



CPAs. The preferred
choice for assurance on
sustainability information

A fiercely competitive economic climate. Escalating policy developments and environmental regulations. The impact of climate disruption on resources and operations. A more powerful awareness of the need to do the **right thing**.

Together, these factors are creating a complex dynamic that's leading organizations to pursue every opportunity to focus on sustainability-related initiatives that embrace today's three top business priorities: profits, people and planet.

To increase stakeholders' confidence in the reliability of their sustainability, or environmental, social and governance (ESG), information, organizations are engaging Certified Public Accountants (CPAs) to provide assurance on their sustainability information. Research indicates that, among other benefits, assured sustainability information results in a lower cost of capital and further indicates that the benefits are more pronounced when a CPA firm provides the assurance.¹

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Assurance service options and features

Organizations are realizing that decision-makers using sustainability information must have confidence in its accuracy and reliability. Uncertainty about sustainability information can be reduced by having a CPA provide an assurance service. To increase decision-maker confidence in the information, an independent CPA applies assurance procedures designed to probe the credibility of the information and report on the results of those procedures.

Several factors determine what type of sustainability information is assured. These include its importance to the organization and its operations, degree of risk exposure, importance to internal and external stakeholders, and importance of sustainability goals.

The specific scope of information assured can range from the sustainability report to the Greenhouse Gas (GHG) Statement or other specified indicators (i.e., environmental, social or governance metrics) that are most significant to the organization.

Organizations having sustainability information assured by a CPA can choose between two levels of assurance:

- **Reasonable assurance** that consists of a rigorous examination indicating whether the information is free of material misstatement or
- **Limited assurance** that consists of more limited procedures that result in a meaningful but lower level of assurance than reasonable assurance

Regardless of the level and scope of assurance, the independence of the assurance provider is crucial for the integrity of the organization as well as the CPA and the marketplace. CPA firms providing the financial statement audit or other assurance services may also assure the organization's sustainability information. As the financial statement auditor, the CPA understands the organization and how it drives value: Consequently, the CPA is well-positioned to provide assurance services on sustainability information.



Assurance expectations on the rise and a CPA's role as a leading assurance provider

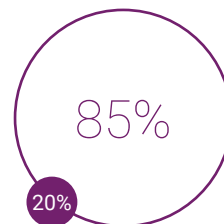
With the total return on the S&P 500 ESG Index exceeding that of the S&P 500 Index by more than 2.5% in 2016, investors and companies acknowledge that taking sustainability matters into account is not only the right thing to do but often yields higher returns. As a result, users of sustainability information are demanding high-quality, accurate, reliable sustainability information.

While assuring sustainability information is voluntary in the U.S. and in most foreign countries, sustainability assurance is increasingly being expected by shareholders, regulators, investors and other stakeholders:

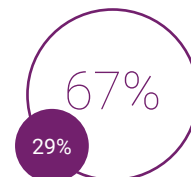
- 69% of portfolio managers and research analysts think it is important that ESG disclosures be subject to independent verification.²
- The Dow Jones Sustainability Index and the CDP (formerly the Carbon Disclosure Project) award additional points for the submission of assured sustainability information.
- The Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD)'s Final Report states that "Disclosures should be reliable, verifiable and objective."³

Assurance of ESG (environmental, social and governance) metrics is becoming more critical as this set of metrics increases in number and complexity. Additionally, these metrics are now being used in the marketplace to evaluate risk, drive internal operations and make investment and business decisions.

The following findings further underscore the acceleration of sustainability reporting, the demand for assurance on that information and the key role CPAs play in the assurance process:



85% of the S&P 500 publish a sustainability report in some form, compared with just under 20% in 2011.⁴

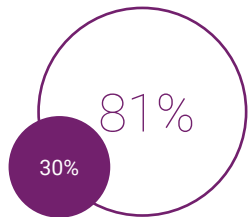


A majority (67%) of the top 250 global companies that report on sustainability invest in external assurance – up from 29% in 2002.⁵

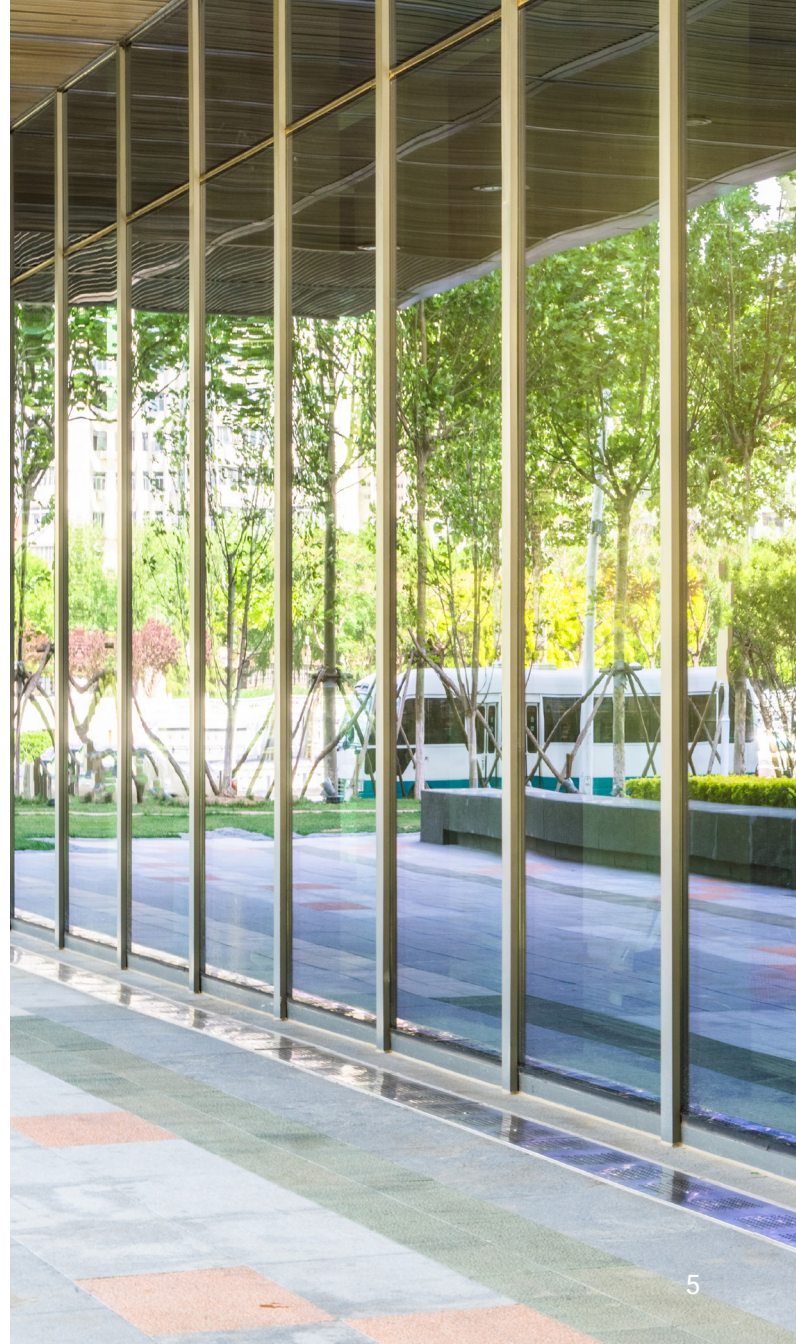
As reporting trendsetters for more than 20 years, the top 250 global companies are indicators that an even greater number of companies are likely to obtain assurance on sustainability information in the years ahead.

CPAs are the professionals of choice for assuring sustainability information. Of the top 250 global companies that obtain assurance on their reports, 65% engage an accountancy firm to do so.⁶

One force driving this trend is the CPA's ability to assure both sustainability information and financial information. This is rapidly becoming more important as companies move toward presenting sustainability information alongside financial information, and as stakeholders begin expecting sustainability information to be as reliable as financial information.



In 2017, 81% of the top 100 U.S. companies included sustainability information in their annual financial reports — representing a 51% increase from 2015.⁷



The far-reaching benefits of assurance services

Sustainability information assured by CPAs communicates an organization's commitment to the priorities, values and concerns that are of the greatest importance to their growing and increasingly diversified stakeholders. Assuring sustainability information results in improved systems and processes surrounding collection of sustainability data and ultimately more reliable information.

Producing accurate, reliable sustainability information in turn results in:

- Increased stakeholder trust and confidence in the information
- Improved decision-making by the organization
- Lower cost of capital⁸
- Greater coverage by analysts⁹

Other key competitive benefits that result include:

- Stronger performance and efficiencies
- Cost savings
- Improved risk management
- Higher rankings among leading sustainability raters and rankers such as CDP (formerly, the Carbon Disclosure Project) and Dow Jones Sustainability Indices (DJSI)
- Enhanced brand reputation
- Improved ability to attract and retain employees
- Improved regulatory compliance
- Improved corporate governance practices

Market differentiators: education, experience and expertise

Objectivity, credibility and integrity are qualities valued most in assurance providers. These core qualities, in addition to independence, professional skepticism and commitment to quality, are what consistently guide the judgment and performance of CPAs, as required by professional standards.

Today, these same qualities also distinguish CPAs as the leading providers of assurance services for sustainability information, along with these additional differentiators:

- Strict adherence to accountancy laws and professional code of conduct
- Education and experience requirements, specialized training
- Understanding of the business (holistically across all silos), the industry, market forces and why certain sustainability metrics are important financially as well as from a risk perspective
- Expertise in evaluating and improving internal processes and controls for collecting, analyzing and reporting information
- Risk management experience
- Proven experience incorporating the necessary specialists into assurance engagements to deliver seamless services — like the way this is done in audits of financial statements

- Expertise in assisting organizations to drive performance improvement by integrating sustainability information with other company performance information

Research indicates that the benefits of sustainability assurance are more pronounced when a public accounting firm provides the assurance.¹⁰

- Insights into testing the reliability of data and promoting improvements in the quality of the reporting function in areas ranging from materiality to factual accuracy
- Analytical skills in financial and management services
- Proven experience responding to changing economic conditions and stakeholder expectations
- Proficiency in measuring business performance factors against established criteria, and in applying best practices to the assurance process
- Informed perspective of sustainability opportunities and risks
- International perspective for assuring sustainability reports of global organizations

CPAs — forerunners in the sustainability movement

The top-priority status of sustainability reporting, as well as the assurance services that elevate its credibility, are fairly new realities for many executives. For the CPA, however, they are well-established areas of expertise.

Accountants have long been leaders in sustainability programs, dating back to 1998 when they assured Royal Dutch Shell's first sustainability report, *Profits and Principles — Does There Have To Be A Choice*.

CPAs have further demonstrated their role as pioneers in sustainability's evolution through many key leadership positions, including serving as founding members of many of the world's recognized sustainability think tanks and corporate reporting organizations that take a broader perspective on value creation.

These organizations include the United Nations Global Compact (UNGC), World Business Council for Sustainable Development (WBCSD), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB) and the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD).

The results of the profession's specialized guidance, qualifications, groundbreaking accomplishments and record of leadership are an ever-strengthening body of knowledge and deep insights into sustainability reporting and assurance.

These attributes, combined with the ability to engender the highest degree of trust as independent, external experts, position CPAs as the premier providers of sustainability services.



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