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Finance for a sustainable future:  
Reimagining reporting

# 'Ready or not' isn't the question you should be asking.

Compliance with constantly evolving ESG reporting frameworks and potential regulations isn't a choice anymore. It's becoming an obligation, for both regulatory bodies and organizational stakeholders who want to see the impact of a business's sustainability efforts. But for CFOs and finance leaders, it's also an opportunity to play a pivotal role in defining an organization's sustainability narrative and plans—and all through activities that finance already owns.



## 'Ready or not' isn't the question you should be asking.

Internal reporting is a powerful tool that can tell stories of organizations' wins and losses and help to explain how and why they act. In many cases, it's what propels them to act in the first place. But just as important as the internal reporting is the way findings are communicated to stakeholders—both internal and external.

Today, sustainability is central to many organizations' external reputations and internal operations. Reporting and disclosures are the yardsticks that can be used to substantiate their sustainable priorities and actions. If an organization fails to report correctly—or if it exaggerates or greenwashes its story—the outcome can put organizations in regulatory and ethical peril and may have an impact on reputation, breaking hard-earned trust with

customers, employees, the board, and investors. When it comes to reporting and disclosures, an organization should manage itself appropriately internally to report externally responsibly—in other words, to set expectations and meet them.

The sustainability regulatory landscape will continue to change: There will be push from regulations; there will be pull from customers, investors, and other stakeholders who act based on information and disclosures. Sustainability is an umbrella that covers the many impacts and dependencies of a business on society, the environment, and employees. As sustainable practices become the norm, reporting on them will become even more vital and complicated.

### ***So, who's up to the task?***

Your finance professionals, that's who! Read on for ways finance can lead the way on sustainability reporting and disclosures to help an organization tell its sustainability story now and for the future.

Reporting and disclosures are the yardsticks that can be used to substantiate their sustainable priorities and actions.

# Learn more about ESG frameworks, standards, and regulations around the world:



## Global

- [Dow Jones Sustainability Index](#)
- [CDP](#)
- [Sustainable Accounting Standards Board \(SASB\)](#)
- [Global Reporting Initiative \(GRI\) standards](#)
- [United Nations Guiding Principles Reporting Framework](#)
- [International Sustainability Standards Board \(ISSB\)](#)



## North America

- [US Securities and Exchange Commission \(SEC\) proposal for climate-related disclosures](#)
- [Canadian mandatory reporting of climate-related financial risks based on Task Force on Climate-related Financial Disclosures \(TCFD\) framework](#)



## European Union (EU) and UK

- [European Union Taxonomy](#)
- [Corporate Sustainability Reporting Directive](#)
- [Sustainable Finance Disclosure Regulation](#)
- [EU Corporate Sustainability Due Diligence Directive](#)
- [Task Force on Climate-related Financial Disclosures \(TCFD\)](#)
- [Streamlined Energy and Carbon Reporting](#)
- [Modern Slavery Statement](#)
- [Diversity and Inclusion Reporting](#)
- [Sustainability Disclosure Requirements](#)
- [GTAG: Advice on the development of a UK Green Taxonomy](#)
- [Transition Plan Taskforce](#)



## Asia-Pacific

- [New Zealand mandatory climate-related disclosures](#)
- [Japan Financial Services Agency \(JFSA\) Strategy on Sustainable Finance](#)

# Breaking it down: Why finance?

Finance already knows what needs to be done—only through a different lens. Sustainability permeates many activities of a business, and finance has the experience to understand where the organization is on its sustainability journey and where it makes sense to lean in for real impact.

**Here are more  
opportunities  
for finance**

## More opportunities for finance



# Finance already 'owns' reporting.

An organization's finance function is already in place. Broad operations such as controllership, financial planning and analysis, investor relations, internal audit, tax, and others are already built and working. Finance professionals are used to providing consistent data through proxy statements and investor reports, and they're experienced at helping other business units in the decision-making process. Each of these existing operations

has a role to play in sustainability reporting and disclosures. Finance also has a historic role in owning the facts of the organization, from governance and control oversight to risk considerations and enterprise risk management. And finance is home to an organization's experience with regulatory reporting requirements, such as Sarbanes-Oxley (SOX). All that can translate into sustainability reporting—it's just a question of how the organization

chooses to do it. (And it's possible that finance already has some of the tools it needs—but a dynamic finance function can do even more, more efficiently).

## More opportunities for finance



# Finance knows the drill across the organization.

With its deep understanding of growth, profitability, and other value drivers, finance is in an excellent position to find, invest, and measure new opportunities. That includes sustainability. Consider what might happen when an organization needs to better understand the impact of a carbon-neutral goal across its factory

operations. Finance has the data and skill sets—not to mention the process rigor—to apply a sustainability lens, play a pivotal role in allocation of capital, and predict an appropriate ROI, whether through lowered energy costs, carbon abatement, or increased productivity and revenue.

## More opportunities for finance



# Finance can make the connections.

Finance has been connecting operational and financial data and metrics for years. Now it can do the same through a sustainability lens, recreating key processes such as asset amortization. Need to quantify a climate disruption impact to the P&L? Finance can do that. At an operational level, finance often chairs the specific decision-making events when the enterprise comes together to balance profitability and operational decisions—

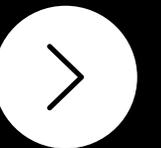
so adding a new layer of sustainability to these decision conversations is a much more effective way than treating sustainability as its own separate matter. At a strategic level, finance has the board and executive relationships it takes to understand and help shape an organization's sustainability vision. It can work with leadership to answer crucial questions as regulations evolve: What sustainability commitments are you

making? What kind of information do you want/need to disclose to the market, and how? What are the tax implications of your business's ESG strategy—both from a compliance and reporting perspective, as well as incentives, savings, and other benefits? These crucial answers need to come from the top. Finance can help make that happen.

# Great. But what does finance need to consider?

**Survive, drive, thrive.** Finance can **survive** by meeting current regulatory needs via accurate internal and external reporting supported by transformed processes and perspectives. It can **drive** results by helping the organization figure out what's most important, devising and measuring performance. And it can **thrive** by instituting new processes, insights, and talent that help push the business toward its sustainability goals and opportunities, even amid sustained disruption.

Transformation, automation, and constant evaluation of what's working are keys to meeting your sustainability objectives. For reporting, that means bolstered data modeling and processes, technologies that allow for on-demand and nuanced pictures of data, and an organizational eye on changing sustainability targets, plans, and regulations. It's a lot. Read on for what we mean.



# Survive



## Strategy

An understanding of the relevant reporting requirements

Materiality assessment and prioritization of internal and external information and metrics linked to sustainability, leveraging peer benchmarking

Defined guiding principles to meet short-term and strategic reporting demands



## Process & Technology

Ability to tailor existing processes (both manual and automated) to incorporate sustainability metrics and information

A clear understanding and documentation of manual processes required to collect, aggregate, calculate, analyze, and report on sustainability activity



## Data & Analytics

A blueprint of what data is needed, how it is collected, where it is housed, and how it can be augmented to support reporting requirements

An understanding of data gaps and how to remediate them with use of proxies and averages; testing of data sourcing options based on reporting needs



## Talent & Delivery Model

Increased awareness and understanding of sustainability metrics and information by finance leaders and workforce

Inclusion of sustainability reporting strategy and execution within existing finance operating structures and workforce

A mindset shift that reporting transparency is a strategic tool to provide consistent, timely, and comparable information on sustainability progress



## Governance, Risk & Compliance

Defined SOX-like frameworks to identify risks and controls, document process flows, and identify potential improvement opportunities

Data and performance controls assured and demonstrated accurately internally

# Drive



## Strategy

Ability to interpret and report strategic sustainability decisions into financial and performance impact

Strengthened business partnership between finance and other business units such as R&D, manufacturing, commercial, etc. around aligned sustainability goals and measurement informing decision-making



## Process & Technology

Defined future-state technology architecture that integrates ESG tools/vendors with existing infrastructure

Incorporation of sustainability metrics into enterprise performance management and reporting solution implementations

Automation of accounting rules, logic, and sustainability calculations



## Data & Analytics

Integration of sustainability operational data from primary sources instead of proxies and approximations

Deployment of common information model for reporting sustainability information

Automation of data collection, cleansing, and attribution; sustainability data mapped with other strategic data



## Talent & Delivery Model

Defined-target operating model for measuring sustainability

Use of global business services for data collection and report generation (where applicable) via a shared service or center of excellence

Strategic sourcing of finance talent with experience in environmental science, data science, and social impact



## Governance, Risk & Compliance

Sustainability data treated and governed with a similar level of rigor as other strategic data, such as financials, sales, volumes, pricing, etc.

Sustainable monitoring program in place for an ESG control environment

Automation of controls and data assurance

# Thrive



## Strategy

An enterprise reporting strategy based on enterprise value creation that balances short- and long-term outcomes and acknowledges the diverse range of resources that add to enterprise value



## Process & Technology

A flexible and agile reporting and performance management methodology and infrastructure that can evolve over time as sustainability metrics and decision-making needs evolve



## Data & Analytics

Sustainability data as a key driver to understand business performance and support decisions, blended with financial and operational data into meaningful key performance indicators



## Talent & Delivery Model

Sustainability embedded in the mindset, culture, and process of finance and reporting; included in performance measurement and management

Finance's role in sustainability reporting attracts and motivates its finance workforce

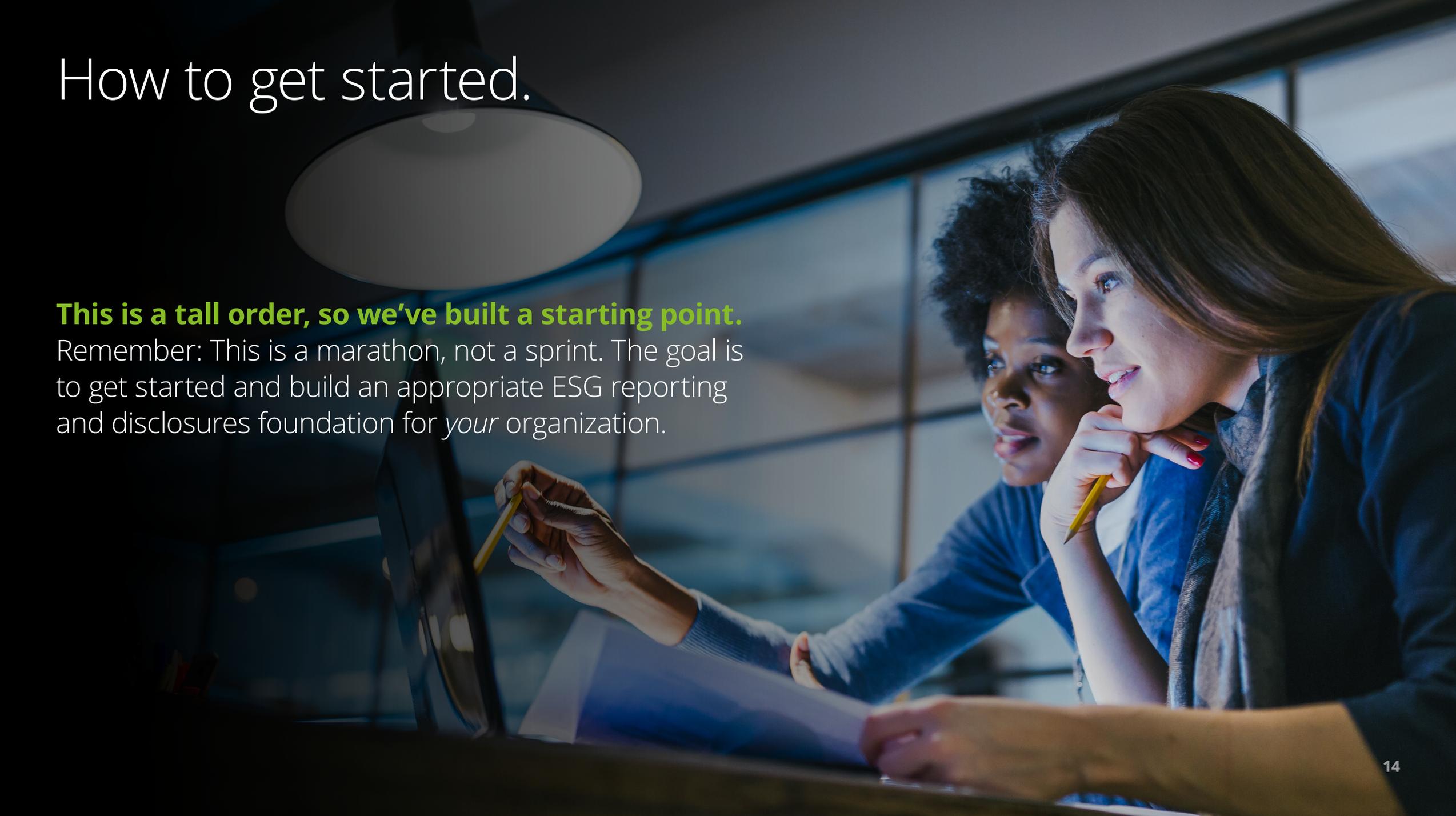


## Governance, Risk & Compliance

Proactively identify potential risk areas in reporting and controls

Third-party risks incorporated into sustainability reporting and decision-making

# How to get started.

A photograph of two business women in an office setting. They are looking at a computer monitor. One woman is pointing at the screen with a yellow pencil. The other woman is resting her chin on her hand, also holding a yellow pencil. The scene is lit with a cool, blue-toned light, suggesting a professional and focused environment.

**This is a tall order, so we've built a starting point.**

Remember: This is a marathon, not a sprint. The goal is to get started and build an appropriate ESG reporting and disclosures foundation for *your* organization.

## How to get started.



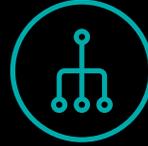
### **Become an ally to your chief sustainability officer (CSO)—**

if your organization has one, that is. Your CSO likely has one major mandate: to build a clear strategic vision for sustainability across the organization. As a finance leader, your job is to figure out how reporting can support that vision and how finance can help achieve it. A CSO may not know the questions to ask or appreciate all that goes into reporting and disclosures. A finance leader can help guide those conversations.



### **The same goes for your chief information officer, your chief data officer, and your chief operating officer.**

The value case for sustainability reporting may be clear to you and your CSO, but you both will need significant buy-in from leadership (both at a corporate and business unit level) to realize that value through technology and data investments. Working alongside your organization's IT and data operations can help future-proof those investments by avoiding the creation of solutions and support capabilities that don't scale.



### **Set the tone from the top.**

Finance leaders should emphasize the importance of sustainability and why finance should understand it and get it right. Get buy-in from your team, and see to it that each member sees the multiple ways sustainability efforts will manifest across business units—and how finance can track each effort.



### **Remember, this is different—but it isn't necessarily new.**

Seasoned finance professionals may remember the many changes made across organizations from scratch to comply with the Sarbanes-Oxley (SOX) Act of 2002, which imposed greater disclosure and control requirements. SOX compliance is complex—and it can serve as a blueprint for the growing requirements of sustainability disclosures and reporting. Finance can adapt the SOX principles and programs that have already proved effective for their organizations. Remember, too, that many of these regulations, voluntary or not, are global, such as the Global Reporting Initiative.

## How to get started.



### Drive trust.

Consumers have expressed concerns over the validity and accuracy of reported sustainability data. Because finance is grounded in the disciplines of risk, controls, and assurance, it is uniquely positioned to solve for this, drive trust, and unlock added business value. Higher standards for reported sustainability information are clearly on the horizon; who better than finance to shepherd the extended enterprise through that journey? Imagine how trusted sustainability information could sway new and existing customers as they look to do business with those they have shared values with and the significant role finance can play.



### Believe.

Rules and regulations are already becoming more prolific around the world, a trend that appears likely to continue. More than 1,800 climate laws and policies have been enacted by governments worldwide, and the Paris Agreement currently has 197 signatories,<sup>1</sup> not to mention new regulations such as the European Union Taxonomy, Taskforce for Climate-related Financial Disclosures, and Corporate Sustainability Reporting Directive. Even though policy efforts in the United States are in progress, organizations that want to remain globally competitive should operate within the bounds of a complex and growing global regulatory landscape. An empowered finance function can help clarify the reporting impacts domestically and globally.



### Ultimately, the vision is yours.

Reimagine the power of sustainability reporting for your organization. You may start with external reporting and compliance, but as you unlock management reporting and performance management, you'll be able to support better decision-making and create more value for both internal and external stakeholders. Define a reporting strategy and vision that will help you align the organization on material topics and create a road map of how to address reporting requirements.

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# Endnotes

1. David Vetter, "[How do you tell if climate laws really work? Start by counting them](#)," Forbes, August 11, 2020.



To find out more, please visit  
[deloitte.com/us/en/services/sustainability-climate-equity](https://deloitte.com/us/en/services/sustainability-climate-equity).

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