

Sustainability

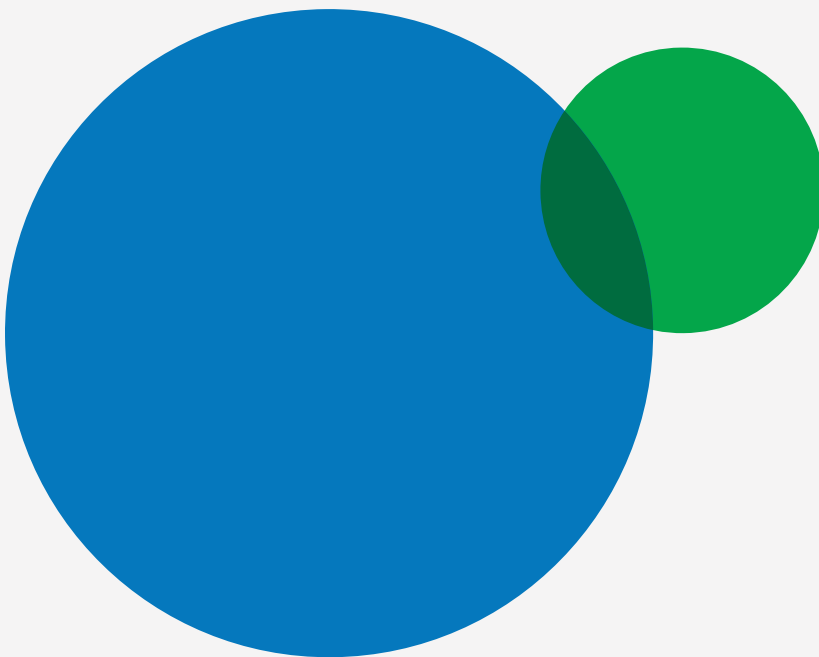
The necessary conditions for the reporting of high-quality information

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Background

Recent reports, such as that issued in August 2021 by the United Nations' Intergovernmental Panel on Climate Change¹, have highlighted the stark choices facing humankind. If behaviours do not change, then the necessary reductions in greenhouse gas emissions will not be achievable and the Paris climate agreement commitments, supplemented by the commitments agreed at COP26 in 2021, will not be met.

Furthermore, other aspects of environmental sustainability, such as biodiversity, are inextricably linked to climate change. The Covid-19 pandemic has highlighted existing and increasing social inequalities which are also now at crisis point. Only coordinated global action by all actors will help to combat the current crises.

In response to these crises, stakeholders, including investors, have been demanding increased transparency and accountability from corporates as to how they are taking action to mitigate the impact of these threats and how they are embedding sustainability into their operations. This has led to a large percentage of corporates reporting on sustainability matters on a voluntary basis, either in the annual report, or in a separate sustainability report. Governments are also now opting to mandate the reporting of certain disclosures.

In October 2021, the UK Government published legislation that will require certain large companies and limited liability partnerships to report on specific climate change disclosures in their Strategic Reports, largely based on the Task Force on Climate Related Financial Disclosures' (TCFD) framework².

The European Commission has also published a draft Corporate Sustainability Reporting Directive (CSRD)³ that is intended to replace the extant Non-Financial Reporting Directive that introduces more detailed reporting requirements, and a requirement to report according to mandatory EU sustainability reporting standards.

Those standards are to be set by the European Financial Reporting Advisory Group (EFRAG). Furthermore, during COP26, the IFRS Foundation announced the establishment of the International Sustainability Standards Board (ISSB) to develop global IFRS sustainability disclosure standards⁴.

1. [UN Intergovernmental Panel on Climate Change](#)
2. [TCFD framework](#)
3. [Corporate Sustainability Reporting Directive](#)
4. [IFRS sustainability disclosure standards](#)

Stakeholders want to be able to rely on such reported information and to hold corporates and their leaders accountable where appropriate as they increasingly make net zero commitments. It is not just climate-related matters that stakeholders want to know about. They are interested in all aspects of sustainability as they look to properly assess an entity's true performance and future prospects. Companies have increasingly realised the need to demonstrate how their purpose has a positive impact on the economy, the environment and society. Importantly, stakeholders want to be able to assess the extent to which a corporate is meeting its stated purpose/objective(s).

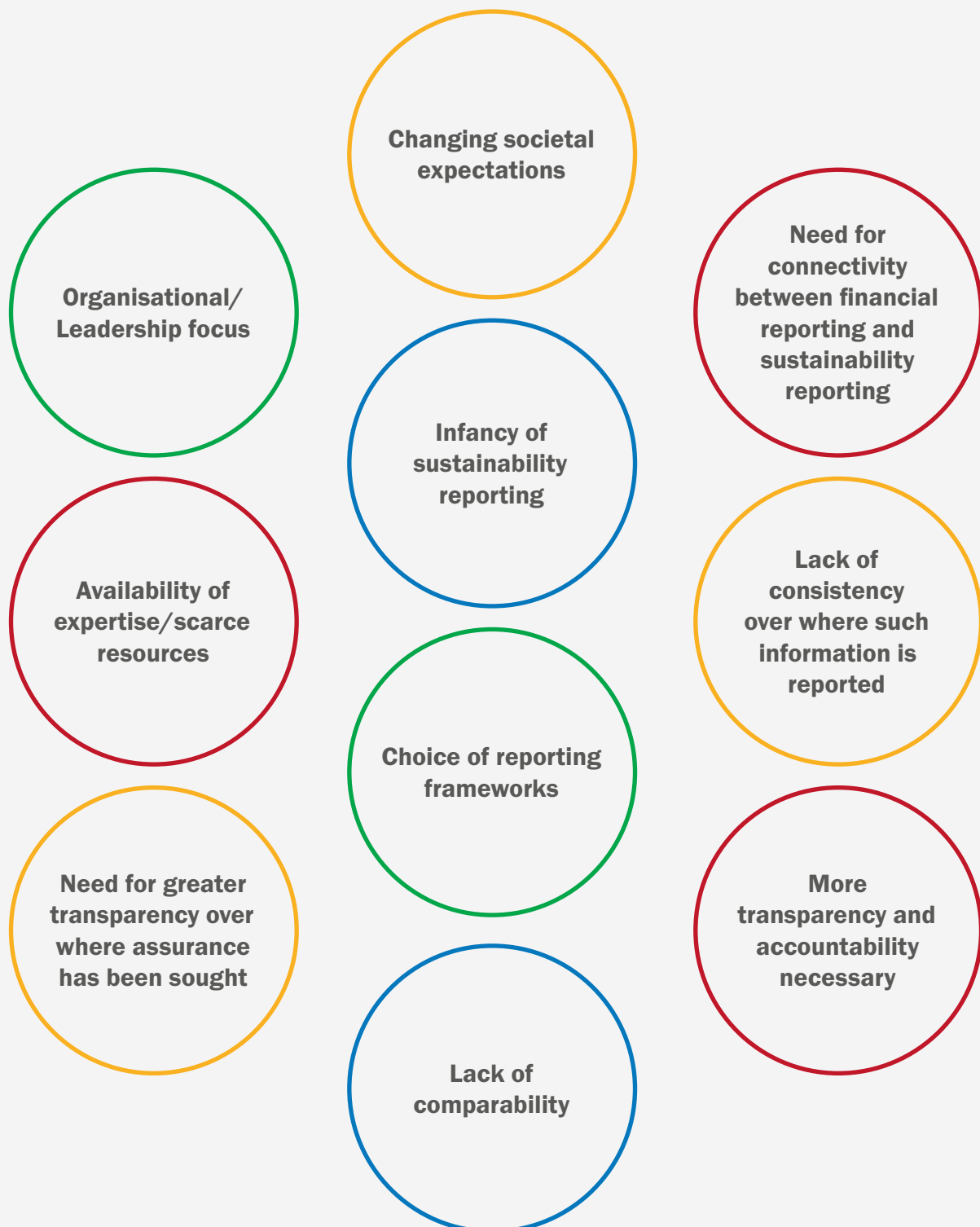
Given the increasing importance of sustainability related information, this paper explores:

- (i) Why the current system is not serving the public interest; and
- (ii) What conditions are necessary to ensure high-quality reported information?





Why the current system is not serving the public interest



Corporate response to changing societal expectations

Corporates are increasingly integrating sustainability into their strategies, governance and operations. This shift has, in part, been driven by mainstream investors, in addition to that which has been exercised over a far longer period by NGOs, employees, responsible investors, customers, civil society organisations and soft regulation (pressure from government authorities short of regulation). There remains work to be done, but there is little doubt that corporates are well aware of stakeholder expectations. This encompasses not just matters such as climate change, but their approach to various other matters such as equality, diversity and inclusion, combatting human trafficking and fair work/fair pay etc.

Organisational/leadership focus

One of the challenges faced by corporates is the limited lifespan of management and board members and the short time horizons applied by some fund managers and investors. This often means that those responsible for embedding sustainability within an organisation may not be around to see the strategy through to its conclusion.

This point is illustrated in the example of the net zero commitments being made by various companies. At the moment, organisations are setting the pathway for becoming net zero between 2030 and 2045. This inevitably means that the board members and management team responsible for setting that commitment will often not be around to deliver that commitment by the agreed date. This underscores the importance of developing internal processes concerning management approach and governance oversight and policies that become part of the organisation's know how and way of working. There may also be a need to assign specific responsibility for sustainability matters to a suitably experienced and knowledgeable board member.

Similarly, if there is a change in ownership of the company, the new owners and management team may not share the same commitment as their predecessors or, indeed, they may have more ambitious plans. The challenge is therefore ensuring that the commitment to sustainable development withstands subsequent changes in key management personnel, board members and owners.

Infancy of sustainability reporting

Financial reporting is a long-established process/function within organisations which has evolved over many years in response to stakeholder demands. Indeed, at the global listed entity level there are only really two key financial reporting frameworks which are used: International Financial Reporting Standards (IFRS) and US GAAP; by corporates to prepare their annual financial statements. These are widely recognised as frameworks which facilitate the reporting of high-quality financial information, primarily aimed at investors.

In contrast, sustainability reporting arguably has a much wider audience with even the public at large having an interest in an entity's impact on its environment. It has been practised by large organisations sporadically since the latter half of last century, increasing since the establishment of the Global Reporting Initiative (GRI) in the late 1990s. This practice has been driven by a wide expectation on entities to be accountable for their impacts on economies, society and the environment. Additionally, assurance engagements in the public sector have, for some time, included consideration of some sustainability-related matters.

Processes for, and controls over, many aspects of the reporting of sustainability information are not as embedded in organisations as those for financial reporting. Many large companies have reported such information for a number of years using GRI Standards, but the quality of such reporting is limited and often not included in the scope of assurance engagements. Therefore, in general, there is not the same level of established processes and controls to necessarily identify issues and capture, measure and report such data as with financial data. This can lead to doubts as to the completeness and integrity of the data that forms the basis for reports on sustainability-related information. There can even be uncertainty as to what data should be collected and reported. The absence of any suitable criteria for reporting can also have a detrimental effect on the information produced.

Whilst all entities have an impact on their environment, the need for such reporting has, understandably, to date only been recognised by larger entities. In due course, however, there is likely to be a need to introduce proportionate reporting requirements for smaller entities as a result of both supply chain expectations and increased regulatory requirements.

Connectivity between financial reporting and sustainability reporting

The focus, when it comes to sustainability reporting, is on the information included in the front-half of the annual report, a separate sustainability report or the corporate website. However, this ignores the connectivity between the financial statements and other non-financial information. In order to maintain the credibility of sustainability related information, greater focus should be applied to how sustainability matters might impact upon the financial statements, for example through asset valuations and resultant impairments where there is a likelihood of stranded assets and reputational damage and liabilities.

Furthermore, it has been widely reported that only around 20% of a company's value is currently reflected on its balance sheet. The remaining 80% is represented by intangibles and other externalities like human capital and natural capital. There will also be unrecognised liabilities that will crystallise at some point in the future based on an organisation's impacts on society and the environment, external events or policy changes.

Similarly, there will be hidden strengths and benefits for some entities taking a positive integrated approach to sustainability.

As previously mentioned, a further consideration is the possibility that some assets may become stranded in the future. For example, the potential impact on the value of a company's oil and gas reserves, for example, as a result of policy change or reduced consumer demand, could be significant.

It cannot be ignored, however, that financial reporting is much more embedded within an organisation's control systems and the existing well established legislative framework than sustainability reporting, which does not currently have the same status. Thus, the time spent by the board on formal consideration of the relevant figures, and the extent to which they feature in Alternative Performance Measures (APMs) for example, and play a significant role in remuneration decisions, is much greater for financial information.

Availability of expertise/scarcе resources

Demand from investors and increasing regulatory requirements for companies to report financial and non-financial sustainability information is growing. Businesses are, however, currently facing challenges in sourcing experts to help them to report the necessary information and to assist them in setting their net zero commitments.

Reporting frameworks

The primary reason for the establishment of the International Accounting Standards Board (IASB) was to establish one set of financial reporting standards that could be applied globally thus enabling investors to more easily compare the financial performance and position of companies located across the globe. In that regard, International Financial Reporting Standards (IFRS) have largely been a success. The establishment of the International Sustainability Standards Board (ISSB) in November 2021 under the auspices of the IFRS Foundation is a welcome move as this will help to drive the reporting agenda on the global stage with respect to the impact of sustainability matters on corporate reporting.

It is not yet clear how the ISSB and the IASB will interact but undoubtedly there are likely to be areas of common interest and focus across the two boards.

The GRI Standards, set by the Global Sustainability Standards Board, cover sustainability reporting from a multi-stakeholder perspective including investors and are used by over 10,000 organisations around the world⁵. Additional reporting frameworks focus on specific aspects e.g., the TCFD recommendations on climate change, whilst others adopt a far more all-encompassing perspective of sustainability related information e.g., biodiversity, human rights etc. Additionally, some of these frameworks are specifically targeted at producing information to meet the needs of specific stakeholders e.g., investors (i.e. the TCFD recommendations⁶ or the SDGD Recommendations⁷). The voluntary nature of such reporting has enabled, and resulted in, some entities adopting a selective approach when determining which reporting framework or frameworks to adopt leading to confusion and uncertainty amongst users over the extent to which the entity has complied with the requirements of the framework(s). Such confusion and uncertainty also leads to increased complexity in the reporting landscape for new and early reporters.

5. [Sustainability Reporting](#)

6. [TCFD Recommendations](#)

7. [SDGD Recommendations](#)

GRI Standards are the most commonly used standards to capture information on the impact of organisations on sustainable development that are important to investors and other stakeholders.

Together, the GRI and establishment of the ISSB (which has absorbed the Value Reporting Foundation) will allow organisations to report the breadth of information required by all their stakeholders. It is envisaged that many will use both the new ISSB Standards (incorporating TCFD) and the GRI Standards. However, there is the risk that where reporting is voluntary, it may be subject to bias and seek to focus on areas that the company wants to promote rather than a more holistic report of the company's sustainability performance. Therefore, salient issues of interest may not be reported on from the perspective of either investors or other stakeholders. Companies may have valid reasons for limiting the scope of such reporting, but research demonstrates a greater propensity for focussing on the positive aspects of an entity's sustainability performance without giving the complete picture. Therefore, regulators and the enforcement bodies also need to play their part.

The extent to which the GRI and its standards will interact with the ISSB once it is fully established is not yet clear. What is known

is that the GRI is collaborating with EFRAG on the co-construction of EU Sustainability Reporting Standards (EU SRS) as set out in the proposed EU Corporate Sustainability Reporting Directive (CSRD).

These European Standards will have a double materiality lens and will focus on the E, S and G of sustainability. Whether the EU will support and adopt the ISSB standards as the base line on which to build their own standards is as yet unknown, but it is important that dialogue between the EU, GRI and ISSB takes place.

Lack of consistency as to where such information is reported

Corporates may report their sustainability information in various places e.g.:

- (i) in a separate sustainability report or a number of topic specific reports;
- (ii) in the annual report (possibly not all in the same section);
- (iii) on the corporate website; or
- (iv) a mixture of all three.

The GRI Content Index allows users to easily locate information. Users may have trouble locating information where GRI Standards are not used.

Greater transparency over where assurance has been sought

An additional factor is how boards of directors obtain confidence in the information reported. The directors may be happy with the entity's systems, processes and internal control. Some corporates may be utilising their internal audit teams, but they are being placed under increasing pressure and expectations as the range of subject matter information over which assurance is sought continues to grow. Some may in addition, or instead, choose to obtain external assurance over the information reported.

In June 2021, the International Federation of Accountants (IFAC) published 'The State of Play in Sustainability Assurance'⁸. This global benchmarking study captures and analyses the extent to which companies are reporting and obtaining assurance over their sustainability disclosures, which assurance standards are being used, and which companies are providing the assurance service. The data shows a situation that is still evolving, with significant differences in practice across different jurisdictions. Around half of the companies reviewed are publishing sustainability information that is subject to assurance of some form.

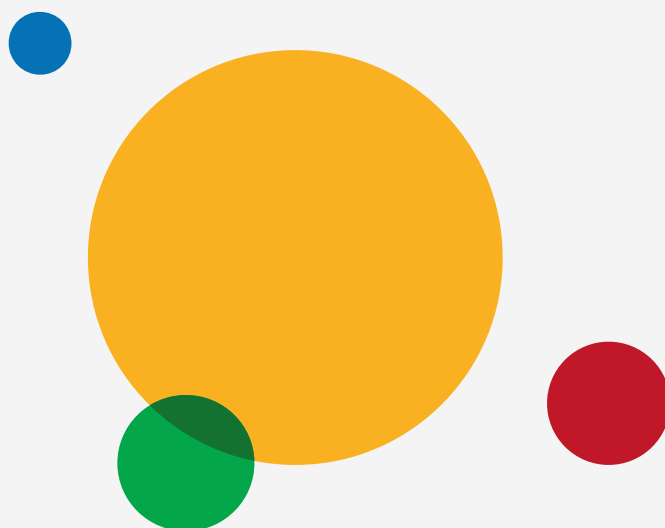
For those that do obtain assurance, this may be provided by consultants or others, and not necessarily by accountancy firms. A further issue is that the scope of assurance engagements is often limited to data rather than the processes, management approach and governance oversight that are important in embedding sustainability considerations and ensuring continuity when management and board members change.

Engagements of an assurance nature are performed today by various types of experts/individuals, with varying levels of skills in the recognised standards of auditing and assurance and the results produced are to varying standards of quality. The subject matter on which assurance is provided varies widely and there is currently no uniform set of standards that such engagements must meet although International Standard on Assurance Engagement (ISAE) 3000 and AA100AS are those most commonly used.

It is also not clear that the term "assurance" is being applied in a consistent fashion. Many assurance providers who do not possess a deep knowledge of assurance make reference to the use of ISAE 3000 but use wording that does not state that they have fully complied with the requirements of the standard.

Currently, unlike financial statements, the scope of assurance engagements is limited to a subset of information disclosed. Where it is provided there is no mandated approach over who is able to provide assurance or the process that should be followed to allow the delivery of high-quality assurance. There is no recognised qualification on which users can rely, and there is, at best, very limited regulatory oversight of voluntary assurance work. Many assurance providers may not be subject to any monitoring of the quality of their work. Given the importance of sustainability information this may call into question the degree of credibility or confidence that can be drawn from the assurance provided. In order to satisfy the public interest requirement, the critical conditions to satisfy in applying ISAE 3000 are having a code of ethics and a quality assurance framework, such as that in the IAASB quality management standards ISQM1 and ISQM2. The need to work within these requirements ensures that the assurance provider is working to the needs of the investor/user not the preparer.

From an assurance perspective there are other matters which need to be taken into consideration. At present there may be insufficient development of sustainability assurance skills or sharing of experience. Indeed, there may even be a lack of clarity as to whether assurers have the right skill sets/independence. Unlike for financial statement auditors, whilst there exists recommended best practice in the form of the EER guidance produced by the IAASB, there is no authoritative model for those providing assurance on such sustainability related information. Hence the need for any individual, or any firm, undertaking sustainability assurance engagements, to be subject to a robust regulatory and oversight process. However, it is important to note that the audit on a whole set of financial statements is rather more complex than limited assurance on a narrowly selected number of issues.



Lack of comparability

All of the above factors lead to varying levels of credibility on reported sustainability information, even where companies might be operating in the same sector and same country. This is not an ideal state of affairs and has partly led to the coinage of the term “greenwashing” with positive stories being provided on certain aspects of a company’s sustainability performance which are not part of a balanced overall assessment. This creates the risk that companies who may look to be performing well may not be so in substantive terms, with problems being hidden. The lack of any requirement for entities to focus on the material issues is a further concern allowing them to focus on certain topical issues, e.g. use of plastics, even though that is not the material issue for that entity. Furthermore, inadequate independent assurance may be sought on the key issues.

Transparency and accountability

Whilst comparability is an important factor, the existing lack of transparency and accountability is a cause for concern and leads to a credibility gap for stakeholders who are unable to obtain any real degree of confidence in the information reported to enable them to assess a company’s performance and long-term viability.

Furthermore, increasingly companies are being rewarded by the capital markets for the greening of their business. The problem with the greenwashing that abounds is that there is an investor protection issue arising where they provide capital on the basis of a entity de-risking its business model only to find the claims are not supported.





What conditions are necessary to ensure high quality reported information?



As stated in the previous section there are a number of matters that need to be addressed to achieve the objective of ensuring the reporting of high-quality sustainability-related information. This section sets out how these matters can be best addressed.

Organisational/leadership

Organisations must be clear that they are responsible to a wider set of stakeholders than in the past. Section 172 of the Companies Act 2006, and relevant sections of the UK Corporate Governance Code, introduced this wider concept of accountability. Companies are now expected to be responsible for their actions to a wider group of stakeholders than just its shareholders. In order to achieve this, sustainability has to be deeply embedded in the organisation as it encapsulates a way of operating. It cannot be compartmentalised. Companies must ensure that sustainability is inbuilt into an entity's purpose, strategy and work plans. Greater shareholder and investor activism has resulted in action being taken against those organisations who fail to meet their legal and statutory obligations.

To achieve this companies will ultimately be required to have a similar level of internal controls over such information as there is for financial information.

There has to be a tone from the top that sets the standard for the company – “sustainability is at the heart of this company”. We acknowledge that this will be an evolutionary process as companies seek to demonstrate how they have adopted adequate internal procedures and, if challenged, indicate where sustainability is embedded within the culture, decision-making and thinking across the organisation.

With respect to reporting, boards and audit committees will need to accept responsibility for the quality of the information provided and commit themselves to the same high-level quality as for financial statements and ensure that this is appropriately resourced. It is appreciated that this may take time as corporates' reporting systems will need to evolve, but the objective is clear. This tone from the top needs to cascade through the organisation. All employees will play a role in helping to embed a culture of sustainability.

Management and boards will need to establish a means of passing on the responsibility for the delivery of their sustainability ambitions and objectives to their successors with the confidence that these will be continued to at least the same degree of commitment and timescale. Systems, processes and policies are essential to this. Similarly, management and boards should not set overly ambitious and unrealistic targets without including an explanation of how they intend to achieve them accompanied by interim performance and progress reports against these targets.

Strategic planning and decision-making

The extent to which sustainability factors are included in the organisation's strategic decision-making process and are fully embedded in the purpose, business model and culture at the outset will become an increasing area of focus and should form part of an achievable plan to deliver the objectives communicated to stakeholders.

Basing these long-term decisions on short term financial impacts and returns will not be sufficient to ensure that the sustainable development⁹ agenda is achieved. Boards will need to consider and assess all of the long-term impacts of their decisions on society, the environment and the economy to fully represent the true cost of their plans and activities. This will require a change in mindset and the involvement of a more diverse range of experts to help inform those decisions and to avoid future unexpected financial, and non-financial, shocks. Corporates should place greater emphasis on communicating the costs and implications associated with embedding sustainability in their strategic planning and decision-making to make it clear to their stakeholders, particularly investors, that their support will be required over the longer term.

9. Definition – Sustainable development – ensuring a strong, healthy and just society. This means meeting the diverse needs of all people in existing and future communities, promoting personal wellbeing, social cohesion and inclusion, and creating equal opportunity. Sustainable development is about finding better ways of doing things, both for the future and the present.

Maturity and availability of data

Corporates need to identify the data that is required to meet their reporting obligations and then put in place the necessary processes and controls to collect the data, assess it for reasonableness etc. This may involve persons within organisations who are not used to the demands that will be placed on them by the corporate reporting function over the integrity of data. There is, therefore, a learning experience taking place as companies prepare themselves to meet their statutory obligations and do the right thing by society both in the present and for the future.

A key factor in ensuring that the data collected is complete, reliable and of sufficient quality will be acquiring an understanding of the organisation's supply chain and how its relationships and arrangements with suppliers and customers affect the organisation's sustainability objectives and strategy. There are some examples of successful supply chain engagement being undertaken by organisations to ensure that everyone in the supply chain is working towards the same sustainable development objective and goals.

This practice is still in its infancy, but more widespread adoption should be encouraged and promoted.

Consistent high-quality reporting requirements/standards

As noted in the previous section there is currently one established set of sustainability reporting standards, the GRI Standards, that address the impact of organisations on sustainable development. The ISSB has been established to develop an additional set of sustainability disclosure standards to meet investors' needs.

The aim would be for companies to provide information that takes account of both "financial materiality" and also "environmental and social materiality". The means by which this can be achieved is not yet clear.

Doubts are also harboured over whether companies are cherry picking the information that they report. Therefore, the content of such reports should be fair, balanced and understandable.

Consistent high-quality assurance standards

Engagements of an assurance nature are currently performed by an array of different experts/individuals to a variety of different standards. Indeed, even individuals who perform such engagements on behalf of an accountancy firm may not be a professional accountant but rather have skills specifically in the subject matter. Knowledge of the recognised standards of auditing and assurance varies across the range of experts and the quality of the output is variable. Nonetheless, there is an increasing demand for such assurance services.

Just as with the standards which apply to the reporting of disclosures, there is a need for consistent high-quality assurance standards for such engagements.

The IAASB sets standards for professional accountants undertaking audit and assurance engagements. Its sister board, the International Ethics Standards Board for Accountants (IESBA), sets standards on ethics and independence for professional accountants. In the UK, the Financial Reporting Council (FRC) has responsibility for setting the auditing and ethical standards that apply to audits and to designated public interest assurance engagements. The FRC substantively adopts the IAASB's International Standards on Auditing (ISAs) but adds certain UK specific content to these standards although this is gradually being reduced as the IAASB further strengthens its standards.

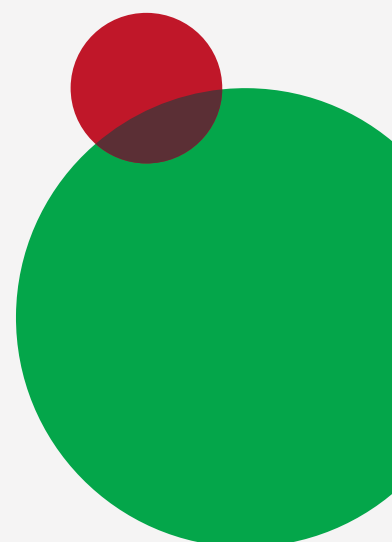
Currently the most prevalent standard in use for sustainability assurance engagements is International Standard on Assurance Engagements (ISAE) 3000, issued by the IAASB, which forms part of the FRC's suite of standards for UK entities. This is in effect a general assurance standard and not specific to any particular engagement.

Despite that, it is the most commonly used assurance standard around the globe and is used by both accountancy firms and non-accountancy firms. It gives an indication of the status of the standard that it is has become the global benchmark for such assignments. ISAE 3000 builds on the concepts contained in the IAASB's assurance framework: that there are two types of assurance engagement i.e., attestation and direct and only two levels of assurance that can be provided, namely reasonable (high) and limited.

Various stakeholders have highlighted to the IAASB that it will need to undertake a project in relation to providing assurance on sustainability related information with the likelihood that the first stage of such a project would focus on providing assurance on climate-related disclosures. The issue is whether ISAE 3000 is seen as being fit for purpose by all key stakeholders for use on sustainability assurance engagements.

The IAASB issued their non-authoritative guidance on Extended External Reporting Assurance Engagements in recognition that, for sustainability reporting and other non-financial matters, there was a need to demonstrate how ISAE 3000 could be applied in practice.

Despite this development, we believe that the IAASB should develop subject matter specific assurance standards that are based on the concepts contained in ISAE 3000 to help users understand the assurance obtained and to prevent further widening of the expectation gap.



Consistent professional/ethical standards

In addition to having consistent technical standards over assurance engagements, there is also a need to ensure that such engagements are subject to the same high independence and other ethical requirements. It is essential that such engagements cannot be undertaken where there is a clear conflict of interest or other threat that cannot be appropriately addressed by the deployment of safeguards. In the UK, the FRC's Ethical Standard applies to auditors and to those undertaking designated public interest assurance engagements. Globally, the International Ethics Standards Board for Accountants (IESBA) Code of Ethics (including International Independence Standards) is the benchmark. There is a need for such standards or equivalent to apply to other assurance providers to help provide confidence to users of assured information of the integrity, objectivity and independence of the assurance provider.

Regulatory framework

Professional accountants in public practice are subject to the quality of their work being monitored. Depending on the nature of the work and the type of entity for which it is being performed that monitoring will be undertaken either by the professional body of which the accountant is a member or the FRC. This regular review helps to ensure the quality of the work performed by professional accountants.

Given developments in corporate reporting it is likely that consideration will need to be given to whether a regulatory framework will require to be introduced to help ensure the quality of assurance provided over sustainability information. Such a regime would need to apply to all those providing assurance on sustainability information, regardless of whether they are professional accountants.

It is important that all assurance services are subject to some level of quality control and management to gain trust in the performance and quality of the engagement. ISAE 3000 makes reference to the need for assurance providers to comply with the International Standard on Quality Control (ISQC1) or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQC1. ISQC1 will be replaced by International Standard on Quality Management (ISQM1) from 15 December 2022.

Suitably qualified individuals

There is a need for assurance engagements to be undertaken by suitably qualified individuals. At present there is nothing to prevent anyone from undertaking an assurance engagement on sustainability information. It is difficult to envisage that this situation will continue into the medium term. The EC has already announced its plans for mandatory assurance to be provided on sustainability related information.

It is intended that member states would be given the option to allow providers other than accountancy firms to provide that assurance, but it remains to be seen as to whether this option would be taken advantage of.

If member states did do so, then they would need to consider whether they would need to develop an appropriate regulatory framework to ensure that only suitable qualified individuals were undertaking work of this nature. Consideration would also need to be given to determining suitable criteria to do so.

In April 2021 ICAS published its view as to how progress could be made in this regard. The paper 'A roadmap to the Corporate Auditor profession'¹⁰ outlined a model for how experts in fields other than financial reporting could become qualified in providing assurance in accordance with a globally accepted framework and suite of standards. This would help to facilitate the implementation of Sir Donald Brydon's recommendation of establishing a corporate auditor profession.

For assurance to have value, those who provide it must be trusted. It is therefore in the public interest that providers of assurance should have to meet certain criteria to enable them to be able to issue such reports.

The adoption of such an approach would enable experts in subjects such as sustainability to gain professional recognition in assurance and provide them with the skills and qualification to provide assurance on subject matter information in their area of expertise. This would be a means of ensuring the quality of individuals providing assurance on such information.

The ability and willingness to challenge, and to exercise professional judgement and professional scepticism, are key attributes for providers of assurance to instil confidence in the information reported and reduce the risk of greenwashing. Stakeholders can take some confidence from the knowledge that this information has been through a rigorous and robust process and examination.

Reliance on internal audit/other experts

There is an argument for elevating the role of internal audit in sustainability assurance engagements. An effective Internal Audit function should be a fundamental component of a blended assurance model. Accountants and other experts could sit within Internal Audit to support this activity.

External firms could complement this skill set by providing assurance over the methodology adopted by the Internal Audit function or by providing direct support for assurance activity in targeted areas.

There is merit in combining the specialist knowledge of the climate specialists with the specific skills and qualities of the accountancy profession in the assurance process. There are instances of this type of multi-disciplinary team working well in practice for the audit of pension schemes, for example. The success of these engagements relies on an appropriate level of training on both sides. However, to work effectively it will depend on clear parameters and processes being established for the execution and delivery of such engagements.

A further consideration is whether it is more efficient and effective to train assurance practitioners in sustainability-related issues or whether sustainability specialists should be trained in assurance practices and methods. At present, both approaches are used in practice.

To whom is the assurance report addressed

At the moment, the audience for the auditor's report on the financial statements is the shareholders. Historically, sustainability assurance reports have been addressed to management as a way of identifying improvements to the internal processes and performance. With the ISSB proposing that the target audience of the IFRS sustainability disclosure standards is investors, there may need to be a shift in focus and approach by the assurance provider. Indeed some would argue that sustainability assurance reports should be addressed to all stakeholders. This is an area that will continue to be the subject of debate.





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