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Frequently Asked Questions on Sustainability Assurance Engagements

This publication has been prepared with the assistance of the Independent Regulatory Board for Auditors' (IRBA) Committee for Auditing Standards' (CFAS) Sustainability Standing Committee (SSC). It does not constitute an authoritative pronouncement from the IRBA; nor does it amend or override the International Standards on Auditing, South African Standards on Auditing, South African Auditing Practice Statements[1] or South African Guides (collectively called pronouncements).

This publication is not meant to be exhaustive. *Reading this publication is not a substitute for reading the abovementioned pronouncements, as they are the authoritative texts.*

Additionally, it should be noted that there are a myriad of requirements and guidelines on sustainability information, depending on the nature of the entity. Therefore, the discussion hereunder may assist in identifying the applicable provisions for some entities. Reporting requirements also differ from assurance requirements. With these requirements similarly undergoing rapid and significant changes, users are encouraged to seek out the most up-to-date and relevant requirements.

[1] *This includes SAAEPS 1 (https://www.irba.co.za/upload/10%20-%20Updated%20SAAEPS%201_Final.pdf).*

INTRODUCTION

Investors and others are increasingly calling for high-quality, transparent, reliable, and comparable reporting by entities on climate and other environmental, social and governance (ESG) matters. This is accompanied by questions regarding the assurance thereof.

Accordingly, this IRBA publication provides assurance practitioners with a summary of key references, where to source guidance and matters to consider with respect to sustainability assurance engagements as at this point in time. This publication may be subject to updates as the sustainability topic is currently very fluid.

Extended External Reporting (EER) encapsulates different forms of reporting that include, but are not limited to, sustainability reporting, ESG reporting; integrated reporting; reporting on corporate social responsibility; greenhouse gas statements; and service performance reporting in the public sector. These kinds of reports are growing in frequency and importance, and they address matters that investors and other users are using for decision-making purposes.

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Definitions and Abbreviations

For the purposes of these FAQs, the following terms and abbreviations have the meanings that are defined as set out below.

APA	*The Auditing Profession Act, 2005 (Act No. 26 of 2005), as amended.*
Assurance practitioner	*The individual(s) conducting the engagement (usually the engagement partner or other members of the engagement team or, as applicable, the firm).*
Assurance engagement	*An engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria).*
EER	*Extended External Reporting.*[2]
ESG	*Environmental, Social and Governance.*
Firm	*A partnership, company or sole proprietor that is registered with the IRBA, in terms of Section 38 of the APA.*
IAASB	*International Auditing and Assurance Standards Board.*
IRBA	*Independent Regulatory Board for Auditors.*
IRBA Code	*The IRBA Code of Professional Conduct for Registered Auditors, with which all registered auditors are required to comply (see https://www.irba.co.za/guidance-to-ras/technical-guidance-for-auditors/ethics:-the-rules-and-the-code/the-rules-and-the-code).*
ISAE 3000 (Revised)	*International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Statements.*
ISSB	*International Sustainability Standards Board.*
JSE LR	*Johannesburg Stock Exchange Listings Requirements.*
King IV	*Report on Corporate Governance for South Africa 2016.*

[2] *IAASB's Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting Assurance Engagements, paragraph 6, states that EER encapsulates many different types of reporting that provide information about the financial and non-financial consequences of an entity's activities. EER may also include future-oriented information relating to these matters. Such information may be about the consequences of the entity's activities for the entity's own resources and relationships, or for the wider well-being of the economy, environment or society, or both; or the service performance of a public sector or not-for-profit entity. EER information may go beyond the information related only to the entity's own activities.*

Limited assurance engagement	*An assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the practitioner's professional judgment, meaningful. To be meaningful, the level of assurance obtained by the practitioner is likely to enhance the intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential.*
Non-financial information	*Information that is not historical financial information, including sustainability/ESG/EER information.*
RA	*Registered auditor, referring to an individual or firm registered with the IRBA.*
Reasonable assurance engagement	*An assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion. The practitioner's conclusion is expressed in a form that conveys the practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria.*
SAAEPS 1	*South African Assurance Engagements Practice Statement 1, Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria.*
Sustainability	*There is no authoritative definition of sustainability endorsed by the IRBA. However, for the purposes of this publication, sustainability refers to the integration of environmental health, social equity, governance, economic vitality, and technology to create thriving, healthy, diverse and resilient communities for this generation and the generations to come. The practice of sustainability recognises how these issues are interconnected and requires a systems approach and an acknowledgement of complexity in its application.*

Section 1: Resources Available for Assurance Practitioners

No.	Q&A
1.1	**What assurance frameworks and/or standards should RAs in South Africa use in the performance of sustainability assurance engagements?**
	The APA defines auditing pronouncements as "those standards, practice statements, guidelines and circulars developed, adopted, issued or prescribed by the Regulatory Board which a registered auditor must comply with in the performance of an audit". It then follows that SAAEPS 1, ISAE 3000 (Revised) and ISAE 3410 (Assurance Engagements on Greenhouse Gas Statements) meet the definition of auditing pronouncements, per the APA, as the IRBA Board has approved these for application by RAs in South Africa. *RAs in South Africa must therefore use the IAASB's ISAE 3000 (Revised) or ISAE 3410 as applicable, supplemented by the IRBA's SAAEPS 1 in the performance of sustainability assurance engagements.* *As a result of the definition of "audit" in the APA, only RAs are permitted to perform reasonable assurance engagements. Limited assurance engagements that are performed under ISAE 3000 (Revised) standard may be performed and signed off by both RAs and practitioners that are not RAs, e.g. CAs (SA).* *Further, the IRBA Code requires RAs to sign off audit, review and assurance reports with their RA designation, regardless of whether the work can be performed by RAs only or by other practitioners as well. In signing off using the RA designation, the APA, as stated above, needs to be followed.* *Lastly, the IAASB's Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting Assurance Engagements, paragraph 418, states the following: "If the practitioner has been engaged under two different standards, for example, both ISAE 3000 (Revised) and AccountAbility AA1000 AS[3], the practitioner may need to consider whether the requirements of both are able to be met, or whether the other standard may conflict with the requirements of ISAE 3000 (Revised). If they do not conflict, and it is clear that any additional information set out in the other standard does not affect the assurance conclusion, as required by ISAE 3000 (Revised), then the practitioner may want to refer to both standards in their assurance report. As discussed above, when reference is made to ISAE 3000 (Revised), then all the requirements of that Standard need to be met."*
1.2	**What resources are available for assurance practitioners regarding assurance engagements on sustainability reporting?**
	The following websites have resources for assurance practitioners in respect of performing a sustainability assurance engagement:

[3] *AccountAbility AA1000 AS is not an IRBA pronouncement per the APA as a result it has not been expanded on for purposes of this publication.*

	• *https://www.iaasb.org/focus-areas/sustainability-assurance.*
	• *https://www.irba.co.za/guidance-for-ras/technical-guidance-for-ras/other-assurance/assurance-on-sustainability-reports.*
	
	The above-referenced resources may assist assurance practitioners with questions pertaining to matters such as levels of assurance, criteria and materiality in the performance of sustainability assurance engagements.
	
	In addition, there are a number of reporting frameworks/standards available in the sustainability/ESG marketplace. As there is no global reporting baseline at this stage, entities use a mix of frameworks and/or standards in reporting sustainability information. It is therefore important for assurance practitioners to understand the frameworks and/or standards, to be able to assess their application by companies seeking assurance in terms of completeness of reported information, rational purpose, etc. Frameworks and/or standards may form part of the applicable criteria for assurance engagements were adopted as the basis for preparation of sustainability information.
	
	The following resources, which are not exhaustive, may support preparers and others in understanding current practice and fulfilling their obligations in the preparation of sustainability reports:
	
	• *The International Federation of Accountants issued the following document (titled "The State of Play in Sustainability Assurance"):*
	    o *IFAC-Benchmarking-Global-Practice-Sustainability-Assurance.pdf*
	• *The ISSB[4] has issued the following exposure drafts:*
	    o *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, which requires entities to disclose information that enables investors to assess the effect of significant sustainability-related risks and opportunities.*
	    o *IFRS S2 Climate-related Disclosures, which sets out reporting standards in relation to the identification, measurement and disclosure of an entity's significant climate-related risks and opportunities; and incorporates the Taskforce on Climate-related Financial Disclosures' (TCFD) recommendations as well as metrics tailored to industry classifications derived from the industry-based Sustainability Accounting Standards Board (SASB) Standard.*
	• *The European Financial Reporting Advisory Group (EFRAG[5]) has issued the following exposure draft:*
	    o *Draft European Sustainability Reporting Standards (ESRS).*

[4] *On 3 November 2021, the IFRS Foundation Trustees announced the creation of a new standard-setting board – the ISSB. The intention is for the ISSB to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities, to help them make informed decisions.*

[5] *EFRAG is a private association established in 2001, with the encouragement of the European Commission, to serve the public interest.*

	• *The United States' (US) Securities Exchange Commission (SEC) also issued the following exposure draft:*
	  ○ *US SEC proposal to enhance and standardise climate-related disclosures for investors.*
	• *The International Integrated Reporting Council issued the Integrated Reporting (IR) Framework, which can be accessed via the following link:*
	  ○ *https://www.integratedreporting.org/resource/international-ir-framework/.*
	• *The JSE, in June 2022, issued the following guidance:*
	  ○ *JSE Sustainability and Climate Disclosure Guidance.*
	• *The King Committee[6] issued the following guidance paper in July 2021:*
	  ○ *The King IV Guidance Paper: Responsibilities of Governing Bodies in Responding to Climate Change.*
	• *The Global Reporting Initiative's (GRI) standards can be accessed at:*
	  ○ *https://www.globalreporting.org/how-to-use-the-gri-standards/gri-standards-english-language/.*
	• *The AccountAbility standards can be accessed via the following link:*
	  ○ *https://www.accountability.org/standards/.*
	The above-mentioned reporting frameworks and/or standards may therefore be encountered by assurance practitioners as part of their sustainability assurance engagement work.

[6] *The Institute of Directors in Southern Africa's King Committee governs the drafting of King IV.*

Section 2: Voluntary and Regulatory Sustainability Reporting and Assurance Requirements for JSE-Listed Companies[7] [8]

No.	Q&A
2.1	**Where can assurance practitioners find the current voluntary and regulatory requirements for JSE-listed companies in respect of the reporting and assurance of sustainability information in South Africa?**
	<u>King IV</u> *The JSE LR mandate compliance with certain King IV principles for listed entities. King IV may be applied, on a voluntary basis, by all other entities.* *The primary requirements for the assurance of external reports (including non-financial information) are derived from King IV.* *King IV principle 15 states that the governing body should ensure that assurance services and functions enable an effective control environment; and that these support the integrity of information for internal decision-making and the organisation's external reports.* *Further, principle 5 in King IV states that the governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects.* *Recommended practice 11 in King IV, which flows from the abovementioned principles, is that the governing body should ensure that reports – such as the annual financial report, sustainability report, social and ethics committee report or other online or printed information or reports – are issued, as is necessary, to comply with legal requirements and/or to meet the legitimate and reasonable information needs of material stakeholders.* *King IV's recommended practice 14 further states that the governing body should ensure the integrity of external reports, as provided for in Part 5.4 (Assurance of External Reports).* *In addition, the <u>King IV Guidance Paper</u>: Responsibilities of Governing Bodies in Responding to Climate Change, which was issued in July 2021, states that "governing bodies should consider alternative approaches to obtain the required assurance regarding climate change disclosures, e.g. using the combined assurance approach whereby assurance can be obtained from various sources to provide the necessary comfort". To this end, King IV states that assurance service providers and functions may include the following:* a. *The organisation's line functions that own and manage risks;* b. *The organisation's specialist functions that facilitate and oversee risk management and compliance;* c. *Internal auditors, internal forensic fraud examiners and auditors,*

[7] *This FAQs document uses non-financial information, sustainability and ESG interchangeably, which is reflective of the current marketplace.*

[8] *This is not an exhaustive list.*

safety and process assessors, and statutory actuaries;

d. *Independent external assurance services providers, such as external auditors;*

e. *Other external assurance providers, such as sustainability and environmental auditors, external actuaries, external forensic fraud examiners and auditors; and*

f. *Regulatory inspections.*

<u>JSE Listing Regulations</u>

In respect of listed entities, the JSE LR require — for example, in JSE LR 3.84 (corporate governance) and 4.8 (directors and company secretary) — certain King IV principles to be implemented and mandate the disclosure of specific corporate governance practices in annual reports. The rest of the King IV principles are adopted on an apply and explain basis. JSE LR 7.F.5 and 8.63, among others, require that the disclosure of the application of King IV should include an explanation of how the entity has complied with the principles and which practices the listed entity has applied in respect of those principles. Where a JSE-listed entity is dually listed and has a primary listing elsewhere, care should be taken in determining the applicable regulations.

In June 2022, the JSE issued non-mandatory Sustainability and Climate Change Guidance for listed entities, and this can be accessed via the following link:

- *JSE's Sustainability and Climate Disclosure Guidance.*

<u>Greenhouse Gases Emissions</u>

Among other regulatory requirements, there are three pieces of legislation that certain greenhouse gases (GHG) emitting entities need to comply with in South Africa and they are the:

- *GHG Reporting Regulations 2017 promulgated under the National Environmental Management: Air Quality Act, 2004;*
- *National Pollution Prevention Plans Regulations 2017; and*
- *Carbon Tax Act 2019.*

<u>Other Voluntary Reporting on Sustainability Information</u>

South African entities have followed the international trend of codification, i.e., adopting standards and guidelines as a form of voluntary self-regulation on social, ethical and environmental issues. These codes include:

- *ISO 14001 (for environmental management);*
- *King IV, as mentioned above; and*
- *The Global Reporting Initiative (for sustainability reporting).*

Other frameworks – such as those on social accountability, e.g., AccountAbility 1000 and Social Accountability 8000; and general corporate citizenship (for example, the Global Compact and the

	Organisation for Economic Corporation and Development Guidelines for Multinationals) – may also be applied by South African entities.

Section 3: Voluntary and Regulatory Sustainability Reporting and Assurance Requirements for Other Types of Entities

No.	Q&A
3.1	**How do assurance practitioners determine what the current voluntary and regulatory requirements are, in respect of the reporting and assurance of sustainability information in South Africa for other types of entities (other than JSE-listed entities)?**
	To determine what the voluntary and regulatory requirements are for other types of entities, it is proposed that the assurance client (preparer) and the assurance practitioner follow a three-step approach as follows: • *Determine what type of entity is involved.* • *Determine which industry/ies the entity is in.* • *Identify what regulations apply to entities of that type and entities in that/those industry/ies.* *For example, if an entity is an unlisted company in the mining industry, then the National Environmental Act No. 107 of 1998 and the Carbon Tax Act of 2019, among others, may be applicable to it.*

Section 4: Considerations[9] Regarding Questions from Assurance Clients

	Q&A
4.1	**What impact from climate change may assurance practitioners expect to see on assurance clients' financial statements?**
	All entities are facing climate-related risks and opportunities and are making strategic decisions in response, including their transition to a low-carbon economy. These climate-related risks and strategic decisions could impact their financial statements. *In this regard, please refer to the following IAASB publication for assurance considerations of climate-related risks in an audit of financial statements:* • *The consideration of climate related risks in an audit of financial statements.* *In addition, the following International Accounting Standards Board publications in respect of the impact of climate change and sustainability on assurance clients' financial statements may be of relevance:* • *Effects of climate-related matters on financial statements.* • *IFRS Standards and climate-related disclosures.* *Further, the below joint publication by the Australian Accounting Standards Board and the Auditing and Assurance Standards Board of April 2019 has considerations for the preparer and the assurance provider:* • *https://www.aasb.gov.au/admin/file/content102/c3/AASB_AUASBJointBulletin.pdf*
4.2	**What type of engagement(s) may be performed to assist assurance clients in preparation for sustainability assurance engagements?**
	A readiness assessment *The IAASB's Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting Assurance Engagements, paragraph 115, states the following:* *"In some circumstances, the practitioner may carry out a separate non-assurance engagement to determine whether the preconditions are present, and, if the preconditions are not present, to identify actions for management to consider to address the impediments to acceptance. Such an engagement is sometimes referred to as 'readiness assessment'. The focus is on performing pre-acceptance procedures, on agreed terms, for a proposed EER assurance engagement, without any pre-commitment to accept the proposed assurance engagement. Such a non-assurance engagement would not be an assurance engagement performed under ISAE 3000 (Revised) as the presence of the preconditions for such an engagement will not yet have been determined. However, such an engagement can give rise to potential*

[9] *This is not an exhaustive list of considerations; and it is based on currently existing information/guidance.*

	threats to the practitioner's independence in later performing the proposed assurance engagement."
4.3	**What potential threats to the practitioner's independence may arise from the assurance practitioner performing a readiness assessment and later performing the proposed sustainability assurance engagement?**
	Regarding potential threats to the practitioner's independence in later performing the proposed assurance engagement, paragraphs 117 to 121 of the IAASB's Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting Assurance Engagements state that: *"Performing a readiness assessment may give rise to self-review, self-interest or advocacy threats to the practitioner's independence in relation to the proposed EER assurance engagement if the assurance engagement were later accepted. Threats may arise, for example, when the practitioner provides suggestions to management or those charged with governance about aspects of the underlying subject matter, subject matter information or criteria for the proposed EER assurance engagement or on the entity's EER process, or related controls, to prepare the EER information."* *"The nature and level of any potential threat created would depend on the circumstances. Any potential threat created would need to be evaluated and addressed in accordance with relevant ethical requirements if the practitioner anticipates accepting the proposed assurance engagement."* *"The International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) [and the IRBA Code] sets out specific requirements and application material relevant to applying the conceptual framework in circumstances when a practitioner provides non-assurance services to assurance clients that may create threats to independence."* *"Providing advice and recommendations to assist management of an assurance client in discharging its responsibilities is not generally assuming a management responsibility if management of the entity makes all related judgments and decisions that are the proper responsibility of management."* *"Similarly, if, based on discussions with the preparer, the practitioner assists the preparer in documenting criteria that the entity has already developed but has not documented, a self-review threat is not generally created in the particular circumstances as the practitioner's actions are restricted to documenting what they have been told. However, in an attestation engagement, relevant ethical requirements prohibit the practitioner from assuming management responsibility in relation to the selection or development of the criteria or the preparation of the subject matter information. In particular, a self-review threat might be created if the firm is involved in the preparation of subject matter information which subsequently becomes the subject matter information of the attestation engagement."*

4.4	**What frameworks, standards and/or guidance may assurance practitioners expect assurance clients to consider in respect of climate-related disclosures?**
	The IRBA does not endorse any of the frameworks and/or standards listed below. We only note some of the possible resources that assurance practitioners may come across in performing assurance engagements at assurance clients. With that said, though, assurance clients may consider applying these frameworks and/or standards (not an exhaustive list), supported by internal guidelines developed by the client to cater for industry- or client-specific requirements. • *JSE Climate Change Guidance.* • *GRI Standards (300 series, GRI 302, 305).* • *Carbon Disclosure Project (entity climate change questionnaire).* • *GHG Protocol (corporate standard).* • *Climate Disclosure Standards Board (CDSB) Climate Change Reporting Framework.* • *Natural Capital Protocol.* • *TCFD (its recommendations for reporting climate-related financial information).* • *Sustainable Development Goals (SDG) indicators (goal 13).* • *SASB.* • *IR Framework.* • *International Finance Corporation (IFC) Performance Standards.* • *UN Principles for Responsible Investment.* • *Equator Principles.* *The above list includes examples of global, local and industry-specific frameworks that will not be applicable in all instances for all entities.* *Frameworks are broad guidelines and imprecise expectations of reporting, whereas standards are well defined and expected to be followed closely.* [10] *To this end, assurance clients may consider the ESG frameworks and standards (not an exhaustive list) briefly noted below, in respect of broader sustainability/ESG reporting.* JSE Climate Change Disclosure Guidance *The guidance aims to clarify current global best practices in climate-related disclosure and provides a step-by-step guide to get issuers started on this journey. It can be a starting point for report preparers that wish to integrate climate-related information for the first time, while also providing additional resources that can help deepen the journey into climate-related disclosure for those that are more advanced. The need for clear, consistent and decision-*

[10] https://eka1.com/blog/sustainability-frameworks-101/

	useful information from issuers on climate-related information is widely recognised. <u>Global Reporting Initiative Standards</u> *Issued by the GRI's Global Sustainability Standards Board, these offer a set of modular standards to enable organisations to report on their sustainability impacts, against universal standards and topic standards selected based on material economic, environmental or social impacts. (Sector standards are under development.)* *These are also currently the most comprehensive and widely accepted sustainability reporting standards. They have a set of 10 reporting principles that should be adhered to, with respect to the content and report quality. Stakeholder engagement and materiality assessment are pivotal to the reporting process in this set of standards.* <u>Carbon Disclosure Project (CDP) Guidance</u> *It helps investors, companies and cities focus on taking urgent action to build a truly sustainable economy by measuring and understanding their environmental impact. Through CDP, companies throughout the world are persuaded to measure, manage, disclose and ultimately reduce their greenhouse gas emissions.* *The guidance is meant primarily for cities, companies, investors, states and regions to report on any or all of the three focus areas, namely, climate, water and forests. The guidance is in the form of a questionnaire, for each area of focus, to be filled online on the CDP website. The CDP has now introduced a scoring mechanism based on the analysis of the responses of its respondents.* *This is the only guidance gathering this type of corporate climate change data and providing it to the marketplace.* <u>GHG Protocol (corporate standard)</u> *The GHG protocol supplies widely used greenhouse gas accounting standards. The standards are designed to provide a framework for businesses, governments and other entities to measure and report their greenhouse gas emissions in ways that support their missions and goals.* <u>Climate Disclosure Standards Board Climate Change Reporting Framework</u> *The CDSB was an international consortium of business, environmental and social non-governmental organisations committed to advancing and aligning the global mainstream corporate reporting model, to equate natural social capital with financial capital. It has now been subsumed into the IFRS Foundation.* *Created in 2007, the CDSB offered companies a framework for reporting environmental and social information with the same rigour as financial information. The CDSB Framework formed a foundation for the Task Force for Climate-Related Financial Disclosures recommendations and set out an*

	approach for reporting environmental and social information in mainstream reports, such as annual or integrated reports. Natural Capital Protocol *This is a decision-making framework that enables organisations to identify, measure and value their direct and indirect impacts and dependencies on natural capital.* *It allows users to measure, value and integrate natural capital impacts and dependencies into existing business processes such as risk mitigation, sourcing, supply chain management and product design.* Task Force on Climate-related Financial Disclosures *The TCFD were developed to provide recommendations for more effective climate-related disclosures that could promote more informed investment, credit and insurance underwriting decisions. This would enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks. As this understanding of the financial implications associated with climate change grows, it would empower the markets to channel investments to sustainable and resilient solutions, opportunities and business models.* *The TCFD's framework is presented in the form of recommendations. The 11 disclosure recommendations it provides span four different areas: governance, strategy, risk management, as well as metrics and targets.* Sustainable Development Goals (or UN SDGs) *These are 17 goals that were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 all people enjoy peace and prosperity. It lays out goals on most of the ESG issues plaguing the world today, while also presenting how the issues are interconnected and how ameliorating one issue can further help tackle another or others. Each goal is broken down into targets that are specific and actionable, while making sure that the higher goal is achieved completely.* *SDG 13 is about climate action and its official mission statement is to "take urgent action to combat climate change and its impacts". It has five targets that cover a wide range of issues on climate action. The first three "output targets" are to: strengthen resilience and [the] adaptive capacity to climate-related disasters; integrate climate change measures into policies and planning; and build knowledge and capacity to meet climate change. The remaining two "means of achieving" targets are to: implement the UN Framework Convention on Climate Change; and promote mechanisms to raise capacity for planning and management. With each target, there are indicators that provide a method to review the overall progress on it, along with SDG 13 as a whole.*

	<u>Sustainability Accounting Standards Board</u>[11] *The SASB standards are now part of the Value Reporting Foundation, along with the IR Framework that primarily addresses the needs of investors to assess their investment potential and risks. The standards enable companies to identify, measure and manage the subset of ESG topics that most directly impact long-term enterprise value creation.* *This board has a separate set of standards with corresponding documents for specific industries that are focused on the most pertinent industry-specific sustainability concerns. Like the GRI, the SASB also has a three-rung structure: 77 industry standards for 77 industries, divided under each of the 11 industry categories.* *Each of the 77 industries has a separate standard, with documentation on the standard, a basis for conclusions which explains any revision and a recommended application guidance.* *Each set of standards for every industry includes an essential brief introduction to the standard, use of the standard and an industry description.* *The double materiality concept acknowledges that non-financial information is crucial to several constituencies. The SASB materiality map helps identify sustainability issues that are likely to affect the financial condition or operating performance of several companies within an industry.* <u>Integrated Reporting Framework</u> *This framework was developed by the International Integrated Reporting Council; and now it is part of the Value Reporting Foundation along with the SASB.* *Integrated reporting combines material information about an organisation's strategy, governance, performance and prospects such that it reflects the commercial, social and environmental context within which the organisation operates.* *Among other important purposes, IR intends to improve the quality of information available to providers of financial capital, to enable a more efficient and productive allocation of capital.* *The IR framework provides eight content elements, along with Guiding Principles, and explains certain fundamental concepts. The eight elements include aspects such as the business model, strategy and resource allocation, outlook as well as the basis of preparation and presentation of the report.* <u>International Finance Corporation's Performance Standards</u> *The IFC's Environmental and Social Performance Standards serve as an international benchmark for identifying and managing environmental and social risk. The framework applies to all investment and advisory clients whose projects go through the IFC's initial credit review process. However, it is not restricted for adoption to such organisations only.*

[11] *The ISSB is in the process of including the SASB's industry-based standards development approach into its standards development process.*

	Further, the IFC advises that where the potential environmental and social impacts associated with a financial institution's client/investees are significant, the financial institution should apply the IFC's Performance Standards as a benchmark for identifying and managing these risks. Its scope stretches to high-profile, complex, international or potentially high-impact projects. *The Sustainability Framework comprises the IFC's Policy and Performance Standards on Environmental and Social Sustainability as well as its Access to Information Policy. It consists of eight performance standards, covering topics that range from the assessment and management of environmental and social risks and impacts, land acquisition and involuntary settlements, resource efficiency and pollution prevention to cultural heritage, among others. The standards are accompanied by an extensive guidance document that explains them and the related concepts.* UN Principles for Responsible Investment (PRI) *The UNPRI intends to support its international network of investor signatories in incorporating ESG factors into their investment and ownership decisions. It was developed for investors by investors.* *It is founded on the belief that an economically efficient and sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.* *The UNPRI, although supported by the UN, is not part of the UN. It engages with global policymakers but is not associated with any government. As an entity, it is a not-for-profit network that encourages investors to use responsible investment to enhance returns and better manage risks.* *The PRI consist of six principles with a focus on three areas of impact. An organisation needs to become a signatory first to be able to employ or purchase the PRI's literary material, following which it needs to enter into an agreement with a writer.* Equator Principles *These are intended to serve as a common baseline and risk management framework for financial institutions to identify, assess and manage environmental and social risks when financing projects.* *Assurance practitioners and clients may also monitor developments at the ISSB via the following link:* • *https://www.ifrs.org/groups/international-sustainability-standards-board/*

4.5	**What governance controls may assurance practitioners expect assurance clients to have put in place in respect of sustainability disclosures/reporting?**
	The IAASB's Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting Assurance Engagements, paragraphs 232 to 234, read as follows: *"… An entity's governance arrangements over the management and reporting of its EER information may be less developed or less well 'embedded' into its operations than those in place for managing and reporting its financial performance, which may affect whether the preparer has a reasonable basis for the EER information, as well as the ability of the practitioner to obtain the evidence needed to support their conclusion.* *"The level of formality of the governance and oversight arrangements in place, including the entity's risk assessment process and process to monitor the system of internal control, may vary by size and complexity of the entity, and the nature and complexity of the EER underlying subject matter and criteria.* *"If considering the entity's governance and oversight, the practitioner's considerations may include the following:* *a) Those charged with governance or senior management, as appropriate, setting an appropriate 'tone at the top' to encourage high quality and ethical practices in the management and reporting of EER matters used in the entity's business decision-making;* *b) Involvement of those charged with governance and senior management at appropriate stages throughout the process to prepare the EER information, including their approval of the EER information, as appropriate;* *c) The establishment of a subgroup of those charged with governance, such as an audit committee, charged with oversight responsibilities for the preparation of the EER information (for larger entities);* *d) Key decisions made by those charged with governance or senior management, as appropriate, being recorded in written documentation, for example in minutes of board meetings;* *e) Assignment of authority and responsibility for the process to prepare the EER information, and enforcement of accountability for meeting such responsibility;* *f) The process undertaken to identify, assess and address risks related to the process used to prepare the EER information; and* *g) The process in place to monitor the preparation of the EER information or the system of internal control, including monitoring the effectiveness of control activities and the process to identify and remediate deficiencies."*

	In addition to the above, the Committee of Sponsoring Organizations (COSO) framework and its application to sustainability reporting by assurance clients may be of relevance to the assurance practitioner.

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