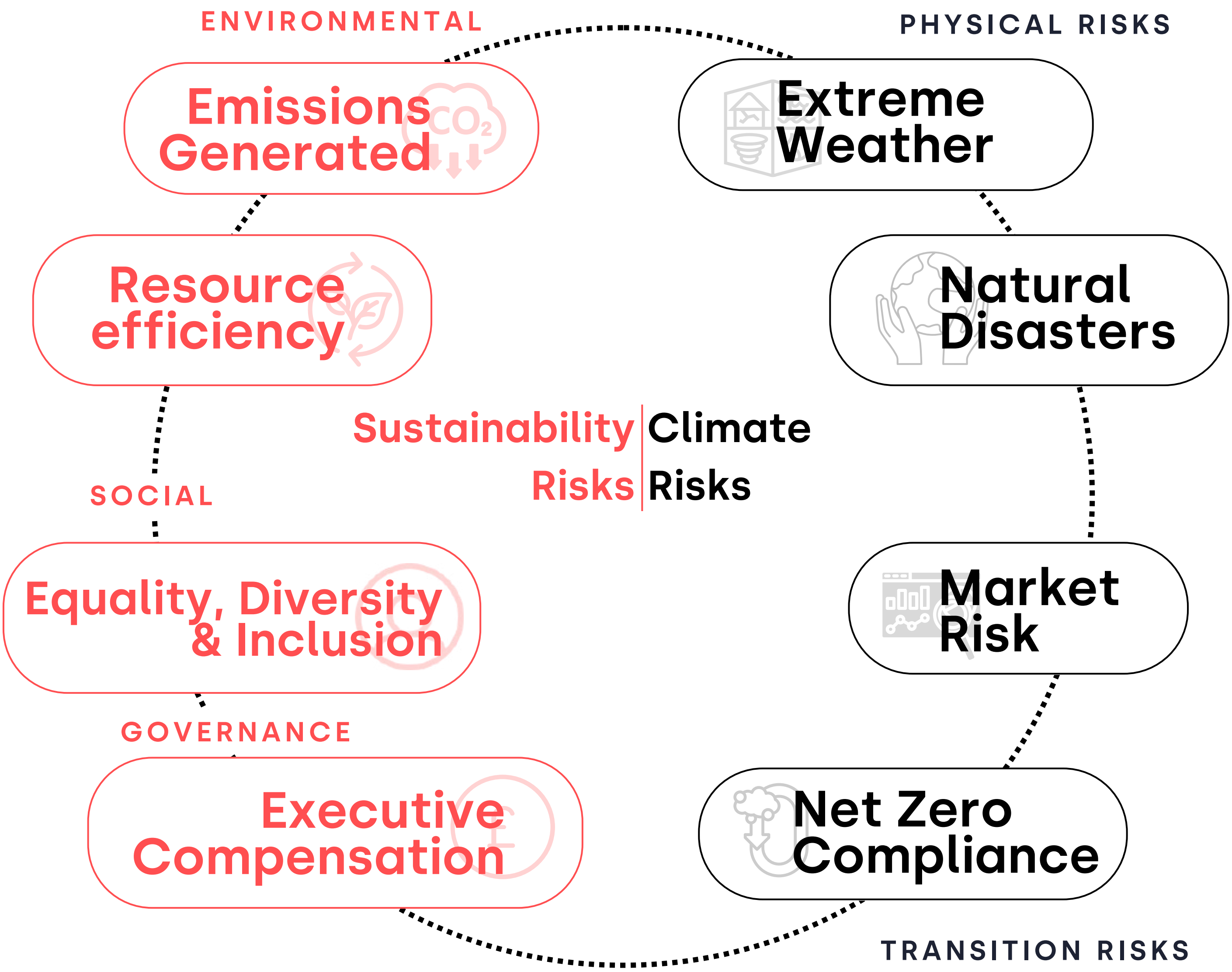
SUSTAINABILITY & CLIMATE

Before we look at the ISSB standards, it's important to understand what "sustainability" and "climate" risks & opportunities are. "Sustainability Risks" relate to how a business impacts stakeholders and the world, and is categorised by "environmental", "social" and "governance" impacts, or ESG.

"Climate Risk" then can be categorised in two ways:

- Physical - acute or chronic and related to physical changes as a result of climate change and how that impacts operations
- Transition - policy, technology or market-related. Factors that stem from societal change and business impact that present risk.

Have a look at a few examples of each below. We explore a full range of risks and associated metrics later in the e-book here.



REPORTING LANDSCAPE

Understanding the ISSB Standards

IFRS S1 & S2

SUSTAINABILITY-RELATED FINANCIAL INFORMATION - IFRS S1

IFRS S1 is the first ISSB standard. The standard outlines how organisations, or entities, should go about disclosing sustainability-related financial information. The primary objective is to require entities to disclose information about sustainability risks & opportunities, focusing on environmental, social and governance (ESG) data.

CLIMATE-RELATED FINANCIAL INFORMATION - IFRS S2

IFRS S2 is the second ISSB standard, and focuses on climate-related risks & opportunities. The standard aims to ensure organisations report and disclose on climate-related impacts that may directly impact a firm's cash flows over the short, medium or long-term.

RISKS & OPPORTUNITIES

IFRS S1 outlines how companies should consider risks & opportunities that are materially important to stakeholders. These will vary for every business, depending on its activities, sector and a range of other considerations. Companies should therefore begin their approach to S1 reporting by first undertaking a materiality assessment.

In IFRS S2, climate-related risks are considered as:

- Physical risks, acute or chronic and related to physical changes to the business or its value chain as a result of climate change and how that impacts operations
- Transition risks - policy, technology or market-related. Factors that stem from societal change and business impacts that present new risks.

The language used in IFRS S1 and IFRS S2 is quite similar, and so the same reporting approach applies, however the content of what is being reported will vary. In the simplest terms, IFRS S1 is wider reaching looking at the full ESG scope, whereas IFRS S2 is focused purely on environmental and climate-related information.

Given the similarities between the two standards, we will talk primarily about S1 requirements, and then explore where S2 has further climate-related requirements firms should consider.

IFRS S1 & S2 - Governance

GOVERNANCE

Organisations must ensure sustainability and climate-related risks & opportunities are overseen by a governance body, which will usually take the form of a sustainability committee.

Committees can be a Board of Directors, or a separate group of senior staff overseen by a Director within an organisation.

Sustainability committees should ensure appropriate skills are in place to deal with managing sustainability risks & opportunities in a business.

When it comes to reporting, both IFRS S1 and IFRS S2 outline that a report should detail:

- How responsibilities for climate and sustainability risks are reflected in mandates, role descriptions and other related policies.
- Committee members, their skills and expertise to manage these concerns.
- Meeting structures, regularity and how those meetings are conducted.
- How and on what basis targets are set by the committee.
- The role of management in executing processes, controls and procedures to monitor sustainability-related or climate-related risks.
- Training and development to ensure skills are readily available to manage risks & opportunities.

Notably, the standards outline that companies should avoid duplication when reporting. If the organisation reports on governance in an integrated manner that should suffice rather than having to cover its governance approach to each sustainability or climate risk as a separate area.

WHAT TO CONSIDER

When reporting on company governance you need to have clear workflows that define the reporting process.

Consider the following, and if you answer no, you may have a reporting governance issue you need to address:

- Do you have a clear methodology for reporting that all staff are aware of and trained on?
- Do you have experienced staff that are trained in sustainability and carbon literate that can lead a sustainability committee?
- Do you have a training plan in place to ensure staff are prepared for reporting? If yes, what does that plan look like?
- Who reports to who in the organisation and on what? How does your organisational structure support reporting requirements? Does each team have a designated sustainability champion and if so, who is that?
- How is reporting managed and how does it integrate with other processes in the organisation? What do workflows look like for reporting?

These are just a few example considerations, and you may have additional company-specific governance requirements. The aim with this aspect of reporting is to look internally and question everything around process, procedure and oversight.

Ensure your reporting processes are supported by the right people who feel confident to execute what is required.

IFRS S1 & S2 - Strategy

STRATEGY

Both IFRS S1 and S2 are mostly composed of strategy guidance. Within this section companies need to make it clear for end users what strategy is in place for managing identified sustainability and climate risks & opportunities.

The ISSB standards recommend that strategies cover 5 key areas:

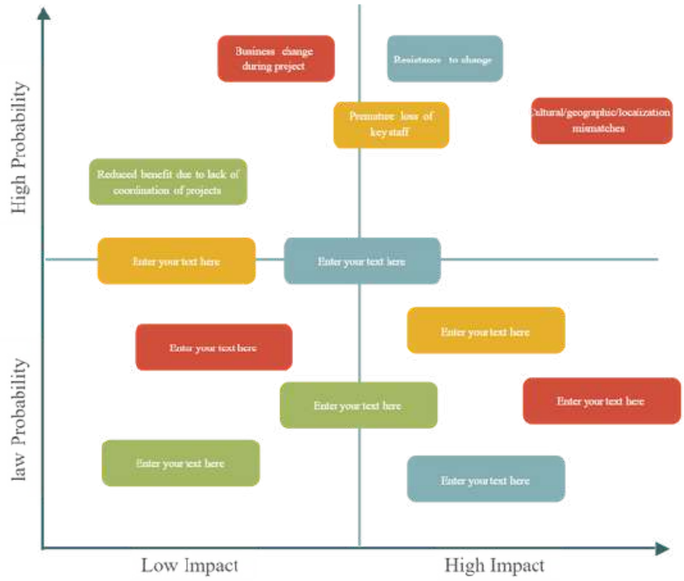
1. Sustainability and climate risks & opportunities that could impact the organisation's prospects.
2. Anticipated impacts of risks & opportunities on the business model and value chain.
3. Potential impact of risks & opportunities on strategy and decision-making.
4. Considerations around how risks & opportunities may impact the financial position and statements of a firm both, short and long-term.
5. The resilience of the business strategy and business model in relation to identified risks & opportunities.

SUSTAINABILITY-RELATED RISKS & OPPORTUNITIES

For sustainability reporting, it's important to consider firstly what sustainability-related risks & opportunities exist in your business by [completing a materiality assessment.]

With material issues identified, you should initially consider how time-bound each is before explaining its impact and your mitigation plans. For your reporting audience, it's important you define what short-term, long-term and medium-term looks like to your organisation.

With timescales defined, you may consider a risk matrix which may look something like this example.



This makes it easy for your audience to understand:

- What are the external factors?
- What impact may they have?

A matrix alone however may not provide enough information on the specific risks & opportunities, and how your business intends to mitigate or exploit them. Whether for internal or external reporting, you should also consider including a qualitative analysis table with the following headings:

- Sustainability risk or opportunity
- Timescale
  - Short-term, medium-term, long-term
- Description of the risk or opportunity
- Potential impact (score out of 5)
- Likelihood (score out of 5)
- A score for risk weighting
  - Impact x Likelihood
- Mitigation or exploitation

Covering these areas will provide a comprehensive view of your risk & opportunity register to reporting users and provide confidence your business is thinking well ahead to protect longevity.

IFRS S1 & S2 - Strategy

STRATEGY AND DECISION-MAKING

IFRS S1 & S2 state organisations should outline how sustainability and climate risks & opportunities impact decision-making. When reporting on strategy and decision-making, companies should question themselves on:

- How have you responded to or how do you plan to respond to sustainability and climate risks & opportunities in relation to decision-making?
- What progress has been made against previous disclosed plans?
- What trade-offs have been considered as a result of sustainability or climate impact considerations?

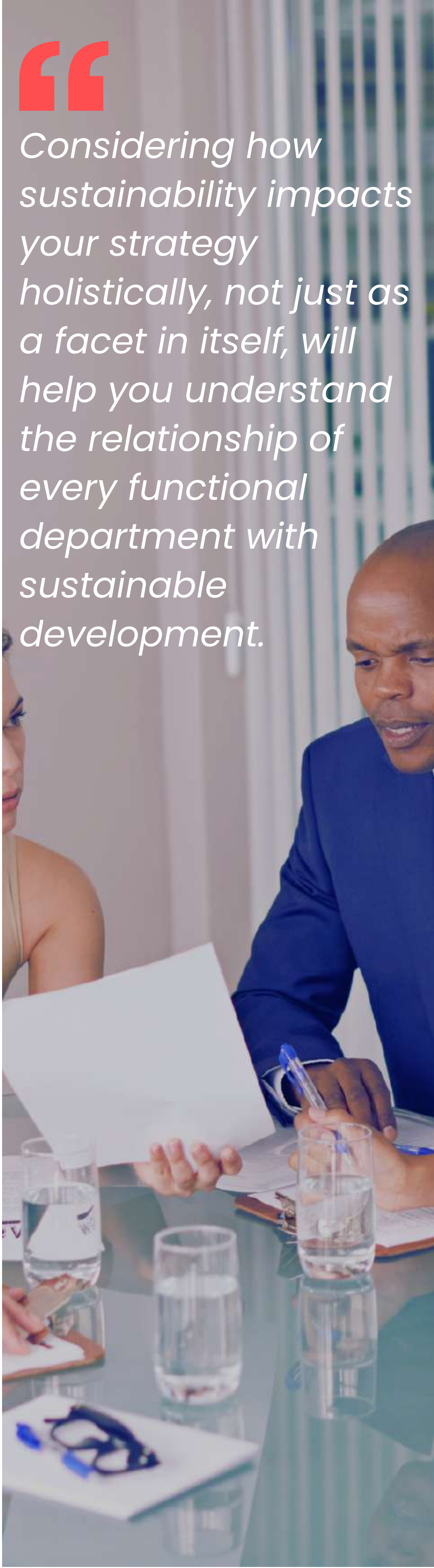
WHAT TO INCLUDE

IFRS S1 and S2 request that companies consider how sustainability and climate risks & opportunities impact decision-making in the present day, the past and the future.

When structuring your reporting strategy, consider the approach below:

- Start with a historic review of the last year. What goals were set in the last reporting period? Were they accomplished? What were the impacts of sustainability risk or opportunity on that?
- What's happened in the last year? What's happening right now? Consider the impact of sustainability on current projects.
- What's the outlook for the next year? What about short-term, medium-term and long-term goals and how is sustainability impacting investment decisions?

Considering how sustainability impacts your strategy holistically, not just as a facet in itself, will help you understand the relationship of every functional department with sustainable development. This will ultimately help you grow the impact of your initiatives.



"Considering how sustainability impacts your strategy holistically, not just as a facet in itself, will help you understand the relationship of every functional department with sustainable development.

IFRS S1 & S2 - Strategy

FINANCIAL POSITION AND CASH FLOWS

This is where we begin to see a lot of sustainability and climate information being linked directly with the financial information of organisations. In this section of reporting, the IFRS expects organisations to discern commercial insights on how sustainability risks & opportunities may impact financial statements and cash flow.

When reporting, your organisation should:

- Consider the effects of sustainability risks & opportunities on the current financial position.
- Consider future effects of sustainability risks & opportunities in the short, long and medium-term.

DOUBLE MATERIALITY

Double materiality is where information can be both financially material, but also carry sustainability impacts. In the case of joint financial and non-financial reporting, it's paramount to understand the use and application of double materiality. Whilst the ISSB only requires financial materiality, applications of the standards go beyond that and for CSRD reporting for example, the double materiality standard is applied.

EXAMPLE

Water scarcity is a doubly material topic for a drinks manufacturer. The organisation has a responsibility to consider its use of water, how that impacts resource availability and stakeholders who rely on that water. From a financial perspective, the cash flows of the organisation can be directly impacted if water is not readily available for product manufacturing. Therefore, a drinks manufacturer should report on water as a key risk both financially and non-financially.

WHAT TO INCLUDE

Organisations should include both quantitative and qualitative analysis of sustainability and climate data and its relationship with financial information.

Sustainability and climate quantitative disclosures should accompany and follow your financial reporting in appendices for example. Within those, you should cover reporting against all risks & opportunities within the full environmental, social & governance (ESG) scope, such as:

- GHG emissions
- Waste management
- Biodiversity
- Equity, Diversity and Inclusion
- Sustainability-linked remuneration
- Health, safety & wellbeing
- Training & development
- Sustainable procurement
- Any materially relevant or required metric outlined in jurisdictional frameworks or directives.

NOTES TO THE ACCOUNTS

As with financial reporting, sustainability and climate reporting should include notes that provide qualitative analysis to end users on non-financial information.

Within this section you should provide users with information to reinforce quantitative data with context. Consider:

- How certain sustainability metrics may impact financial metrics i.e. reference to "x" in non-financial reports may impact "y" in financial reporting this year as a result of certain activities.
- Where quantitative data on material issues is missing, explain why.
- Short-term, long-term and medium-term impact of non-financial metrics on financial metrics and performance.

IFRS S1 & S2 - Strategy

RESILIENCE

Organisations should finally consider the resilience of their strategy using scenario planning. Within this section of reporting, you should:

- Consider a range of scenarios resulting from sustainability risks & opportunities
- Outline the impact those scenarios may have on the business
- Disclose information that is financially material to end users on the organisation's resilience in relation to that event and its potential impact.

RISK VS RESILIENCE

Whilst this may appear like a risk management analysis, resilience is more focused on examining an organisation's ability to respond to a crisis if it unfolds.

You should consider in scenario planning:

- What will the financial impact on the company be from a high probability scenario occurring?
- How long could this impact the business financially?
- If this were to occur, how long could it take for the company to recover?

Looking at an organisation's resilience and its ability to manage sustainability risks & opportunities can provide end users with a good insight into potential mitigation requirements or opportunities to exploit a potential investment for high return.

CLIMATE TRANSITION PLAN

When reporting on climate risks and resilience under S2, organisations need to consider their climate transition plan. These plans look at how your business needs to adapt in response to physical and transition risks you are facing from external environmental factors.

Start by addressing the following questions:

- Are any of your assets or investments contributing to climate change?
- Does the production of your products contribute to climate change?
- Do any of your materials involve high embedded carbon that contributes to climate change?
- How do you intend to lower your environmental impact? What divestments or investments need to be made? Do you need to rethink your product or offering? How will investments and divestments impact cash flow or business value?
- Are there resource scarcities that threaten business longevity? What alternatives exist to those resources? If none, what do you plan to do?
- What do these changes rely on? How much will this cost the business? Is this a potential threat to your existence as a going concern?
- What resources will you need to procure to mitigate climate risk and exploit opportunities?
- What capabilities do you need to develop to help with climate risk mitigation and opportunity exploitation?

For offerings with a significant climate impact, having a sound and robust climate transition strategy is crucial. If you are struggling to answer the above questions, you need to review your current business model and plan for the future.

IFRS S1 & S2 - Risk Management

RISK MANAGEMENT

The IFRS S1 & S2 guidance outlines that organisations should indicate their process for identifying, assessing, prioritising and monitoring risks & opportunities. Reporting should then also provide a full identification of a company's risk profile and its overall risk management process.

RISK REGISTER

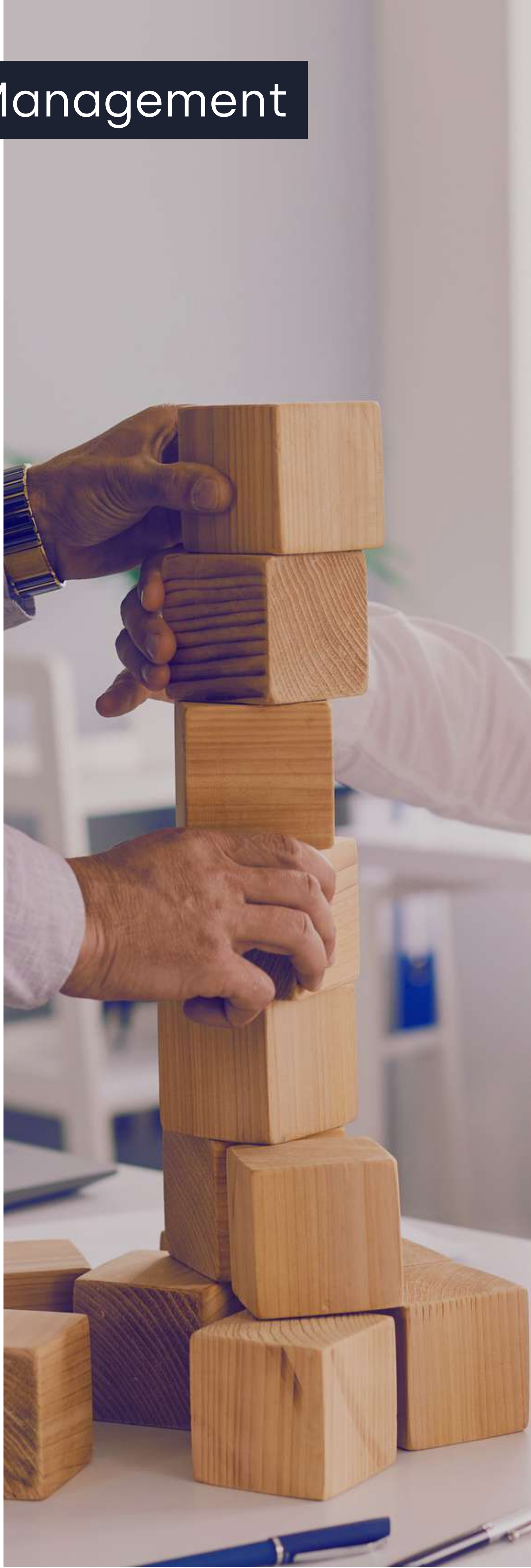
You should begin this process by making a risk register covering your material topics. Reporting should outline your process for agreeing those risks - consider:

- Who decides what is a risk?
- What experience and credentials do they have in risk management?
- What methodology was used to identify risks? Further, how are those risks prioritised in relation to your materiality assessment?

RISK MANAGEMENT FRAMEWORK (RMF)

A useful way to report on risk is following the Risk Management Framework (RMF), considering:

- Prepare - your formal strategy for risk management
- Categorise - how you identify and categorise each risk
- Select - select control KPIs and security efforts to mitigate
- Implement - roll out those metrics and controls company-wide
- Assess - measure reduction in risk impact over a period of time
- Authorise - if the test is successful, authorise risk mitigations
- Monitor - constantly monitor control KPIs for fluctuations or change over time.



IFRS S1 & S2 - Metrics & KPIs

METRICS & KPIS - S1

One of the most critical aspects of reporting is of course determining the metrics and data you have to collect and present back. Within IFRS S1, metrics are required to be presented on any financially material topics, or any metrics required by an IFRS disclosure standard.

These IFRS Standards, also know as Sources of Guidance, include directives such as the CSRD, SDS and the SASB. We explore risks and associated metrics that you may want to consider in more detail here. Within the documents themselves the ISSB outline SASB standards as the main source of guidance from the IFRS, though there may be more specific guidance for your jurisdiction that your business must follow

METRICS & KPIS - S2

IFRS S2 states then on climate reporting, companies should disclose scope 1, 2 & 3 emissions in alignment with the Greenhouse Gas Protocol.

Beyond emissions under S2, organisations should also report on:

- Climate transition risks
- Climate physical risks
- Climate opportunities
- Capital deployment related to climate activities (investments)
- Internal carbon prices and calculation of those

The IFRS has produced advice on sector-specific climate metrics it advises organisations in those sectors to report on. You can read more on these here.

IFRS DISCLOSURE STANDARDS

Certain Standards are aligned (or in the process of aligning) with the ISSB requirements, and so can be used by organisations to inform what metrics to report on specifically.

You can explore the following in more detail by clicking below:

- The CSRD in Europe
- The IFRS SASB which is widely used in the US
- The incoming SDS in the UK

BASIC REQUIREMENTS

When reporting metrics and KPIs it is important that organisations share:

- How a metric or KPI is defined and how it's calculated.
- The target for that metric.
- The baseline for the metric from which progress is measured.
- Any milestones and interim targets.
- Any revisions and explanations for these.
- Labelling of metrics with clear names and descriptions.

IFRS 1 & 2 - Target Setting

SETTING TARGETS

Both IFRS S1 & S2 set guidance on how companies should measure performance of set sustainability and climate-related targets. For both, the standards outline organisations should include:

- The metric(s) used to set the target
- The objective of the target
- The part of the firm which it applies to i.e. whole firm or one department
- The period the target applies to
- The baseline year
- Milestone or interim years for review
- If quantitative whether it is an absolute or intensity target (S2)
- How international agreements or jurisdictional commitments have informed the target (S2)

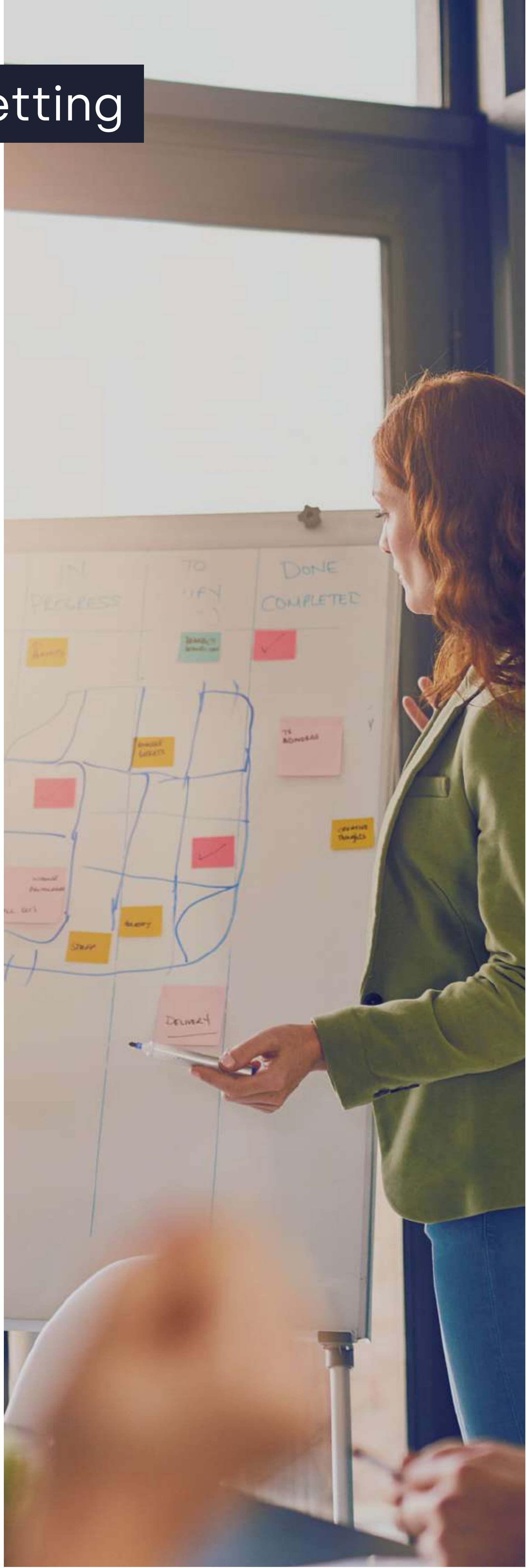
Companies can present this information in a clear table format taking each point above as a header.

S2 GHG & CARBON CREDITS

IFRS S2 goes into more detail on GHG Reporting. Organisations must disclose information on:

- Each GHG covered by targets
- GHG emissions by category - Scope 1, 2 and 3
- Report and disclose Gross GHG emissions
    - if companies only report on net, they must now report on gross moving forward for IFRS compliance

Finally to comply with IFRS standards, organisations should disclose whether achieving the targets set requires the purchase of carbon credits and offsetting. Where they do, organisations will be expected to report on the nature of those schemes, their verifiability and the impact.



REPORTING FRAMEWORKS

Sources of Guidance and Application

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Sources of Guidance

The ISSB have noted some standards as aligned with IFRS S1 and S2, or identified them as IFRS disclosure standards. These frameworks fall under the regulators, and can be applied by businesses to provide a checklist on what they need to report on.

In this e-book we've explored three prominent sources of guidance for your consideration.

EU CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)

The CSRD is an EU wide directive that will make sustainability reporting mandatory for upward of 50,000 EU and non-EU businesses.

- Read more on the CSRD
- Download the full directive
- Read this useful FAQ
- Download this CSRD e-book

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

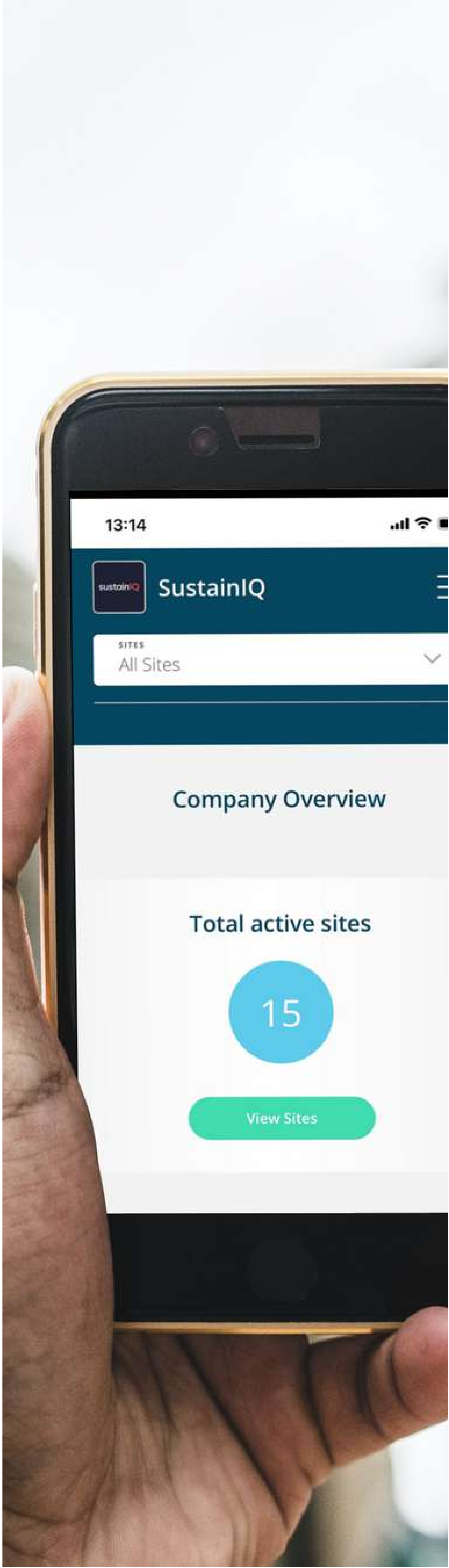
The Sustainability Accounting Standards Board (SASB) helps businesses determine what metrics to track and report on when working toward disclosure. They provide industry-specific guidance for 77 industries.

- Read more on the SASB
- Download SASB standards

UK SUSTAINABILITY DISCLOSURE STANDARDS (SDS)

The UK SDS is the latest standard, only announced in August 2023 and will not be completed until July 2024.

- Read more on the UK SDS
- Read the UK Government information



EU Corporate Sustainability Reporting Directive (CSRD)

WHAT IS THE CSRD?

The Corporate Sustainability Reporting Directive (CSRD) is an amendment to the previous Non-Financial Reporting Directive (NFRD) that was in place in the EU. Alongside the Sustainable Finance Disclosure Regulation (SFDR) and Taxonomy Regulation, the CSRD will forms a triad of central components in sustainability reporting requirements across the EU.

The CSRD has been formed by the European Sustainability Reporting Standards (ESRS) which are aligned with the ISSB and so follow the principles of the standard.

WHO HAS TO REPORT?

Over 50,000 organisations will now be required to disclose and audit their environmental and social impacts. You must comply with the CSRD if you:

- Had to previously comply with the NFRD
- Have a net turnover of €40m
- Have at least €20m in assets
- Have 250+ employees
- Are a listed business in the EU (including SMEs)

NON-EU REQUIREMENTS

The CSRD is wide-reaching, and applies to non-EU businesses with EU subsidiaries. If you are a non-EU business you must comply with the CSRD if:

- You have EU-based subsidiaries. Even if it is just one subsidiary and all other operations are outside the EU, you must still comply and disclose for the entire group if that subsidiary meets the EU requirements listed above.
- Have securities on EU-regulated markets
- Have over €150m turnover in the EU

WHAT METRICS ARE REQUIRED?

Under the CSRD, companies are required to report on areas such as:

- GHG Emissions
- Climate Adaptation
- Water and marine
- Resources and Circular Economy
- Biodiversity
- Equality and Diversity
- Worker's Rights
- Human Rights
- Governance and processes

Sustainability Accounting Standards Board (SASB)

WHAT IS THE SASB?

The Sustainability Accounting Standards Board (SASB) helps businesses determine what metrics to track and report on when working toward disclosure.

The IFRS S1 and S2 specifically state that in the absence of IFRS applicable standards, companies should refer to industry-specific metrics outlined by the SASB.

The SASB provides 77 industries with specific metrics they should be tracking that comply with the ISSB's expectations.

IS THE SASB MANDATORY?

Complying with the SASB is not mandatory, but it is a good guideline to align with reporting requirements such as the ISSB, CSRD and SDS which will be mandatory in the years ahead.

INDUSTRY-LEVEL METRICS

The SASB is a useful source of guidance as it provides industry-specific guidance. Unlike other reporting frameworks, the SASB has taken 77 industries and provided subsets of metrics for each on what organisations need to consider.

You can download your industry's metrics on this page.

Following the introduction of the ISSB standards, it has been announced that the IFRS and ISSB will work closely with the SASB to improve the standard and make it more accessible for more organisations. Whilst this may mean the SASB standards will change slightly, aligning with them now is a good first step toward ISSB compliance.

WHAT METRICS ARE REQUIRED?

The metrics vary dependent on industry. Under the SASB, the following example metrics are suggested:

- Energy Consumption
- Energy Efficiency
- Health & Safety
- GHG Emissions
- Labour Practices
- Air Quality
- Renewable Energy
- Health & Safety

UK Sustainability Disclosure Standards (SDS)

WHAT IS THE SDS?

The UK Sustainability Disclosure Standards (SDS) are the latest standards to be announced. Only proposed by the UK Government in August 2023, the standards are now in development for publication by July 2024.

WHO IS DEVELOPING THE SDS?

The SDS will set out corporate disclosures on sustainability-related risks & opportunities companies in the UK face.

The SDS will be informed by the IFRS' ISSB standards, which will be assessed by two new committees:

- SDS Technical Advisory Committee (TAC) – will assess the IFRS standards and work with the Department for Business and Trade (DBT) to ensure that the SDS works for the UK but also aligns with global reporting requirements.
- SDS Policy and Implementation Committee (PIC) – formed by government departments and regulators, the PIC will be responsible for the coordination and implementation of the SDS should the DBT approve the standards in July 2024.

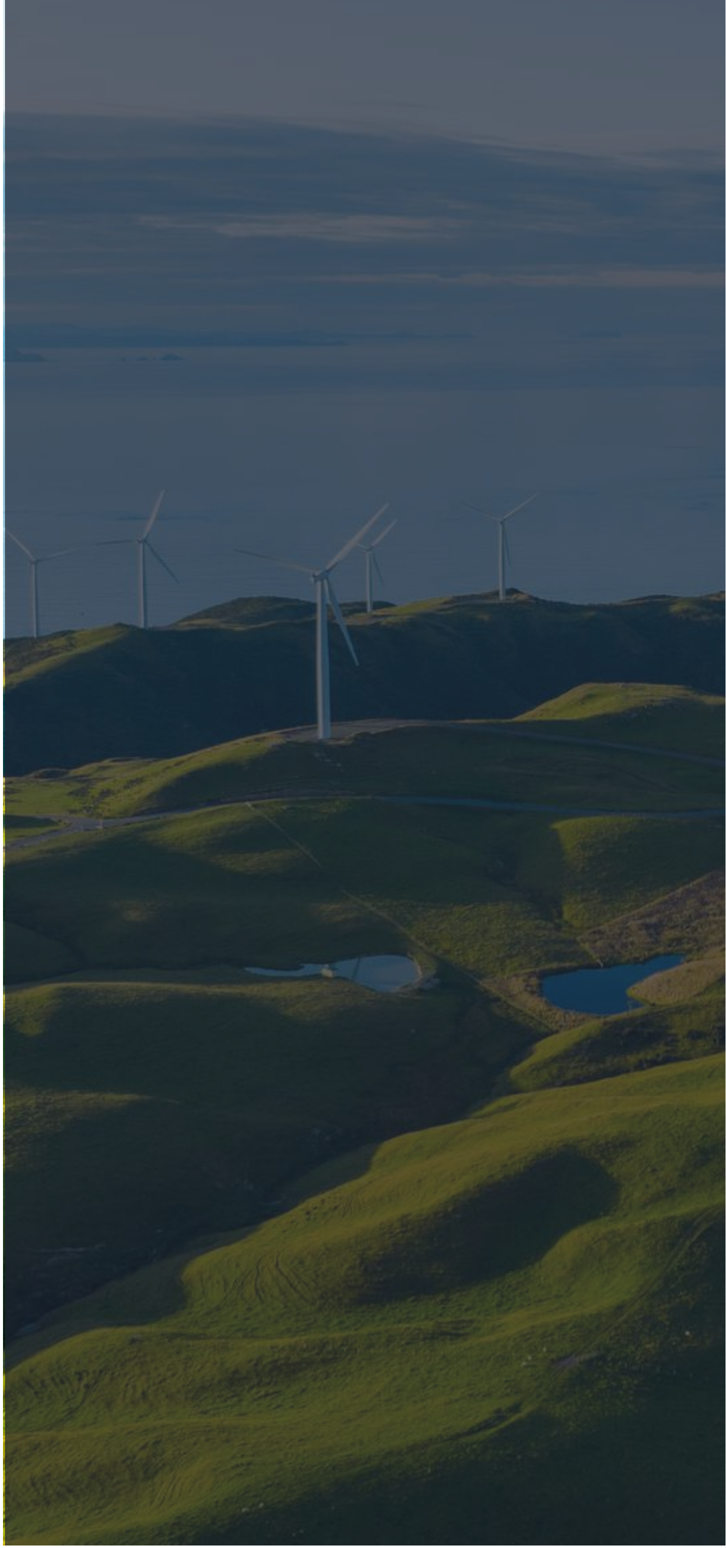
WHAT ARE THE REQUIREMENTS?

The SDS is in it's infancy, but with just a year to develop the standard we expect to see quick movement on what companies will be required to disclose.

Given that guidance is taken from IFRS S1 and S2, it is likely that the standard will follow similar requirements and timelines to the EU's CSRD.

REPORTING AREAS WE THINK WILL BE REQUIRED

Given that there is no solid information yet on what metrics may required, we advise following the structure of the CSRD for now. Both the SDS and CSRD are set to align with the ISSB framework and should follow a similar structure.



REPORTING FRAMEWORKS

Example Risks and Metrics for Reporting

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Example Risks and Metrics

The following tables provide you with examples of:

- A range of sustainability-related and climate-related risk metrics
- The impact they can have on your business
- How you can work to mitigate the risk
- What metrics and data you require to measure performance

Risk	Climate or sustainability?	Potential impacts	Mitigation	Metrics and Data required
Failure to decarbonise and make the net-zero transition (GHG emissions)	Climate	Legislative risk from non-compliance – could be financially costly Reputational risk and loss of brand value Market risk from losing out on tenders, increased cost of finance or credit, lack of competitive edge Technology risk from systems being displaced by new technologies Financial cost from dependence on outdated fuel sources and lack of savings realised (longer term)	Identify skills and resources to manage the transition Produce full carbon inventory and climate transition plan Map scope 3 emissions and begin engagement with value chain to measure and reduce Embed systems for measuring, monitoring and reporting on emissions (eg SustainIQ)	Clear baselines and regular monitoring of scope 1, 2 and 3 emissions from all relevant sources
Physical risks such as flooding, drought, storms, heatwaves, sea level rise	Climate	Flooding could impact supply or transport of supply chain materials Drought could lead to water scarcity or crop failure linked to material inputs Heatwaves could make it too warm to work outside or increase pests and diseases Rising sea levels could make company or supplier locations unstable Costs or availability of insurance cover could become untenable	Consider location of operations and suppliers and exposure and vulnerability to these risks – explore alternatives in more stable locations and widen supply chain Develop adaptation and emergency response plans where appropriate	Supplier location, local climate projections and risk maps, scenario analysis
Water scarcity	Sustainability	Could impact manufacturing and/or financial position if products require water Could impact communities if overusing a precious resource	Identify opportunities to reduce water use in processes Map water use in supply chain and support planning to reduce volume	Monitor water usage in operations and supply chain

Example Risks and Metrics

Risk	Climate or sustainability?	Potential impacts	Mitigation	Metrics and Data required
Materials availability	Sustainability	Depleting availability of materials as primary inputs in manufacturing could impact operations and/or financial position Overuse of valuable natural resources could lead to wider societal and environmental damage	Explore opportunities for alternative, more sustainable (renewable) materials Explore opportunities for reduction of materials used per product	Materials by source and volume and intensity figures
Resource use and circularity	Sustainability	Poor management of resources leading to waste could incur additional costs and lead to shortages Poor management of resources leading to waste could increase emissions and negative environmental impacts	Implement zero waste policies and processes Explore opportunities for circular collaboration with other companies in/outside of sector to reduce/reuse 'waste' materials	Waste by material and volume Treatment of waste and circular opportunities
Biodiversity and nature	Sustainability	Destruction of marine or terrestrial habitats potentially impacting on ecosystems and materials availability	Ecological surveys of key sites for operations or within supply chain and creation of biodiversity protection and enhancement plans Biodiversity Net Gain (BNG) measures in place where applicable	Biodiversity impacts in supply chain BNG measures
Equity, diversity & inclusion (EDI)	Sustainability	Unfair treatment of staff resulting in lack of engagement, reduced productivity and resignation A workforce that doesn't represent society or your customer base Lack of innovation and loss of opportunities High staff turnover and recruitment costs	Transparent policies and processes to support workplace equity, diversity & inclusion Commitment to and learning from external standards or initiatives Engagement of suppliers to meet similar standards	Employee diversity characteristics EDI initiatives in place Employee training in EDI

Example Risks and Metrics

Risk	Climate or sustainability?	Potential impacts	Mitigation	Metrics and Data required
Unethical labour practices and human rights abuses	Sustainability	Reputational risk and loss of custom from use of child or forced labour Criminal charges and/or financial penalties Difficulty in attracting and retaining good employees	Mapping and auditing of supply chain to ensure transparency at all levels Rigorous application of modern slavery policy and an ethical code of conduct for suppliers Payment of the Real Living Wage and encouragement of suppliers to do the same	Internal working hours and rates of pay Supplier commitment to code of conduct Suppliers committed to Real Living Wage or similar
Health, safety & wellbeing	Sustainability	Poor staff wellbeing could result in poor engagement and high absenteeism and turnover Poor focus on health & safety could lead to increase accidents and potentially costly litigation or penalties	Clear and well implemented health, safety & wellbeing policies and processes Good staff engagement and support for both mental and physical health Investment in an Employee Assistance Programme (EAP)	Absenteeism rates Staff turnover EAP sign ups Employee engagement from staff surveys
(Un)sustainable procurement	Sustainability	Difficulty in meeting other sustainability and climate-related targets and goals because suppliers have different values Lack of supply chain transparency and vulnerability to reputational risks Short-term focus on cost only leads to longer term, costlier impacts around the net-zero transition	Procurement policy that recognises and rewards sustainability efforts of potential suppliers Support for existing suppliers to understand and embrace your sustainability standards Targets for suppliers to meet re: social and environmental value	Location/distance of suppliers Sustainability policies and processes of suppliers, including EMS

YOUR SOLUTION FOR REPORTING AND ACCESSING DATA

sustainIQ

Meet SustainIQ

THE ALL-IN-ONE SUSTAINABILITY & ESG REPORTING SOFTWARE

SustainIQ provides users with one integrated reporting dashboard for all aspects of ESG.

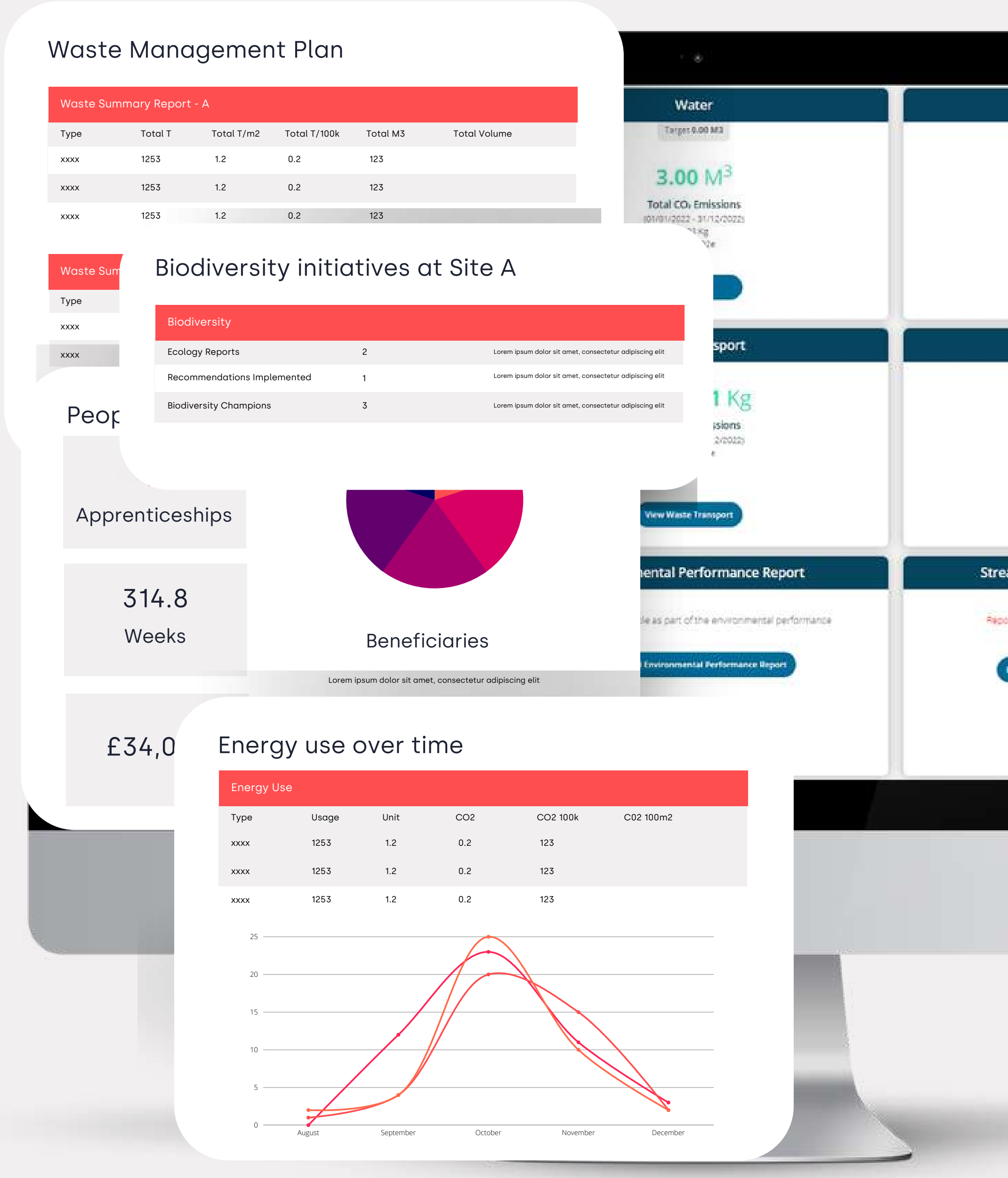
We save sustainability professionals from wasting time chasing teams, sites, and regions for reporting information. No more unreadable spreadsheets, awkward (and incorrect) calculations and endless report building.

With SustainIQ, simply pull, input or bulk upload data on over 200 metrics and get access to your custom-built report at touch of a button.

Already used by professionals in over 30+ countries, we're helping sustainability teams and businesses change the world, for good, using the power of accurate reporting and data.

COMPLY WITH ISSB REQUIREMENTS

Using SustainIQ you can comply with ISSB reporting requirements. Compliance with IFRS S1 and S2 will future-proof your organisation for internationalised and mandated sustainability reporting, keeping you compliant and mitigating emerging risks.



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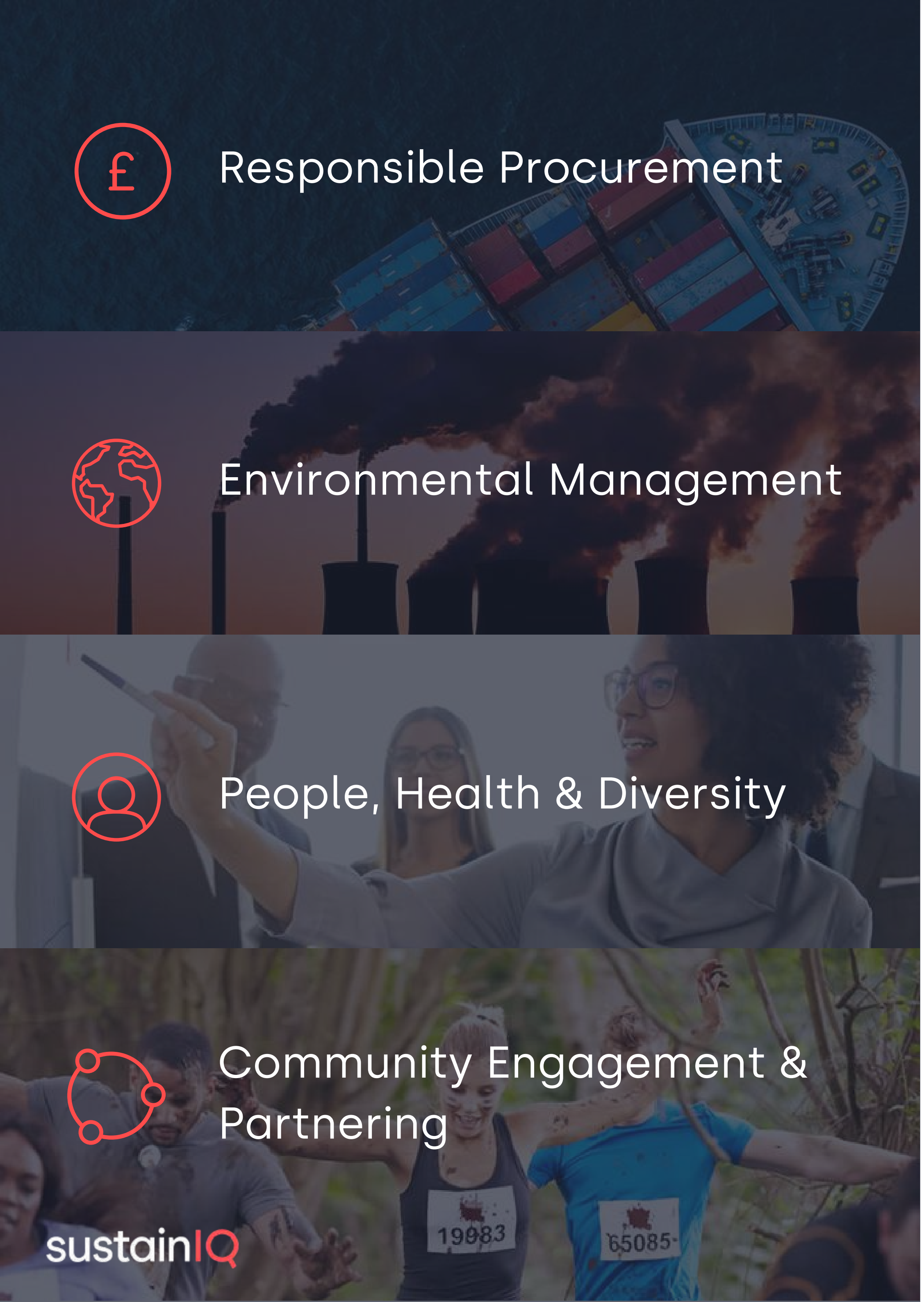

Our Four Reporting Pillars

REPORTING ON PEOPLE, PLANET AND PROFIT.

SustainIQ provides full reporting across our four pillars which categorise different types of data in each reporting section.

Using one software, report on the following areas under each pillar:

Responsible Procurement
- Circular Economy, Volume of Recycled Goods, Socio-Economic Impact, Supplier Accreditations and Standards, Supply Chain Portal, Work Package Management

Environmental Management
- Waste Management, GHG Emissions, Transportation Emissions in Scope 1 and Scope 3, Biodiversity, Water Waste, Full Environmental Performance Reporting, Benchmarking and Goal Setting

People Health & Diversity
- Health and Safety, Training Initiatives, Apprenticeships, Wellbeing Initiatives and Diversity & Inclusion Initiatives

Community Engagement & Partnering
- Community Initiatives, Volunteering, Charitable Donations, Education Engagement, Responsible Leadership and Charity Partnerships

Testimonials and Feedback

WHAT OUR CUSTOMERS HAVE TO SAY.

NOEL MULLAN
COMMERCIAL DIRECTOR
HERON BROS

The multi-user, multi-site SustainIQ app has helped us to increase awareness of our corporate responsibility strategy by engaging all staff across our projects. This has resulted in a significant improvement by positively impacting the communities in which we work, the natural environment and our economic performance.

MARIA BRADLEY
HR DIRECTOR
GILBERT-ASH

The big benefit for us in using SustainIQ is the ability to generate reports, and to be able to tailor them to suit our requirements. It's the only system that we've seen that captures all our data in one place and allows us to produce either a collective report or specific reports - whatever is required by our internal or external stakeholders.

CIARAN MCCONNELL
MANAGING DIRECTOR
JP CORRY

SustainIQ allows us to drill into our data to review and measure the community initiatives we have invested in. Seeing the quantifiable impact of those initiatives provides transparency and visibility to our staff on why we do the programs. Because the data all feeds into one source, we can draw down the information and use it to improve.

MARK CAMPBELL
CONTRACTS DIRECTOR
FELIX O'HARE & CO

Before SustainIQ, we were working hard on our sustainability goals, but had no way to bring all that information together for tenders, Board reports or customer presentations and we couldn't evidence our impact. Now, SustainIQ gives us all that rich data at the touch of a button and it's been transformational.

GARY PURDY
MANAGING DIRECTOR
MCCUE

Working in and with key London Councils on multi-million pound contracts in the Greater London area, we have seen how important it is to meet our clients' sustainability goals. SustainIQ allows us to measure, monitor and report on the social, economic and environmental impact of our projects and ensure clients achieve those vital goals.

Request a demo.

WE'LL CHANGE YOUR WORLD, FOR GOOD.

SustainIQ is already loved and trusted by users in over 30 countries. Using our easy-to-use system our customers report on a company-wide or site-level basis in real-time with interactive dashboard reporting.

Get a step ahead of regulatory risk. Book a demo today and see how SustainIQ could help you prepare for mandatory sustainability reporting.

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www.sustainiq.com/contact