

# Preparing for the ISSB's sustainability disclosure standards

## Getting started: Data and systems

This series of guides covers key aspects of the IFRS Sustainability Standards<sup>1</sup> (the Standards) issued by the International Sustainability Standards Board's (ISSB). It is aimed at assisting finance professionals and finance teams to prepare for the reporting and disclosure requirements aligned with the Standards.

The Standards IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* catalyse the integration of sustainability with financial reporting. They respond to expectations from capital markets participants for more meaningful and comparable sustainability and climate change disclosures. They will enable investors and other stakeholders to understand an entity's sustainability-related risks and opportunities, the connection between them, and potential financial impacts now and into the future.

IFRS S1 and IFRS S2 were issued in June 2023 and are applicable for annual reporting periods beginning on or after 1 January 2024. There are provisions in place to help entities to scale up their approach to disclosures over time<sup>2</sup>. New Zealand's eXternal Reporting Board (XRB) is closely following the ISSB developments, and the Standards will pave the way for mandatory reporting in Australia. The Australian Treasury has signalled that mandatory climate disclosures, aligned with IFRS S2, will be phased in for large Australian companies from the 2024 -2025 financial year.

<sup>1</sup> This guide has been prepared based on IFRS S1 and S2 issued in June 2023.

<sup>2</sup> Relief in IFRS S1 allows an entity to report only on climate-related risks and opportunities in the first year it applies IFRS S1 and IFRS S2.

## Getting started: Data and systems

This second guide focuses on data and systems, summarising the implications of the Standards and actions finance professionals and entities should take now, in preparation for reporting under the Standards.

### What do the Standards mean for the data required to underpin the sustainability and climate-related disclosures?

The Standards have been established to provide a consistent global baseline for sustainability-related financial disclosures, because investors and wider stakeholders have expressed the need for more consistent and comparable information and data across all sectors and industries to support investment decision making.

Under the Standards, entities are required to disclose material sustainability and climate-related information, presented in a manner consistent with other corporate and financial disclosure requirements. It should be relevant, faithfully represent what it purports to represent, comparable, verifiable, timely and understandable. Entities need to re-assess their current approach to sustainability and climate-related information and the adequacy of their systems to gather and store data related to varied topics such as emissions, safety incidents, human rights and community investments.

Currently, in many entities the systems and processes used to create and store sustainability and climate-related information and data are less mature when compared to financial information and the information is often sourced from numerous systems/spreadsheets and manually aggregated for reporting.

### How does this relate to financial information?

The Standards also require that, when sustainability and climate-related financial disclosures include financial information, the data used to develop these will need to be consistent with the corresponding financial information reported in the entity's financial statements. This includes any financial assumptions made (e.g., carbon price).

Entities also need to report their sustainability and climate-related financial disclosures at the same time as their related financial statements and the disclosures must be for the same reporting period as the financial statements. This comes with challenges around resource and time constraints.

### What does this mean for finance teams?

Once entities have identified material sustainability and climate-related risks and opportunities through a materiality assessment<sup>3</sup>, they will need to undertake three key steps:

#### 1. Understand proposed data requirements and identify gaps

First of all, it is important for entities to understand the Standards' information requirements. This includes not only data required to report on relevant metrics and targets but also data to support decision making around strategy, risk and opportunity management and governance. Entities need to perform a gap analysis to identify where this data exists and is currently reported on, where the data is collected for other business activities but not reported on, and where there are absolute gaps in source data.

#### 2. Map processes, controls and systems

Depending on the maturity levels of an entity's data and reporting processes, sustainability and climate-related data may be collected in different ways. Less mature entities tend to collect data manually in spreadsheets owned by a wide set of data owners, with high-level of manipulation, and increased likelihood of errors. Entities which are more mature, on the other hand, tend to have automated processes that are supported by systems and relevant controls around data accuracy, completeness and reporting. It is important for entities to map their current processes and understand the systems in place – including consideration of key controls – to enable identification of gaps, points of improvement and capability requirements, and uplift data quality and reporting.

<sup>3</sup> See [Getting started: Materiality](#).

### 3. Build a roadmap and take action

Entities should build a roadmap and take action to close any potential sustainability and climate-related data gaps, optimise processes and governance structures, identify new control processes and develop plans to uplift systems. The following considerations should be taken into account:

- **Data, processes and systems** – Entities should evaluate the effectiveness and efficiency of their current processes and controls, and the capabilities of systems. Based on this, entities could identify new control processes and invest in upgrading, expanding, and restructuring of systems.

Suitable data and reporting solutions are those that streamline and automate processes and controls across the sustainability and climate data value chain, with full audit trail. Enterprise Resource Planning (ERP) integration is recommended for alignment and operational efficiencies, and to enable capital allocation and investment decisions. Enhancing systems should ensure that data is efficiently captured, managed and integrated but also enhanced in terms of accuracy, completeness and reliability.

- **Roles and responsibilities** – Entities should consider developing a robust governance structure by assigning data owners with appropriate skill sets and formalising their roles and responsibilities to hold them accountable for capturing and managing sustainability and climate-related data and following due processes. Responsibilities can be embedded in performance KPIs. Upskilling where required will enable appropriate performance of responsibilities.

- **Assurance-ready** – Lastly, entities are encouraged to assess the assurance readiness of their sustainability and climate-related disclosures. This includes considering data integrity – is data complete, relevant, reliable and verifiable? Entities will eventually require assurance, likely starting with limited assurance, moving to reasonable assurance as the control environment over sustainability and climate-related information and data matures.

#### To find out more

- [Practical guidance on preparing for the ISSB's sustainability disclosure standards](#)
- [Making Sense of ISSB: A Guide for organisations on navigating climate regulation, compliance and reporting](#)
- [ISSB standards will change reporting: Practical insights for Audit & Risk committees](#)
- [Climate](#): climate resources and information on climate-related disclosures and action
- [Enhancing Greenhouse Gas \(GHG\) Reporting](#)

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