

REPORTING INSIGHTS

SUSTAINABILITY DATA COLLECTION



INTRODUCTION

Demand for sustainability reporting has never been greater, with investors, creditors and broader stakeholders increasingly incorporating such information into their decision making. There are many challenges in obtaining meaningful, timely, complete and accurate sustainability data for performance management and external reporting. While some organizations are using their established control framework for financial reporting as a model for sustainability reporting, data remains the primary barrier to being able to do this fully.



The collection of reliable data on sustainability metrics is core to building trust in sustainability reporting. Stakeholders are increasingly basing their decisions, at least in part, on the sustainability credentials of an organization. A robust control environment is key to reliable reporting.

JONATHAN SIMMONS,
CHIEF FINANCIAL AND STRATEGY
OFFICER, OMERS

49%

of investors say a lack of robust environmental, social and governance ('ESG') data is 'holding back' their organization's integration of ESG considerations into their decisions.¹

32%

of US accounting, sustainability or legal executives believe that the greatest challenge with ESG data is availability.²

1. Capital Group, [ESG Global Study 2021](#)

2. Deloitte, [ESG executive survey 2022 - Preparing for high-quality disclosures](#)

TOP FIVE QUESTIONS TO CONSIDER

1

Is the control environment for sustainability reporting equal to that used for financial reporting? Are there clearly established management-level responsibilities for sustainability reporting?

2

Have you deployed appropriate information systems to support impactful, timely, complete and accurate data collection, measurement and reporting, as well as to eliminate the risk of error associated with manual collection and processing of data?

3

Is reliable data available to allow external reporting on sustainability performance at the same time, and for the same period, as for financial reporting?

4

Have you clearly defined where you will make use of estimates in reporting your sustainability metrics and adequately documented the methodology for doing so, in particular in relation to third party data (eg customer or supplier data to report on Scope 3 emissions)?

5

Are you able to demonstrate the integrity of your sustainability reporting processes and related controls, sufficient to enable reporting of impactful, timely, complete and accurate sustainability information and to which independent external assurance can be applied?



Sustainability reporting presents interesting challenges with regards to availability and robustness of data. It is fundamental that the right processes, controls and systems are put in place and that cross-functional teams collaborate to tackle these challenges. At times, it is necessary to work with your peer organizations as well as those in your value chain to make progress. At Mars, we continue to strengthen our reporting through these actions and by clarifying accountability for data at all levels of the organization. With solving these data challenges comes an amazing opportunity for finance teams to apply their functional experience, while delivering high quality sustainability reporting that enables better decision making and sustainability outcomes.

CLAUS AAGAARD,
CHIEF FINANCIAL OFFICER, MARS

KEY ELEMENTS TO ENSURE ROBUST SUSTAINABILITY DATA COLLECTION

- **Clear roles and responsibilities, as well as definitions, collection procedures and guidelines** around data, are documented and understood by all parties involved.
- **Internal assurance programmes** support data quality for both management decision making and external reporting.
- **Integrated information technology systems, automation and digital platforms** are used for environmental and social data collection, measurement and monitoring.
- **Timely data** is collected, enabling concurrent reporting of sustainability metrics with financial information.
- **The control environment** is aligned as closely as possible to the financial reporting one, in order to obtain independent external assurance over sustainability metrics.

CURRENT STATUS OF SUSTAINABILITY DATA COLLECTION

Currently, sustainability data collection is often a challenging task to navigate. This is attributed to several reasons, including limited availability of data, multiple data sources and low data quality. As reporting standards emerge, organizations also frequently add new metrics to their disclosures resulting in data at different stages of maturity and improvement of their measurement over time. As a result, cross-team collaboration, ownership and documentation on data processes and requirements become increasingly important to understand challenges fully and to implement solutions.

The following pages explore these areas in more detail along with suggested practical actions for finance teams:

1. Information quality and control environment
2. Technology and automation
3. Data sources
4. Assurance

1

Information quality and control environment

Most organizations acknowledge that their sustainability reporting control environment is in a less developed and less mature state than that of their financial reporting. This can be due to many factors.

Documentation outlining the process for environmental and social data collection is often limited. This typically means high-level guidance on where to obtain the data, with limited detailed instruction on data capture. The management controls applied to sustainability data collection also vary considerably in scope and range between organizations, with the majority comprising only high-level analytical reviews, such as considering the reasonableness of period-on-period movements.

Less defined processes and controls for sustainability data collection – including those that reflect changes to data definitions or data collection protocols – may also make year-on-year comparisons difficult. As adjustments are made, transparency on restatements rarely feature in reports. In addition, the effectiveness of the controls designed for standardized data and processes is often put into question when data sets feature management estimates and judgements. Such factors expose organizations to increased risk of material misstatements.

Less developed control environments can also make it difficult to collect data in a timely manner. Some organizations have tackled the issue of timeliness by offsetting their reporting period for sustainability metrics to that of their financial reporting (ie reporting sustainability data concurrently with the financial data but acknowledging different reference dates). While this allows more time for the sustainability data to be collected, it could reduce the user's ability to understand the connectivity between sustainability and financial information.

Finally, the quickly evolving landscape of reporting standards and reporting requirements – in part driven by changing societal expectations and improvements in scientific and broader understanding of the issues – can also contribute to the challenge of developing, maintaining and documenting the sustainability data collection process.

Going forward, many organizations are actively seeking to develop their sustainability control environment to a level similar to that seen in financial control. This includes increased engagement with the internal audit function.

ACTIONS FOR FINANCE TEAMS

- Run a gap analysis comparing the control environment around sustainability data with the one applied for financial data in order to identify key areas for improvement.
- Map and document the controls and processes used for your organization's sustainability data.
- Give consideration to how the reported information will be used and adopt a proportional approach when prioritizing certain metrics needing improvements in data quality.
- Adopt the same rigour with regards to the narrative on sustainability reporting as financial reporting – ie explain significant variations, assumptions or data challenges.
- Focus on meaningful metrics when deciding what to report: having a robust, structured materiality assessment process hardwired into strategy, decision making and reporting can help to get the right balance when dealing with multiple different demands for information from investors and other stakeholders.
- Consider the characteristics of data in ISSB³'s [Exposure Draft on General Requirements](#): comparability, verifiability, timeliness, understandability.

2

Technology and automation

Although many organizations have yet to adopt technology solutions for ESG data collection, some organizations have deployed off-the-shelf technology solutions for gathering and aggregating sustainability data. Further, technology is being leveraged by some, in particular to close value chain data gaps, eg using satellite data for emissions, deforestation or labour abuses in the supply chain. For many, the process of collecting sustainability data is manual, and often is not integrated into the organization's enterprise-wide information systems and associated controls.

Enterprise-wide sustainability data is typically sourced from functional domains separate to the financial reporting function. Many organizations operate an approach whereby data owners are responsible for extracting the metric data and submitting it to the sustainability reporting team. In practice, this means running reports from business operational systems and emailing them to the sustainability reporting team, who process that data into the relevant sustainability metrics. While some organizations use off-the-shelf software solutions to assist in this process, the data owner would often still need to extract data manually from one system and import it into the sustainability system.

Where technology is used, the capabilities differ significantly across different types and categories of sustainability metrics. In some instances, the sustainability systems are capable of processing raw data into the desired metric. This is most common for greenhouse gas (GHG) emissions, where raw data (eg energy use or transport) can automatically be used to calculate the emissions in line with the [Greenhouse Gas Protocol](#). For metrics less standardized or not linked to a reporting system designed to support a compliance reporting obligation, the sustainability system acts as a data warehouse and provides a workflow tool for users to control and process the data.

ACTIONS FOR FINANCE TEAMS

- Complete an inventory of the data requirements and any systems being used in the process today.
- Support IT with new, and upgrades to existing, reporting integration systems by leveraging the experience with financial data.
- Collaborate with the internal audit and assurance teams to ensure that controls are robust and effective and data is verifiable.

3

Data sources

The scale and variety of material sustainability metrics encompasses a wide array of data sources, sometimes requiring significant manual processes (eg physical meter readings), sourcing from third parties (eg data collection for social issues along the value chain) and utilizing inconsistent definitions (for example, using regulatory definitions for safety or waste-related performance information, which can differ considerably between jurisdictions).

Organizations determine the sustainability metrics they will report through a materiality assessment and in compliance with regulatory requirements. Once metrics have been identified, the organization needs to assess the data sources to provide the required data. In some cases, the data will be available and may be repurposed for sustainability reporting. Doing so may require the establishment of an appropriate reporting and control environment for the data collection and compilation process for the selected metric.

In other instances, organizations may need to identify carefully the appropriate data source and the process for integration into the organization's reporting processes. Components of the data sets frequently may need to be obtained from, or be controlled by, a third party (eg supplier data). This requires the organization to develop a process that will enable the timely reporting by third parties of accurate and verifiable sustainability-related data.

Where appropriate data to support a performance metric is not directly available, estimates are often used as a basis for measurement. For example, management judgement and estimations are commonly applied in measuring Scope 3 GHG emissions aligned with established estimation guidelines. For other types of metric, there may be limited guidance and organizations may need to develop their own definitions, approaches and methodologies. In these instances, estimation methodologies should be carefully developed so they are applied in a consistent manner across the organization. Disclosures related to the approach and use of estimates should also be provided; however, in reality, details on estimation methodologies are rarely included.

ACTIONS FOR FINANCE TEAMS

- As new performance metrics come within the scope of reporting, develop and implement data definitions and appropriate data collection processes, taking account of the organization's existing and new operational processes. This may involve working with the organization's service providers for outsourced activities, eg a waste collection agent.
- Include disclosure around estimates and methodologies in your reports.
- Provide definitions and clear data collection guidelines to third party data sources and verify data provided.

4

Assurance

The level of maturity of an organization’s sustainability data and related internal assurance processes directly impacts the organization’s readiness for application of independent external assurance. External assurance – when possible – will need to adopt a substantive approach until organizations enhance their control environment.

Sustainability reporters increasingly seek independent assurance for their externally reported sustainability metrics, in order to enhance the credibility of the reporting with users. This reflects the weight users now place on sustainability metrics to support decision making. Some organizations operate in jurisdictions where reporting of sustainability metrics, accompanied by independent external assurance, is, or is set to become, mandatory. In scoping the assurance engagement some organizations elect to restrict the scope to the reported sustainability metrics that management believes are sufficiently mature for application of the external assurance process.

Assurance procedures are often substantive in nature where reliance on the control environment might be challenging. This has time and cost implications for the reporter. In instances where sustainability data collection processes and the related control environment are insufficient, successful independent external assurance cannot be applied. In such cases, the organization should first focus on strengthening the internal assurance environment for the reported sustainability information. Notably, developing a control environment to a level aligned to the expectations associated with applying an external assurance engagement will demand process planning and resourcing, including the selection and integration of information systems and technology resources.

ACTIONS FOR FINANCE TEAMS

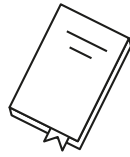
- Before undertaking external assurance, perform a readiness assessment to evaluate the control environment and ensure proper controls and processes have been established.
- When selecting the external assurance service provider, consider their expertise and the level of assurance desired based on organizational needs, user expectations and regulatory requirements.
- Facilitate the audit process, eg by acting as intermediary between those who produce sustainability data and the assurance providers.

FURTHER RESOURCES



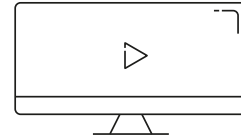
Explore

The A4S [Essential Guide to Navigating the Reporting Landscape](#)



Read

The “Technology and Data” section in our [Essential Guide on Strategic Planning, Budgeting and Forecasting](#)



Watch

[Developments and trends in sustainability-related reporting and practical actions to respond.](#)

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The A4S Academy is a learning and implementation programme for finance leaders on embedding sustainability. The programme empowers and equips finance teams with the skills needed for their businesses to succeed in the face of environmental and social risks and opportunities. The Academy is for senior finance professionals, sponsored by their CFOs.

[Find out how you can join the Academy.](#)

Sustainability Reporting Insights

The A4S Sustainability Reporting Insights series is written to equip CFOs, reporters, investors, boards and other stakeholders with a better understanding of current approaches to sustainability reporting, highlighting some of the key actions finance teams can take to respond to future sustainability reporting requirements.

A4S has established a reporting project to discuss the current status of sustainability reporting practice with key stakeholders including members of the A4S [CFO Leadership Network](#) and the A4S [Accounting Bodies Network](#) and other large multinational organizations (both private and publicly owned).

The A4S Sustainability Reporting Insights series consisting of four briefs reflects the findings from these discussions.

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Accounting for Sustainability (A4S)



ThePrincesA4S



info@a4s.org



www.accountingforsustainability.org