



Sustainability assurance

Rising to the challenge





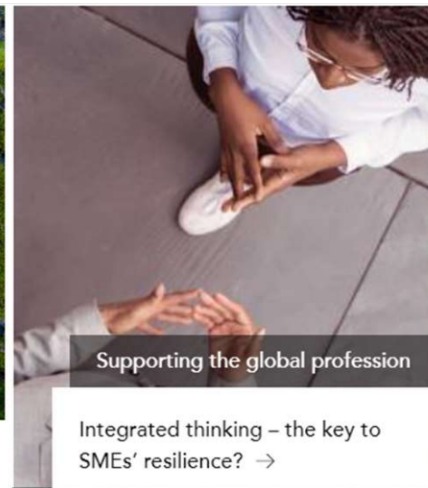
Supporting the global profession

Sustainability assurance – rising to the challenge →



Supporting the global profession

Green finance skills: the guide →



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Integrated thinking – the key to SMEs' resilience? →



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Green budgeting: a toolkit for public sector finance professionals →



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Companies' readiness to adopt IFRS S2 Climate-related disclosures →



Professional accountants – the future

Developing the skills of the sustainable business and finance professional →



Professional accountants – the future

Climate action and the accountancy profession: building a sustainable future →



Professional accountants – the future

Planning and performance management paradigm →



Supporting the global profession

Practical toolkits for SMEs and SMPs →



Professional accountants – the future

Accounting for a better world: priorities for a transforming profession →



Agenda

- Report objectives and methodology
- Overview of the current landscape
- Overview of roundtable findings – practical challenges
- Overview of roundtable findings – competencies and skills
- Key messages
- Q & A

Report objectives

- Raise awareness regarding the current landscape
- Provide technical guidance for our members and other stakeholders
- Identify practical challenges in applying the extant standard/guidance
- Provide recommendations to national and international standard-setters

Methodology



**Virtual
roundtables**

UK	Slovakia	Luxembourg	Greece	Belgium	Australia	Hong Kong	Pakistan
Ireland	Germany	Romania	Spain	USA	Singapore	Sri Lanka	Malaysia

Overview - current landscape



Overview - current landscape



Source:  IFRS[™]
Sustainability

ISSB Objectives



Develop standards for a **global baseline of sustainability disclosures** meeting information needs of global investors



Enable companies to provide comprehensive, decision-useful sustainability information to global capital markets



Deliver a common language of sustainability disclosures, with the flexibility for regional '**building blocks**' to be added by regulators when necessary to meet local and multi-stakeholder information needs

Source:  IFRS[™]
Sustainability

IFRS S1: General requirements Std



- Asks for disclosure of material information about sustainability-related risks and opportunities to meet investor information needs
- Sets out *general* reporting requirements; other ISSB Standards set out *specific* disclosures on particular matters (eg IFRS S2 *Climate-related Disclosures*)
- Refers to other standards and frameworks in absence of a specific ISSB Standard
- GAAP agnostic and therefore applicable across jurisdictions



Emphasises need for consistency and connections between financial statements and sustainability reporting by requiring companies to

- explain linkages in information
- use consistent assumptions when relevant



Requires financial statements and sustainability disclosures to be published at the same time



Facilitates application in different jurisdictions by

- not specifying a particular location for sustainability information
- allowing additional information to be provided

Source:  IFRS Sustainability

IFRS S2: Climate-related disclosures



- Used in accordance with IFRS S1
- Disclosure of material information about climate-related risks and opportunities
- Incorporates TCFD Recommendations and guidance
- Includes requirement to provide industry-specific disclosures
- Industry-specific metrics included as illustrative guidance, taken from SASB Standards
- Requires disclosure of material information about physical risks, transition risks and



Transition planning

Emissions targets and use of carbon offsets



Climate resilience

Resilience of business strategy in multiple scenarios



Scope 1-3 emissions

Requirement to disclose GHG emissions

Source: 

Readiness | IFRS S2

- **Low disclosure areas** include:
 - 0% of disclosure on climate-related risks and opportunities for which there is a significant risk that there will be a material adjustment to the carrying amounts of assets and liabilities
 - 0% disclosure on processes for reviewing targets for companies' indirect adaptation and mitigation efforts
 - 0% disclosure on companies' climate resilience in relation to existing financial resources and their ability to redeploy, repurpose, upgrade or decommission their assets
- Disclosures are often scattered, duplicated, with little to no cross-referencing. The result is **information overload** that hinders, instead of enabling, transparency and comparability.



COMPANIES' READINESS TO ADOPT
IFRS S2 CLIMATE-RELATED DISCLOSURES

ACCA AND ADAM SMITH BUSINESS SCHOOL RESEARCH REPORT



Corporate Sustainability Reporting Directive (CSRD)

Reporting

- 5 January 2023 entered into force
- Replaces the NFRD and widens scope
- EFRAG established the European Sustainability Reporting Standards
- Mandates reporting on sustainability issues (i.e., ESG rights etc.)
- EU Member States (MS) will have 18 months to transpose the CSRD into their national legislation
- The application of the new CSRD rules will take place in three stages
 - 1 Jan 2024 for companies in scope of NFRD
 - 1 Jan 2025 for companies not in scope of NFRD
 - 1 Jan 2026 for listed SMEs

Assurance

- Introduces mandatory limited assurance (gradually moving towards reasonable)
- MS may allow the statutory auditor or another audit firm to provide the sustainability assurance service
- MS may also allow independent assurance services providers (IASPs) to express an opinion provided they are subject to requirements equivalent to those set in Directive 2006/43/EC which includes:
 - Training and examination
 - Expertise in sustainability reporting and assurance
 - CPD
 - Quality assurance
 - Professional ethics etc.



Example 1

- Maria is an investor who invests in stocks globally
- She is very sensitive when it comes to the environment
- She is a bit confused whether the sustainability reporting across different companies she invests in is comparable.
- Seeks assurance to enhance her confidence on sustainability reporting



YOUR CUSTOMERS OF TOMORROW!



Think Ahead

© ACCA

Public

ISSA 5000, General Requirements for Sustainability Assurance

**ALL
Sustainability
Topics**

**ALL
Information
disclosed
about topics**

**ALL
Mechanisms
for reporting**

**ALL
Reporting
standards**

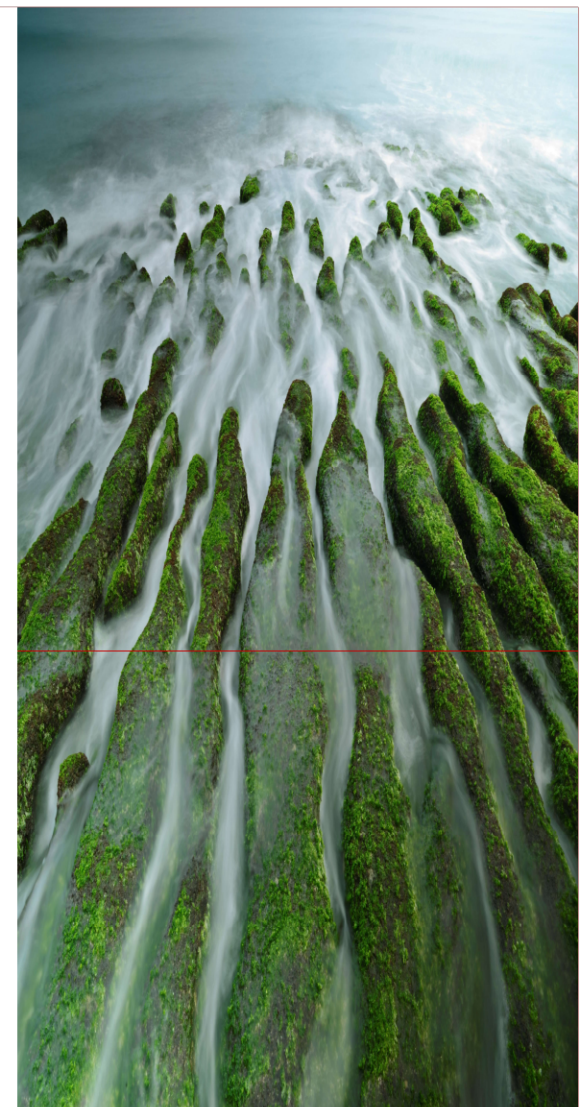
**ALL
Users /
Stakeholder
s**

Stand-alone

Profession-agnostic

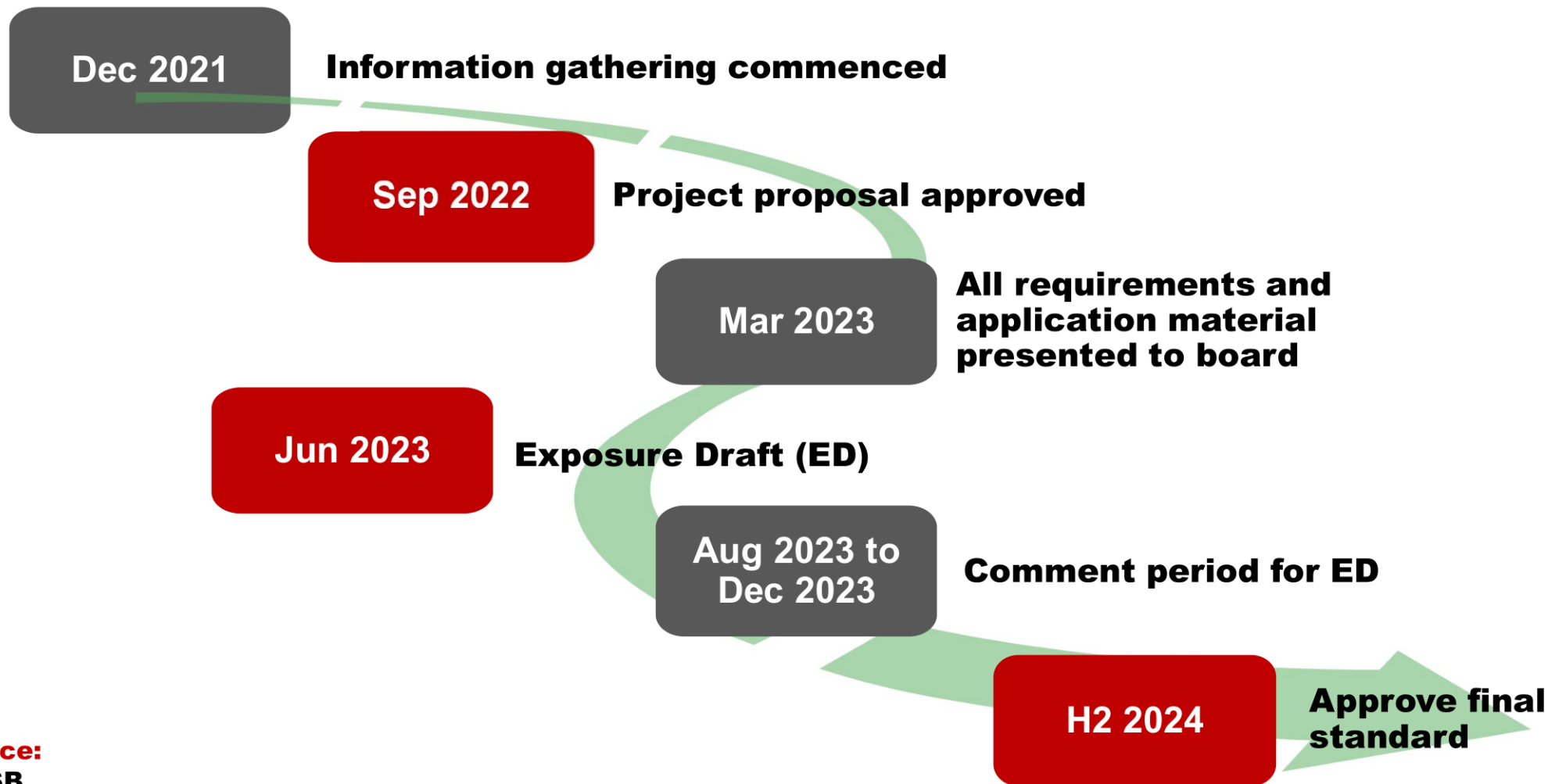
**Addresses limited and
reasonable assurance**

**Source:
IAASB**





QUALITY MANAGEMENT + ETHICS



Source:
IAASB

International Auditing and Assurance Standards Board (IAASB)

ISSA 5000 – priority areas

- Limited vs reasonable assurance
- The suitability of the reporting criteria
- The scope of the assurance engagement
- Evidence
- The entity's system of internal control
- Materiality in the context of the assurance engagement

International Ethics Board for Accountants (IESBA)

December 2022

Approved two new projects relating to sustainability

- **Sustainability Project** - Profession-agnostic independence standards for use by all sustainability assurance practitioners
- **Experts Project** - Specific ethics and independence provisions addressing the use of experts by organisations as well as in the context of audit and assurance engagements (including sustainability assurance)

Priority areas

- General agreement with the IAASB's key priority areas of focus
- Risk of creating an expectation gap - limited vs reasonable assurance
- Suitability of reporting criteria (subjective vs qualitative information)
- Double materiality



Other Challenges

- Greenwashing – should be treated as fraud is in financial statement audits
- More specificity is needed regarding estimates
- Unprecedented dependence on experts – may suggest going beyond ISAE 3000 and ISA 620.
- Assurance report – should be recognised as key priority area

A person with curly hair, wearing a bright yellow raincoat, dark trousers, and green rubber boots, is crouching in a shallow stream. They are wearing blue nitrile gloves and holding a small, clear test tube with both hands, looking down at it. The background shows a rocky stream bed with water flowing over it, and some mossy rocks in the distance.

Assurance Skills

- Professional scepticism
- Ethical requirements
- Acting in a professional manner
- Link between financial and sustainability information



Subject matter competence


- SM competence and skills should be developed
- Having a good understanding of the SM is needed to deliver:
 - high quality and
 - reliable assurance engagements

Key messages

- Assurance skills remain of vital importance for SA engagements
- Clear communication of the differences between limited vs reasonable assurance is critical
- ISAE 3000 (Revised) - strong foundation for SA engagements
- Greenwashing – should be treated as fraud is in FS audits
- More specificity for estimates in the context of SA engagements
- Dependence on experts – may suggest moving beyond extant
- Assurance report - should be considered as a key priority area

Questions and Answers





“If you really think that the environment is less important than the economy, try holding your breath while you count your money”

Dr. Guy McPherson, Scientist



Thank you

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