SUSTAINABILITY: An Update on Reporting & Assurance

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IFAC GLOBAL SUSTAINABILITY DIALOGUE
3rd report - based on 2021 reporting

- Still a rapidly evolving market
- Reinforces IFAC Vision for High-Quality Assurance
- Supports evidence-based policy development
- “The Next 20” State of Play will expand scope of benchmarking beyond G20
This study was designed to update understanding (based on 2021 reporting) of market practice for the assurance of environmental, social, and governance (ESG or sustainability) information, globally. 1350 companies across twenty-one jurisdictions were reviewed. A company was considered to have reported ESG information or obtained assurance, regardless of how much information was provided or assured (i.e., one GHG number counts).
Fewer companies are relying on stand-alone sustainability reports while use of integrated reports and annual reports for ESG disclosures increased.

- Number of reporting companies has increased (to 95%)
- 30 of 50 French companies reviewed used the Integrated Reporting Framework
- In Saudi Arabia, reporting on ESG increased 24% in 2021.
ASSURE ESG INFORMATION.
The percentage of companies that obtained assurance on some of their ESG reporting increased from:

The six jurisdictions with the largest 3-year increases are Hong Kong S.A.R., Italy, Japan, Singapore, Turkey, and the United Kingdom, while Hong Kong S.A.R., Japan, and the U.K. posted the largest single-year increases in 2021.

WHO PROVIDES ASSURANCE.

- **57%** Of engagements (i.e., 516 of 913 assurance reports from 818 companies) were conducted by audit firms in 2021.
- **61%** Of engagements (i.e., 505 of 833 assurance reports from 741 companies) were conducted by audit firms in 2020.
- **63%** Of engagements (i.e., 445 of 704 assurance reports from 645 companies) were conducted by audit firms in 2019.

ASSURANCE STANDARDS.
The International Auditing and Assurance Standards Board’s (IAASB) International Standard on Assurance Engagements (ISAE) 3000 (Revised) remained the most widely used standard for ESG assurance engagements:

- **68%** to **72%** to **70%** in 2019 to 2020 to 2021.

95% of firms* (or their affiliates) used ISAE 3000 (Revised), while non-IAASB standards were most commonly used by the other services providers (i.e., only 38% used ISAE 3000) during 2021.

* 99% of Firms applied ISAE 3000 (Revised), or corresponding national standards, in 2021.
LOCATION AND LEVEL OF ASSURANCE

97% of firm engagements were limited assurance compared to 58% of engagements performed by other service providers (OSPs).

- Assurance from OSPs in Asia-Pacific resulted in more moderate and reasonable opinions.

Assurance is increasing regardless of report type, but more assurance is obtained over disclosures in integrated reports.
Assurance in Brazil, US, EU, UK, Australia, and Japan was above the 64% global average in 2021.
- France and South Korea had the highest rate of assurance.
Number of engagements performed by Firms increased but Firm market share declined:

- to 57% from 61% in 2020
- from 63% in 2019

3-Year Firm Decreases:
- 20% South Africa
- 17% UK
- 16% India
- 16% Japan

3-Year Firm Increases
- 17% Indonesia
- 11% Hong Kong S.A.R.
- 11% Mexico
70% of 516 ESG assurance reports provided by audit firms were from the same firm as the statutory audit provider for the same reporting entity in 2021 [vs. 71% in 2020].
The gap between when statutory audit reports were issued vs. sustainability assurance reports decreased to 51 days in 2021 from 54 days in 2020.

- Asia-Pacific saw the most improvement—decreasing to 61 days in 2021 from 73 days in 2020.
- The lag increased in the Americas to 92 days in 2021 from 89 days in 2020.