



THE CPA's ROLE

IN SUSTAINABILITY ASSURANCE.

Balancing Priorities:
Profits, People and Planet



THE CPA'S ROLE IN SUSTAINABILITY ASSURANCE

Balancing Priorities: Profits, People and Planet

A fiercely competitive economic climate. Escalating 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 is 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 information, organizations are engaging Certified Public Accountants (CPAs) to provide assurance on their sustainability information. Producing reliable sustainability information will enhance the uptake in the use of such information by all stakeholders.

TABLE OF CONTENTS

Assurance Service Options and Features.....	2
The Rise of Sustainability and a CPA's Role as a Leading Assurance Provider.....	4
The Far-Reaching Benefits of Assurance Services.....	6
Market Differentiators: Education, Experience and Expertise.....	8
CPAs — Forerunners in the Sustainability Movement.....	10

ASSURANCE SERVICE OPTIONS AND FEATURES

Organizations are realizing that reporting sustainability information is not enough, decision-makers using that information must have confidence that it is reliable. Uncertainty about the reliability of information can be reduced by having a CPA provide a service to enhance the degree of decision-maker confidence in the information, that is, an assurance service. In an assurance service, a CPA applies procedures designed to probe the credibility of the information and reports on the results.

The type of sustainability information assured is determined by a number of factors, including: its importance to the organization and its operations, degree of risk exposure, importance to internal and external stakeholders, importance of sustainability goals and potential for misstatement.

The specific scope of information assured can range from the sustainability report taken as a whole, to the Greenhouse Gas (GHG) Statement, to select indicators (e.g., environmental or social 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 that the information is free of material misstatement or
- *Limited assurance* that consists of less rigorous procedures that result in a lower level of assurance

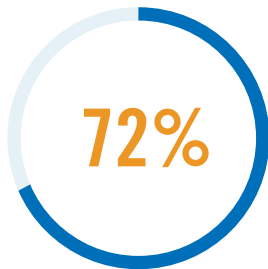
Regardless of the level and scope of assurance, the fact that the assurance provider is independent is crucial for both the organization and the CPA. It is permissible that the CPA firm providing the financial statement audit or other assurance services also assure the organization's sustainability information.



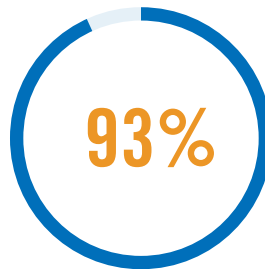
THE RISE OF SUSTAINABILITY AND A CPA'S ROLE AS A LEADING ASSURANCE PROVIDER

Assuring sustainability information is *voluntary* in the U.S. and in most foreign countries. Yet sustainability assurance is increasingly being sought after as an expanded set of environmental and social metrics are being used to evaluate risk and drive operations internally as well as being scrutinized externally for investment and business decision-making purposes.

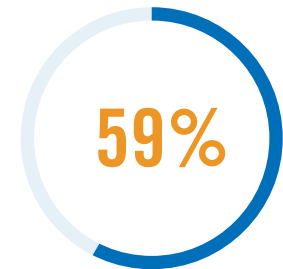
The following findings underscore the acceleration of sustainability reporting, the demand for assurance on that information and the key role CPAs play in the assurance process:



72% of the S&P 500 publish a sustainability report in some form, compared with just under 20% in 2011.¹



Among the largest 250 companies listed in the *Fortune* Global 500 ranking (G250), 93% issue sustainability reports, maintaining the impressive level set in 2011.²



A majority (59%) of the G250 companies that report on sustainability invest in external assurance — up from 29% in 2002.³ Two-thirds of those companies that invest in assurance choose to engage a major accountancy firm.

¹Governance and Accountability Institute

²KPMG Survey of Corporate Responsibility Reporting 2013

³KPMG Survey of Corporate Responsibility Reporting 2013

As reporting trendsetters for more than 20 years, G250 companies are likely to be accurate indicators that an even greater number of companies will be obtaining assurance on sustainability information in the years ahead.

The KPMG survey of Corporate Responsibility Reporting 2013 shows that CPAs are the professionals of choice for assuring sustainability information. Of the G250 companies that obtain assurance on their reports, 67% engage an accountancy firm to do so — a percentage nearly three times greater than the percentage of other assurance providers.

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.



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 audiences.

Assuring sustainability information results in improved systems and processes surrounding collection of sustainability data and ultimately more reliable information.

Producing reliable sustainability information in turn results in:

- Increased stakeholder confidence in the information
- Improved decision-making by the organization

Other key competitive benefits that result include:

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



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.

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

- Education and experience requirements, specialized training, and strict adherence to accountancy laws and professional code of conduct
- 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 for collecting, analyzing and reporting information
- Risk management experience
- Proven experience incorporating the necessary specialists into assurance engagements to deliver seamless services — similar to the manner in which this is done in audits of financial statements

- 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 to when they assured Royal Dutch Shell's first sustainability report, *Profits and Principles — Does There Have To Be A Choice*, more than 15 years ago.

CPAs have further demonstrated their role as pioneers in sustainability's evolution through a number of key leadership positions, including serving as founding members of many of the worlds 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) and Sustainability Accounting Standards Board (SASB).

The results of the profession's specialized 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.

