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WHERE TO START WITH SUSTAINABILITY REPORTING

CPA ONTARIO

Sustainability reporting is a form of non-financial reporting that discloses an entity's sustainability-related risks and opportunities as well as overall impact to the entity's value.

But what does that mean for a CPA? This high-level summary will help you get started.

1

UNDERSTAND THE ORGANIZATION'S COMMITMENT AND STRATEGY

The first step should be to understand the organization's established commitment and strategy as they relate to sustainability (if any).

2

FIND OUT THE REGULATORY REQUIREMENTS

The next step is to find out if the organization has any regulatory requirements to report sustainability information.

For information on Canadian sustainability reporting, refer to our [Sustainability Reporting Regulations](#) page.

3

IDENTIFY / SELECT THE REPORTING STANDARDS

Depending on the relevant laws and regulations **(refer to step 2 above)**, the organization's sustainability reporting standards may be mandated. If not, select which sustainability reporting standards may be relevant for reporting, considering the sustainability reporting objective and materiality focus.

Examples of possible reporting standards include:

- International Financial Reporting Standards (IFRS) Sustainability Standards
- European Sustainability Reporting Standards (ESRS)
- Global Reporting Initiative (GRI) Standards

4

DEFINE THE SUSTAINABILITY REPORTING OBJECTIVE AND MATERIALITY FOCUS

After identifying the reporting standards, it is important to define the sustainability reporting objective and the materiality focus of the sustainability information. The materiality focus defines the objective of the sustainability information (i.e., which users the information is intended for).

Is the materiality focus on **financial materiality** or is the materiality focus on **impact materiality**?

FINANCIAL MATERIALITY

How sustainability-related risks and opportunities affect the **financial position**, **financial performance** and **cash flows** of the organization.

IMPACT MATERIALITY

How an organization's activities and operations **impact society** and **the environment**.

Perhaps, it's both (commonly referred to as "double materiality")?

For more information on the terms financial materiality, impact materiality and double materiality, refer to our article, "*How to Identify Material Sustainability-related Topics: Performing a Materiality Assessment.*"

The objective of the sustainability information should be tied to the materiality focus, as the latter determines which stakeholders to engage. With a clear focus on the materiality lens and the objective of the sustainability information, the relevant stakeholders (users) of the sustainability information can be identified and inventoried.

5

IDENTIFY THE STAKEHOLDERS

The next step is to identify the relevant stakeholders (the users) of the sustainability information. The effectiveness of a sustainability report hinges upon its relevance to the audience. Different stakeholders have different perspectives regarding sustainability.

For example, investors may be primarily interested in how sustainability impacts financial

performance **(financial materiality)**, whereas affected communities might focus more on how the business impacts their community **(impact materiality)**.

6

DEFINE THE TIMELINE AND MILESTONES

Develop a project timeline and key project milestones as outlined by the steps included below. Ensure that other relevant timelines (e.g., fiscal year-end reporting) are considered, where relevant.

7

BUDGET AND RESOURCE ALLOCATION

Evaluate the financial, human and technology resources required to execute on a sustainability reporting strategy. Consider training or hiring specialized staff or engaging an external consultant for effective reporting.

8

CONDUCT A MATERIALITY ASSESSMENT

Once the relevant stakeholders have been identified based on the materiality focus, perform a materiality assessment. A materiality assessment is a systematic process to identify and prioritize sustainability-related topics that are the most significant to an organization and its relevant stakeholders.

For more information on how to perform a materiality assessment, refer to our article "*How to Identify Material Sustainability-related Topics: Performing a Materiality Assessment.*"

9

EVALUATE THE MATERIALITY ASSESSMENT OUTPUT

Once the materiality assessment has been completed, evaluate the output. Inventory the sustainability-related topics identified through the materiality assessment and determine what metrics will be used to measure and report on the topics identified.

10

SET METRICS AND TARGETS

For the material sustainability topics identified, define and set relevant metrics for the measurement of those topics and consider setting targets if in-line with the organization's strategy.

11

IDENTIFY DATA REQUIREMENTS

Based on the output of the materiality assessment, determine what data is required to report on the identified sustainability-related topics identified. Prioritize using existing data where possible, but also establish policies and procedures for the collection of new data required to support reporting.

12

INITIATE DATA COLLECTION

Collect, store and aggregate the data relevant for each sustainability-topic identified in the materiality assessment. Ensure that policies and procedures focus on the reliability of the data collected.

13

DATA VERIFICATION

Include a verification step to validate collected data, which could include an internal check or an external audit.

14

CONSULT EXTERNAL EXPERTS

Consider involving third-party experts (e.g., auditors) to enhance the credibility of the sustainability report.

15

DRAFT THE REPORT

Considering the output of the materiality process and data collected, draft the sustainability

report and review internally with cross-function departments, such as legal, communications, marketing and finance.

16

**FINALIZE THE REPORT
AND COMMUNICATION STRATEGY**

Finalize the report after internal (and third-party, where applicable) reviews and develop communication strategy for the sustainability report. A feedback mechanism should be included to ensure that the sustainability information provided is meeting the needs of the users.