AtkinsRéalis sees ISSB standards as opportunity to tell holistic story that integrates purpose with performance

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This case study is the first in a series produced by the World Economic Forum that aims to shed light on how preparers are approaching the challenge of reporting against the new standards of the IFRS Foundation's International Sustainability Standards Board (ISSB). The case studies, based on interviews with high-level executives, will make the case for the benefits to companies of ISSB-compliant integrated reporting.

1.1 Introduction

AtkinsRéalis is a design, professional engineering services and project management company specializing in large infrastructure and energy projects. The company is based in Montreal, Canada, and employs 38,000 people worldwide. Its stated purpose is to "engineer a better future for the planet and its people".

The company has published an annual sustainability report for several decades, first reporting against the Carbon Disclosure Project (CDP) metrics in 2007. More recently, the firm has reported in line with the metrics and frameworks of the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) and World Economic Forum.

Hentie Dirker, Chief ESG and Integrity Officer of AtkinsRéalis, was interviewed for this article to explain how the company is approaching the task of reporting against the new standards produced by the ISSB.

The IFRS Foundation's new sustainability reporting standards

In 2023, the ISSB finalized its first two sustainability reporting standards, with the objective of guiding companies to provide decision-useful sustainability-related financial information to investors. The standards are as follows:

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

"The objective of IFRS S1 is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity."

IFRS S2 Climate-related Disclosures

"The objective of IFRS S2 is to require an entity to disclose information about its climate-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity."

Both standards are effective for annual reporting periods beginning on or after 1 January 2024. They require companies to disclose sustainability information as part of their general-purpose financial report. The ISSB does not specify the precise location for reporting this information, as there are various possible locations for sustainability-related financial information in general-purpose financial statements subject to regulation or other requirements that apply to a company in a given jurisdiction. It could form part of the management commentary or a similar location.

The ISSB defines primary users of general-purpose financial reports as existing and potential investors, lenders and other creditors. The core content of each standard is based on the TCFD Recommendations and requires an entity to report on its governance, strategy, risk management, metrics and targets related to its sustainability-related risks and opportunities.

The case study considers the following key questions:

– What challenges has AtkinsRéalis faced in compiling sustainability data robust enough to stand alongside financial data?

– How is the company telling an integrated story that demonstrates the impact of sustainability-related risks and opportunities on its prospects, including cash flows, access to finance and cost of capital?

– Who needs to get involved to successfully integrate sustainability matters into mainstream corporate reports?

The article closes with a section on what the firm has learned from the process so far. What advice can it offer newcomers to sustainability reporting in general and the ISSB standards in particular? Perhaps most important of all – how does the integration of sustainability reporting into mainstream corporate reporting add value to a company's strategy and performance?

> **[IFRS] requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects.**
>
> IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

1.2 Key takeaways

– Instead of the previous "nice-to-have" voluntary sustainability frameworks, the ISSB process allows AtkinsRéalis to report against standards that others in the market must also abide by, enabling investors to "compare apples with apples".

– AtkinsRéalis used to publish its financial data in March and its sustainability report in September; but to comply with the IFRS Foundation's requirement for integrated reporting the firm will report financial and non-financial information each March, once it becomes a regulatory requirement.

– Scope 3 emissions are the big challenge, but it is important not to get lost in the detail. Currently, rather than reporting on all categories, the firm is focusing on material areas; this enables compilers to secure the limited assurance required for these disclosures, while providing more time to focus on mitigation measures to reach net zero.

– The IFRS Foundation has raised the bar on who needs to get involved in sustainability reporting. AtkinsRéalis now uses the same auditors for financial and non-financial information; the Audit Committee is overseeing the data controls in place, and the chief financial officer (CFO) is fully engaged in understanding and supporting the process.

– The integration of sustainability and financial reporting offers AtkinsRéalis a huge opportunity to explain to a wider audience why the firm's strategy is good not only for shareholders, but also for the planet and for people.

– The process of integrating sustainability into mainstream reporting has helped the company think strategically about the long-term risks and opportunities that will impact the industry and the planet. For example, the firm plans to question its biggest suppliers on their sustainability goals. The question is – how deep into your supply chain do you go?

– Advice to fellow practitioners: You won't get everything right from the start. Don't begin with a long checklist – the most important thing is to identify and focus on what is material and get your CFO to buy into the process.

1.3 Challenges integrating sustainability and financial reporting

Company reporting against ISSB's standards is primarily intended to deliver investor-focused information, which in turn can support better investor decision-making. This requirement exposes the disclosure of sustainability-related data to a greater degree of scrutiny around its financial materiality. Below, the case study examines some of the challenges arising from this new approach to integrated reporting.

When and where does this information need to be disclosed?

The new ISSB standards are altering AtkinsRéalis' traditional reporting process. In the past, the firm would mail an overview of the year's financials to all shareholders in March. The company would then publish its annual report in time for the annual general meeting in May; its sustainability report would follow in September.

However, given that the ISSB requires an entity to disclose information "that is useful to users of general purpose financial reports in making decisions", the integration of material sustainability-related information will now have to form part of mainstream corporate reports.

So for AtkinsRéalis, the timeline for compiling its sustainability information has become shorter, from September to March to be in line with their financial reporting. For 2024, says Hentie Dirker, "We'll publish an integrated annual report that will go out in May." But he has March in his sights for future reporting: "We are starting to push ourselves so that in the future when regulations require it, as part of our financial reporting we can include some of our non-financial information as well from a sustainability perspective."

What kinds of challenges are there in collating reliable sustainability data?

Much of the sustainability data the company needs to access – such as on human resources or health and safety – is centralized and easily accessible. However, "where everyone struggles" is with greenhouse gas emissions because there is so much data across the different scopes and different systems. "Most of the data comes out of existing systems and processes, but with greenhouse gas emissions we need to take a programmatic approach," says Dirker.

Scope 3 emissions are the big challenge. To prepare for the firm's submission under the Science Based Targets initiative in 2024, the company carried out a Scope 3 analysis and decided to apply a "raw financial data perspective" to assess and report emissions. This approach uses the company's spend in different categories with different suppliers, and then applies emissions multipliers to the data based on international benchmarks. "Going forward," adds Dirker, "we will have to decide if this benchmarking approach is good enough or whether we need to dig deeper." The company is implementing a global vendor management system, which will provide more insight into its supply chain and in turn could enable his team to get closer to suppliers' actual greenhouse gas emissions.

However, Dirker cautions companies about getting lost in the details. "We really want to make sure we focus on the areas that are material to us as a company and not go into the weeds on all 15 categories of Scope 3 emissions," he says. "By focusing on the top three or four categories only, we are then free to think about mitigation activities around those to help us get to net zero," he adds.

The tight focus of the ISSB standards on material information enables Dirker's team to be consistent with the approach adopted by assurance providers, recognizing that gaining sufficient assurance around data can take considerable time. By concentrating on the sustainability data that is material, including the KPIs that the company has publicly committed to, Dirker is able to secure the limited assurance required for these disclosures.

> **We don't get limited assurance on everything. In line with ISSB's requirements, we focus only on material information, including the KPIs we've publicly committed to, and get limited assurance on that.**
>
> Hentie Dirker, Chief ESG and Integrity Officer, AtkinsRéalis

Who needs to get involved in the sustainability reporting journey?

Assurance is an important consideration. In the past, AtkinsRéalis engaged separate auditors for sustainability and finance functions, but last year the company decided to use the same auditor for both. "There are a lot of synergies and, especially as we move towards more integrated reporting, it made a lot of sense for us to use the same auditors for both non-financial and financial data," says Dirker.

The ISSB's requirement for companies to report on the governance processes and controls they use to monitor, manage and oversee sustainability-related risks and opportunities raises the bar in terms of who needs to get involved in the reporting journey. To adjust to the new reality, AtkinsRéalis has made changes from the board level down. For example, the Governance Ethics and Sustainability Committee has now added sustainability to its remit and provides Dirker's ESG team with strategic guidance. In addition, the Audit and Risk Committee shares responsibility for preparing sustainability-related information and providing oversight, particularly on the controls in place for assuring data quality. Dirker provides quarterly reports to the board in his role.

> **I need to prove to the Audit Committee that I've got sufficient controls in place for the data I am disclosing. Meanwhile, the Governance, Ethics and Sustainability Committee helps steer us from a strategy perspective.**
>
> Hentie Dirker, Chief ESG and Integrity Officer, AtkinsRéalis

To help his team prepare data to the required standard, Dirker is seeing a lot more involvement and oversight from the CFO and the company's financial internal controls group. They monitor and review the processes the ESG team uses to collect its data, based on robust internal controls. Additional rigour in data collation will be added when the company integrates the *Workiva* content management system from 2025. As a result of these initiatives, Dirker now sees the preparation of his team's disclosures as "a joint effort" between the ESG and CFO functions.

When asked if what's driving this internal collaboration is the anticipation that this type of reporting will become mandatory, Dirker replies, "Yes, absolutely."

> **A couple of years ago, the CFO's function was not involved in the types of data included in the ESG report. But now, our CFO is really engaged. He wants to understand everything and he wants to support the process, which is great for us.**
>
> Hentie Dirker, Chief ESG and Integrity Officer, AtkinsRéalis

How best can you integrate sustainability disclosures with financial data?

The corporate world is used to seeing financial and sustainability information published in different reports, often many months apart. At best, sustainability has traditionally played a small part in annual reports. However, Dirker is keen to highlight a different way of thinking. "The new report needs to be a holistic story around why we're a sustainable company," he says, adding: "There's no specific discrete section where you need to look at the difference between finance and non-financials."

Dirker's insight aligns with ISSB's direction of travel, which aims to demonstrate how certain sustainability-related information, once considered "non-financial", should be considered as financial data, given its material connection to a company's cashflows, access to finance and cost of capital.

Of course, the integrated report will still need an accessible appendix in a spreadsheet format with all the relevant sustainability data points aligned, to satisfy the requirements of different jurisdictions or reporting frameworks such as GRI or CDP. But the need to tell a coherent story that embraces both financial and non-financial information is becoming paramount, especially for companies whose stated purpose centres on sustainability.

Dirker believes this new approach, driven in part by ISSB's new reporting standards, can help drive greater transparency and explain effectively to the world what the firm is trying to achieve. "Our company's purpose," he explains, is to "engineer a better future for the planet and its people – but this purpose could resonate better with employees." According to Dirker, producing an integrated annual report offers the firm a "huge opportunity to weave that narrative better into our communications, so people can understand why we are doing certain things and why we feel it's not only good for us as a company, but good for the planet and for people as well."

1.4 Added value of an integrated reporting process

ISSB standards create a level playing field

A core benefit of the ISSB's standards is the possibility that a critical mass of companies reporting against them can create a level playing field, whether the standards are mandatory in a given jurisdiction or not.

As Dirker puts it: "The added value is in having a one-stop shop that will be regulated in the future." Instead of the previous "nice-to-have" voluntary sustainability frameworks, the ISSB process "allows us as a company to have a standard that others also have to abide by within our market – that way, we can compare apples with apples." Such standardization will in turn help investors make better-informed judgements about where companies are on their journey and better-informed decisions about where to invest their money.

Integrated reporting encourages more strategic thinking

The process of integrating sustainability data into an annual report on a company's financial performance has provided a great opportunity for AtkinsRéalis to tell clearer, more strategic stories about how its commercial projects help deliver on the company's planet-focused purpose – whether that is the UK Battery Industrialisation Centre in Coventry, Montreal's *Réseau express métropolitain* (REM) light rail system, the Hinkley Point nuclear power station, Colorado's Interstate 70 Floyd Hill project, or Hong Kong International Airport's ecologically safe expansion.

But the integration of sustainability reporting can add more value than simply the power of a good story, important though that is. Dirker believes it has also changed the way the company thinks strategically. "When we did our TCFD exercise and report in 2023, it was a real eye-opener – for everybody involved from business and strategy to marketing and business development," he explains. The process of integrating sustainability into its mainstream reporting has helped AtkinsRéalis ensure greater alignment between what they do as a company and how they develop its strategies.

In addition, the TCFD exercise encouraged those involved to look ahead 10, 20, or even 30 years and think more strategically about the sustainability-related factors that could face both the company and the planet in the future.

> **We realized that we need to think strategically and differently right now about the risks and opportunities that might be slow-moving but will, in the end, have an impact on our industry and the planet.**
>
> Hentie Dirker, Chief ESG and Integrity Officer, AtkinsRéalis

Reporting ripple effect will help clean up supply chains

There are also potential real-world impacts today, beyond the bounds of corporate storytelling and strategizing about the future. Take Scope 3 for example. Dirker identifies the possibility of AtkinsRéalis influencing its supply chain companies to monitor, manage and reduce their emissions footprints. "We will start identifying our biggest suppliers and asking them: What are you doing to get aligned and become sustainable going into the future?" he says.

The reporting of one major company against the ISSB standards could cause a ripple effect among its suppliers, leading to far wider reporting. "There will be an uplift as the bigger companies have to report on this," says Dirker, adding: "In turn, they will need to understand their own supply chains more, which will pull them all up together." He points to his experience in anti-corruption monitoring as part of his role leading AtkinsRéalis' Integrity function: "The big corporates put the processes and systems in place, and that filters down into their supply chains."

1.5 Advice and learnings

Focus on what is financially material

When embarking on the reporting journey, the risk is that organizations come up with a long checklist of things to disclose, while forgetting about or failing to understand the need to focus on sustainability factors that can have significant, material effects on a company's financial position, cash flow and performance. "It can be very daunting," admits Dirker, who advises: "Figure out those financially material impact areas and align your disclosure obligations around them."

> **Accept it is a journey – you won't get everything right from the start. The most important thing is to really identify what is financially material for you as an organization and focus on that.**
>
> Hentie Dirker, Chief ESG and Integrity Officer, AtkinsRéalis

Work closely with the CFO and their team

Dirker encourages his chief ESG and sustainability officer peers in other companies to work closely with their respective finance divisions. "Get your CFO to buy into this, because internal controls around disclosure are going to be really important." By getting input from the CFO's team, sustainability departments can establish a "secondary ESG controlling function with a financial perspective", which can be very helpful in terms of demonstrating to the Audit Committee that the company's sustainability data is accurate, verifiable and auditable.

By establishing this parallel process, says Dirker, “It’s no longer the sustainability group telling people to do internal controls, it’s the internal controls group saying, Hey, governance owner, you need a control around this because it’s an externally reported data point.”

Keep the board updated

The final piece of advice from Dirker is to keep the board updated. “Board members come from different companies and industries – and they all have different ideas of what good looks like,” he says, “so it’s important to make sure they understand what the company is trying to do.” That means tailoring the way you present to different committees, for example taking a strategic perspective with one committee and an audit perspective with another.

Learnings

As companies enter a new era of environmental and social accountability, Dirker argues that a company’s reputation will grow ever more valuable in the future. Companies can no longer be seen to shift their ESG responsibilities down into their supply chains. Nor can they afford to talk a green game, while their supply chain carries on churning out huge amounts of pollution. “Disclosure standards such as the ISSB’s will help bring the transparency needed to eliminate that kind of behaviour,” says Dirker.

Meanwhile, AtkinsRéalis’ investors are taking a keener interest in the company’s reporting journey. Given the company is not a heavy Scope 1 or 2 polluter, the focus of shareholders is more on the value the company can bring to the world via its client projects and how it can design more climate-resilient and low-carbon energy systems and infrastructure. Already, management estimates that more than half of the company’s total revenues are derived from projects contributing to a sustainable future and carbon-free economy.

> **For us as a company, the opportunities of climate change outweigh the risks. Whether it’s decarbonizing aging buildings, or transitioning to clean energy including nuclear power, we are helping clients and countries to deliver on their carbon net-zero and sustainability priorities.**
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> Hentie Dirker, Chief ESG and Integrity Officer, AtkinsRéalis