

SUSTAINABILITY

The State of Play

CAFR Romania

October 2023

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The State of Play Series

February 2023

May 2023

September 2023

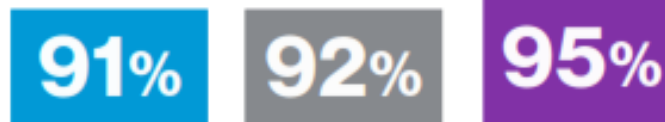


MAPPING GLOBAL REPORTING AND ASSURANCE PRACTICES

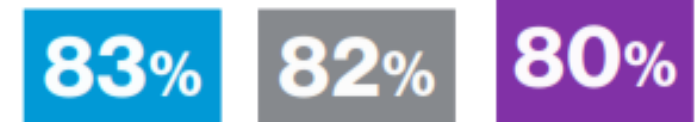
G20 +

- 1400 largest companies
- 22 jurisdictions
- 3rd publication / 3-year trend
- ESG Reporting & assurance

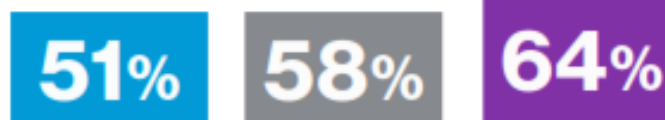
KEY FINDINGS: 2019 | 2020 | 2021



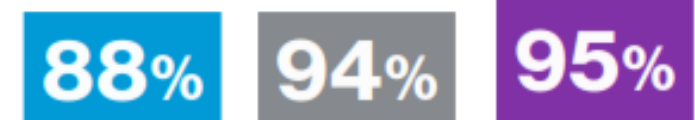
reported some ESG information



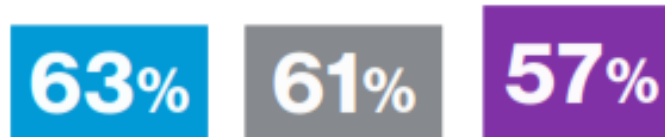
of assurance was limited



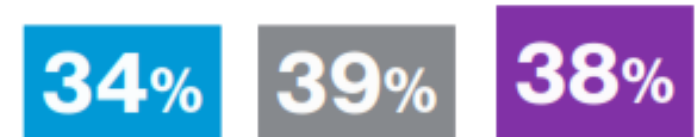
obtained some level of assurance



of firms applied ISAE 3000 (Revised)*








assurance engagements conducted by firms



of other service providers applied ISAE 3000 (Revised)

MAPPING REPORTING & ASSURANCE PRACTICE: EUROPE

- Reporting rate  2%
- Assurance rate  13%
- Accountancy assurance  5%
- Less limited assurance  7%
- Use of ISAE 3000 (Revised)  4%

575 companies from 13 jurisdictions

2021 Key Findings

2019

2020

2021

92%

94%

97%

reported *some* ESG information

85%

83%

78%

of assurance was limited

61%

69%

74%

obtained *some* level of assurance

94%

94%

95%

of firms applied ISAE 3000 (Revised)*

83%

80%

78%

assurance engagements conducted by firms

45%

42%

40%

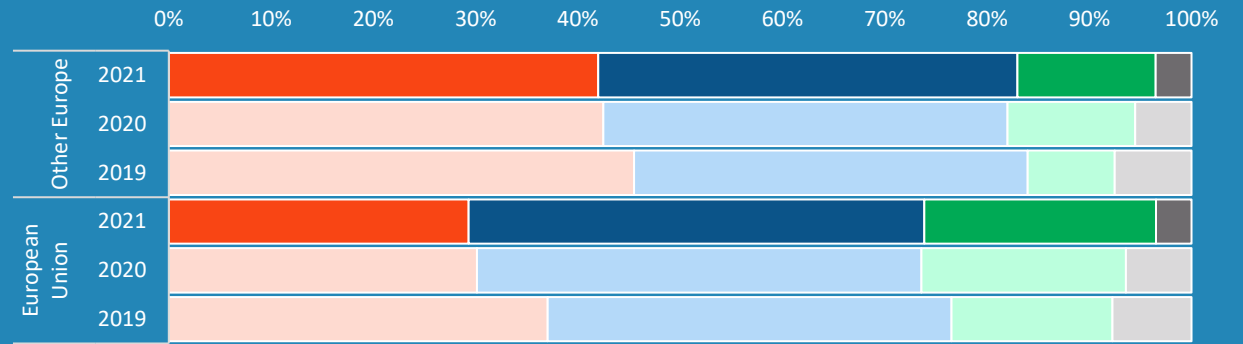
of other service providers applied ISAE 3000 (Revised)

* Including jurisdictional professional standards (Swedish FAR standard RevR 12), firms applied professional audit standards 98% in 2019, 98% in 2020, and 99% in 2021.

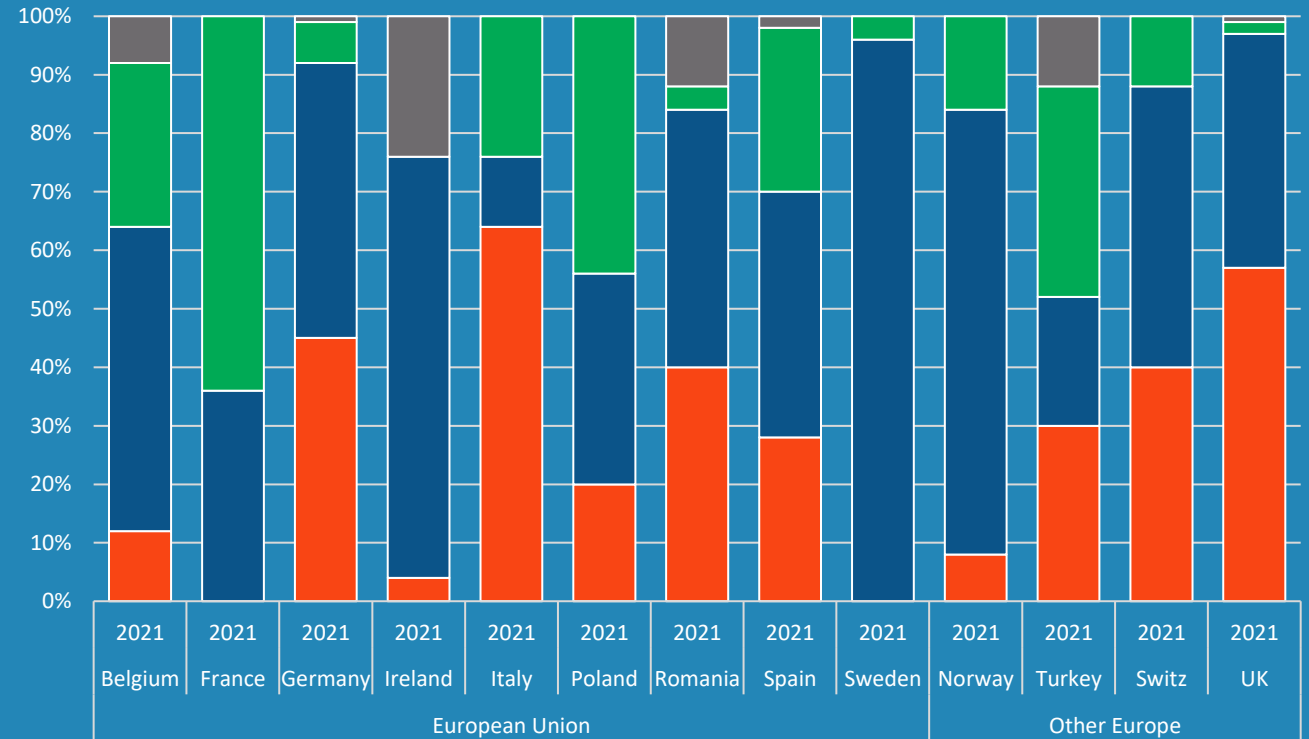
REPORTING BY JURISDICTION: EUROPE

Europe (97%) and Asia-Pacific (98%) lead in sustainability disclosure.

- ❑ In Europe, most ESG information is included with financial information.
- ❑ Standalone sustainability reports were a majority in just two jurisdictions – Italy (64%) and the UK (57%).
- ❑ Annual reports were a majority in four jurisdictions – Belgium (52%), Ireland (72%), Sweden (96%), Norway (76%).
- ❑ Most French companies used integrated reports (64%).



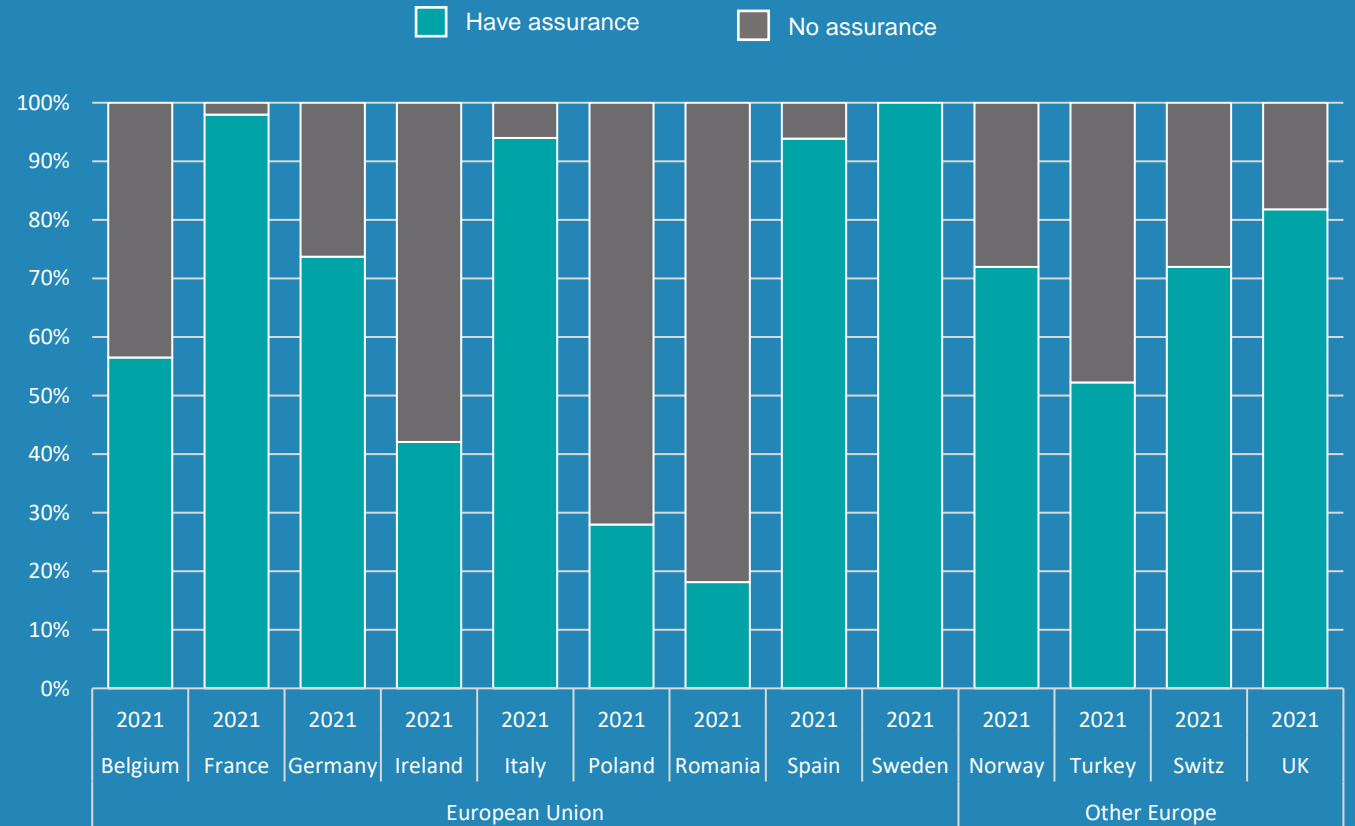
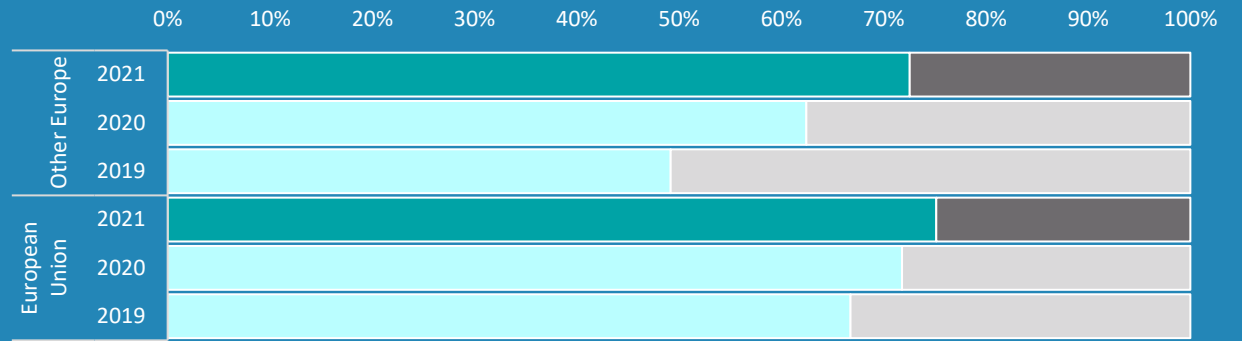
■ Sustainability Report
 ■ Annual Report
 ■ Integrated Report
 ■ No Report



ASSURANCE BY JURISDICTION: EUROPE

More companies obtained assurance in Europe (74%) than any other region in our SoP research.

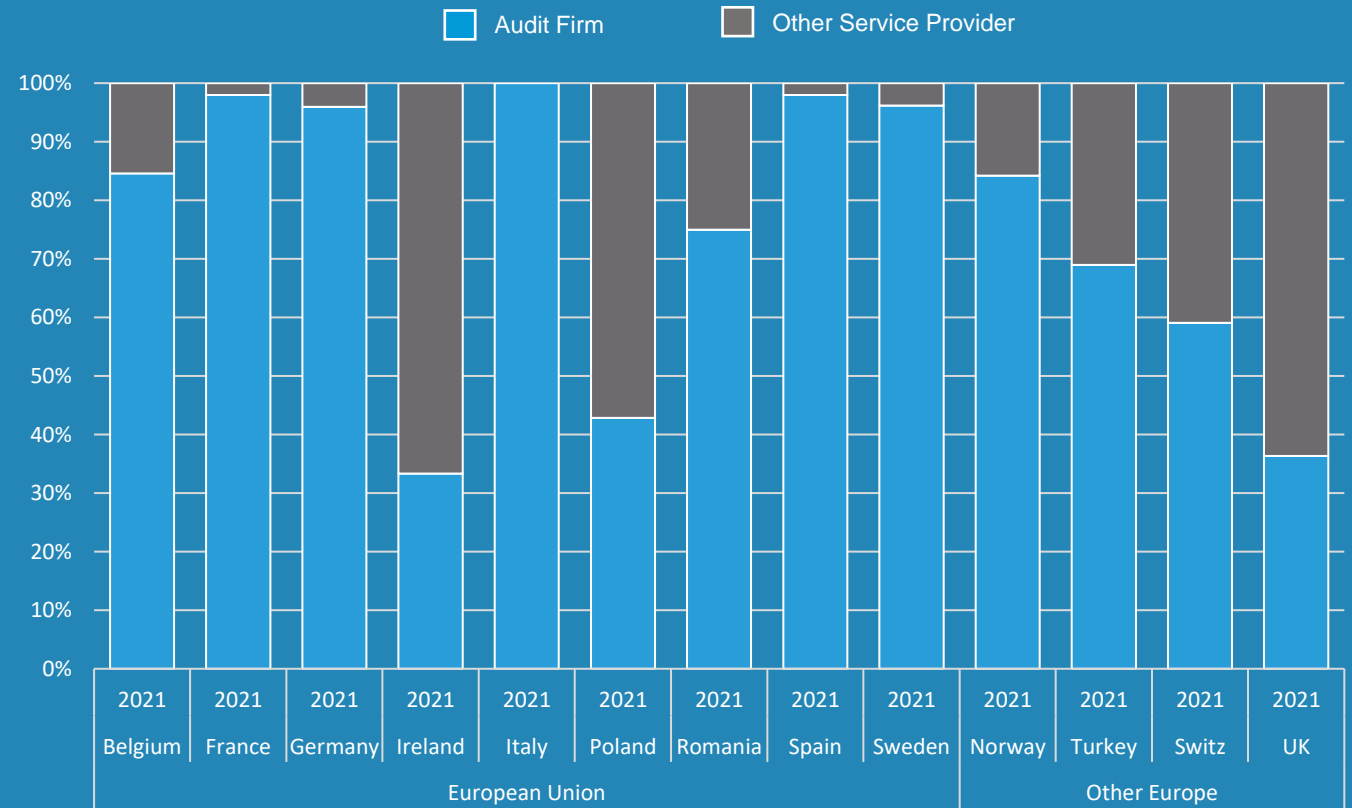
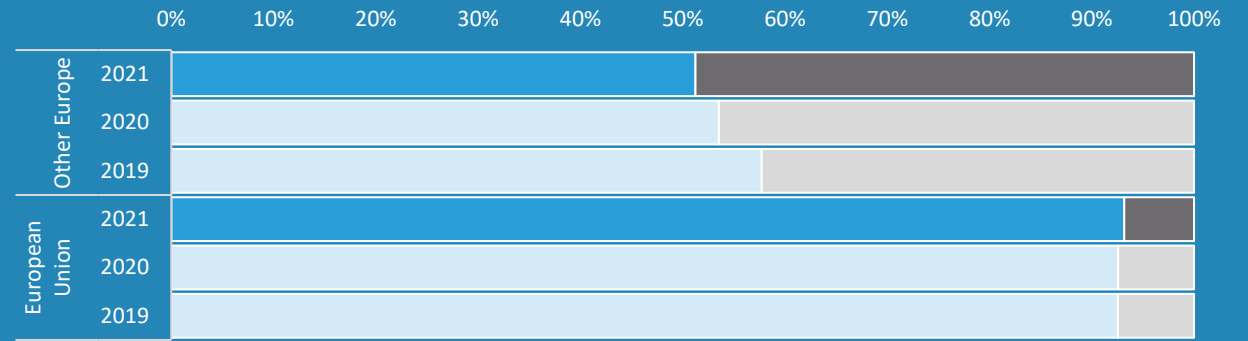
- France, Germany, Italy, Spain, Sweden, UK lead.
- Assurance in Belgium (57%), Ireland (42%), Poland (28%), and Romania(18%) lags the rate of reporting in these countries and is below the G20+ average (64%).



ASSURANCE PROVIDER BY JURISDICTION: EUROPE

Under the NFRD, the accountancy profession has provided more sustainability assurance in Europe than other jurisdictions.

- ❑ France, Germany, Italy, Spain, Sweden, Norway lead in accountancy assurance.
- ❑ 1st time assurance in the UK—typically on GHG—has resulted in most assurance being provide by OSPs.



Part of the State of Play Series

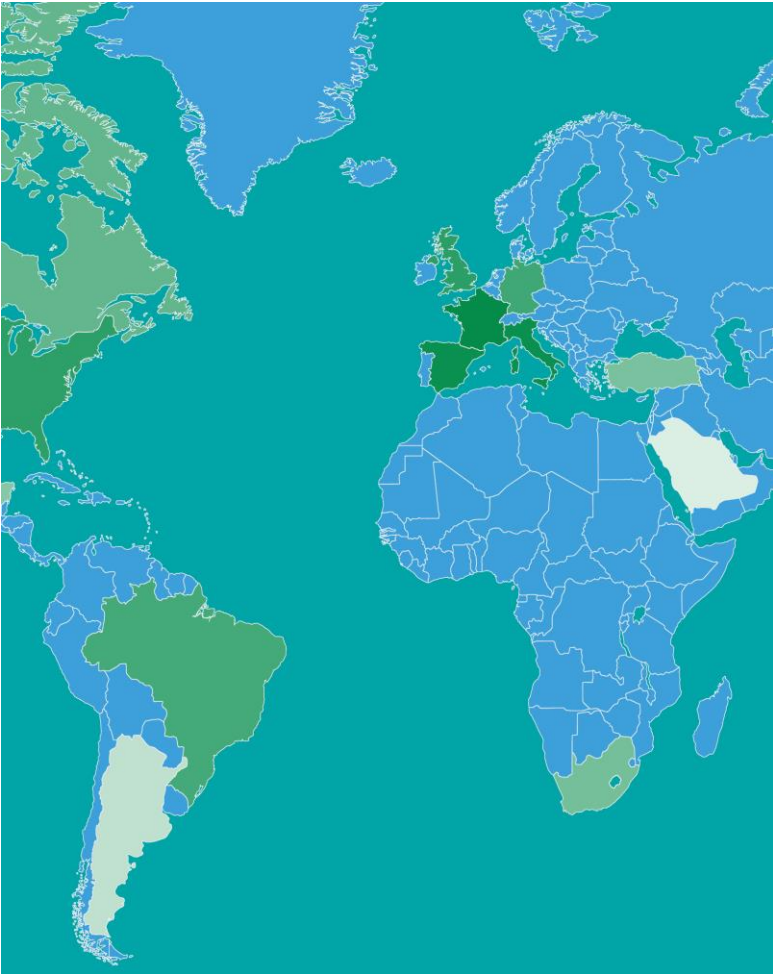
A Deep Dive into Sustainability Assurance Engagements

The Who, What, & How of Current Practice

May 2023



MAPPING ASSURANCE PRACTICE: APPLICATION OF ISAE 3000 (REVISED)



Percent of assurance reports that use **ISAE 3000(R)**.

AUDIT FIRMS

95%

OTHER SERVICE PROVIDERS

38%

Percent of assurance performed **“in accordance with”** ISAE 3000(R).

98%

53%

Percent of ISAE 3000(R) engagements that **apply IESBA Code** or other **international ethics code/std.**

93%

28%

Percent of ISAE 3000(R) engagements that apply ISQC 1 or other international **quality control standard.**

91%

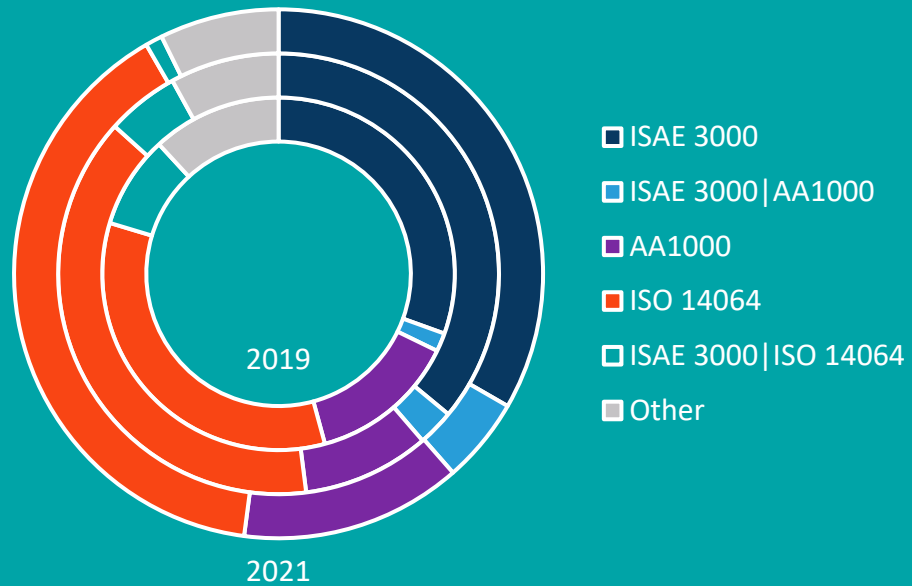
38%

STANDARDS AND PRACTITIONERS: EUROPE

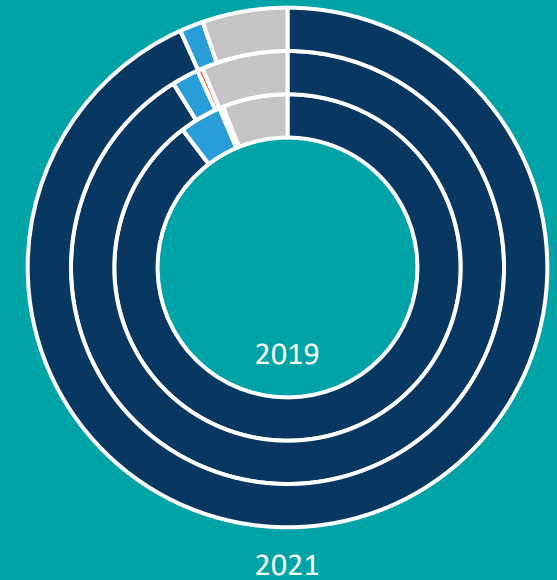
- ❑ OSPs used a mix of standards:
 - ISO 14064-3 – 41%
 - ISAE 3000 (revised) – 39%
 - AA1000AS – 19%
 - Other – 7%

- ❑ 95% of Firm engagements used ISAE 3000 / 5% used Sweden’s RevR Standards.

OTHER SERVICE PROVIDERS

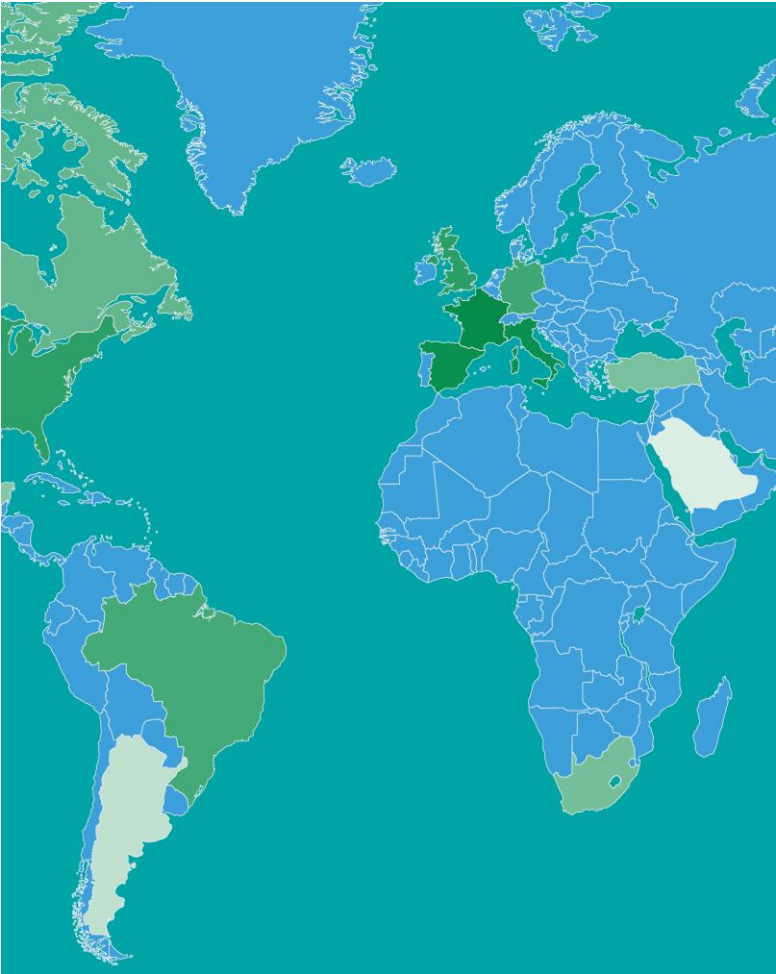


AUDIT FIRMS



550 companies from 12 countries were reviewed: Belgium, France, Germany, Ireland, Italy, Norway, Romania, Spain, Sweden, Switzerland, Turkey and UK.

KEY FINDINGS: SCOPE OF ENGAGEMENTS



53%

of assurance engagements reviewed from 2021 covered GHGs as well as environmental, social, and governance topics.

FIRMS: Most engagements covered a range of topics across the ESG spectrum.

- 80% of Firm engagements included 3 or 4 topics in scope.
- 20% of Firm engagements included 1 or 2 topics in scope.

OTHER SERVICE PROVIDERS: Most engagements (58%) covered one topic (GHG-related metrics).

- Of 11 OSPs who conducted 70% of engagements:
 - Four conducted primarily (60% - 85%) three or four topic engagements.
 - Four OSPs conducted primarily (60% - 90%) one or two topic engagements.
 - Three OSPs conducted a “50/50” split of Broad vs Narrow engagements.

Summary Findings

- ❑ **STANDARDS:** Accountancy firm engagements use IAASB assurance standards, while OSPs currently use different standards for different types of engagements.
- ❑ **LEVEL:** Current practice indicates that accountancy firm engagements result in limited assurance reports. Other service providers issue limited, modified, as well as reasonable reports.
- ❑ **SCOPE:** Accountancy firm engagements are generally broader in scope. Other service providers are observed to specialize in narrower scope engagements, especially related to greenhouse gas-related metrics.
- ❑ **APPLICATION:** This research identifies differences in the application of the IAASB's standard ISAE 3000 (Revised) between accountancy firm vs. other service provider engagements.



4 KEY CHALLENGES FOR OUR PROFESSION....

and one key 'ask'

1. INTEGRATED MINDSET

- Sustainability starts inside companies
- Bridging information silos
- Connectivity/Integration in sustainability reporting

2. GLOBAL REPORTING SYSTEM

- Comprehensive Global Baseline
- Building Blocks approach
- Alignment / Interoperability

3. CAPACITY BUILDING

- Awareness raising
- Education / training / skills
- Research – NEXT 20 SoP
- Sustainability starts inside companies

4. ASSURANCE & ETHICS

- ISSA 5000 adoption
- ESG-specific IESBA Code
- Level playing field

SMART REGULATOIN

- Level playing field
- Prudential/"improvement" regulators
- Safe harbors / limited liability
- Opinion qualifications & disclaimers