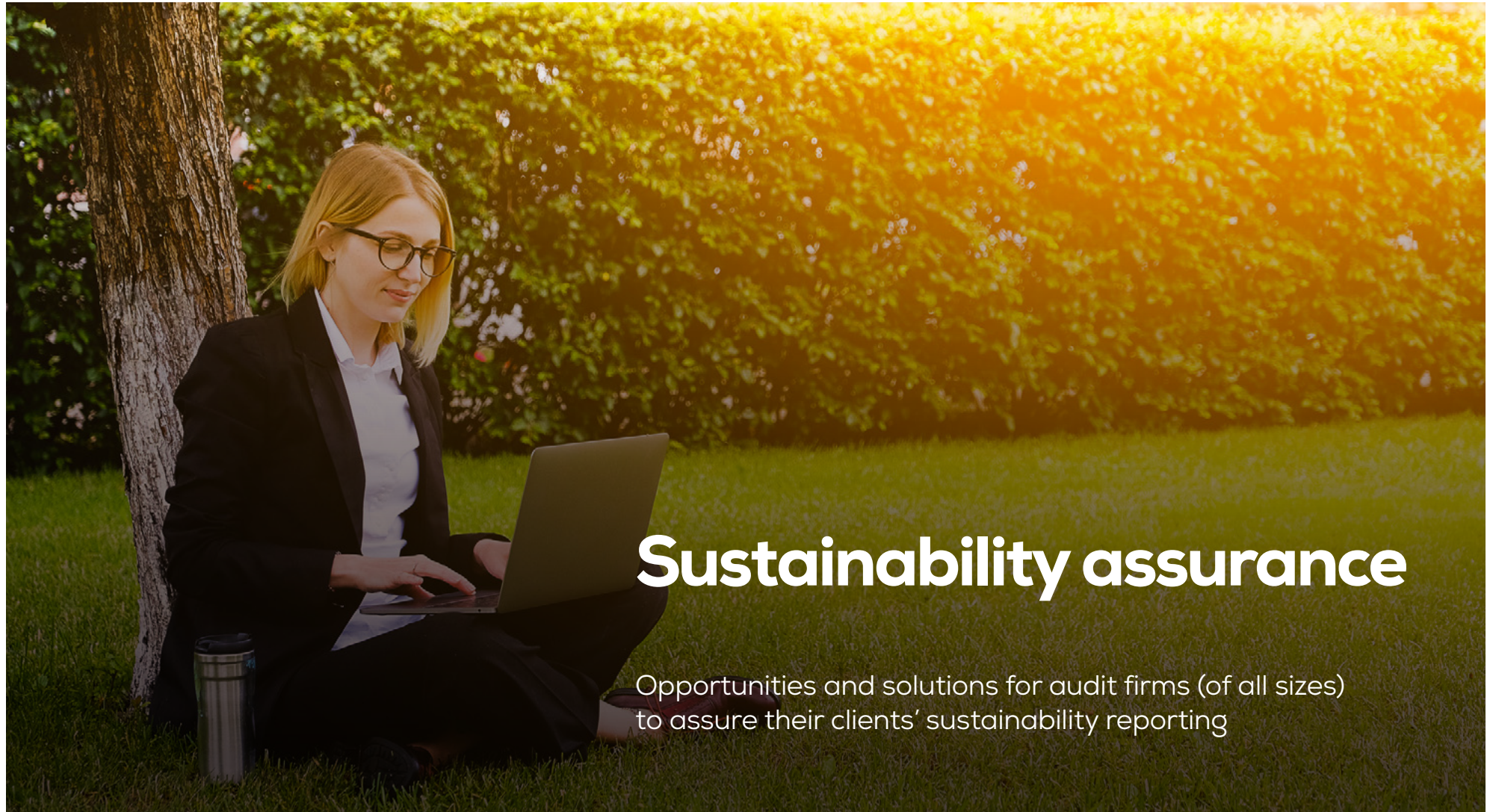


- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. Getting started >
- 5. The current sustainability reporting and assurance landscape >
- 6. Resources >
- 7. Acknowledgements >



Sustainability assurance

Opportunities and solutions for audit firms (of all sizes) to assure their clients' sustainability reporting

- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. Getting started >
- 5. The current sustainability reporting and assurance landscape >
- 6. Resources >
- 7. Acknowledgements >

1. Foreword



Adapting to a changing world

Widespread assurance of sustainability reporting could be the biggest shift (and opportunity) the auditing profession has experienced since the introduction of International Financial Reporting Standards (IFRS).

Sustainability reporting, in various forms, has been around for decades and some chartered accountants were early adopters, getting involved in preparation, assurance and even developing the frameworks. Now the demand for sustainability reporting and assurance, and its globalisation, has reached a tipping point – in just the next few years we will likely see it come into the mainstream including for small and medium enterprises (SMEs).

Chartered accountants are perfectly positioned

In the 2000s, the arrival of IFRS sent a wave of change towards chartered accountants in Australia, New Zealand, and many other nations. As time went by, more and more preparers and assurers of financial reports adopted new ways of working, and adapted their existing frameworks and processes, to meet IFRS requirements.

Like any major change, the process was not always smooth, and it took time. But eventually, more than 140 countries adopted IFRS, giving market participants

greater transparency, comparability, and quality financial information. On the back of this, international business expanded and global economies grew.

Our profession was ideally equipped to steer organisations of all sizes through their IFRS journeys. Along the way, many Australian and New Zealand chartered accountants discovered new business and career opportunities, too.

In 20 years' time, it's probable, I believe that a chief executive of Chartered Accountants Australia and New Zealand (CA ANZ) will write a remarkably similar description of how chartered accountants adopted and adapted to a core role in sustainability reporting and assurance.

But that's not guaranteed.

Today, there is a once-in-a-generation opportunity for audit firms to put down a marker and make sustainability assurance their domain. Our profession has skills, expertise

"Today, there is a once-in-a-generation opportunity for audit firms to put down a marker and make sustainability assurance their domain."

and ethics that are essential for transparent, robust sustainability reporting and assurance. We need to demonstrate the value and importance of these pieces of the puzzle, and work effectively together with scientists, engineers and other experts who bring equally critical knowledge.

The social and economic benefits could be transformational if organisations' sustainability reporting has greater transparency, comparability, and quality. And that will depend upon reliable and independent assurance. The kind of assurance for which chartered accountants are renowned.

A playbook to help get you started

In this CA ANZ playbook, tailored for small and medium audit firms, we offer some suggestions for how to get started on sustainability assurance. We explain how the sustainability reporting and assurance landscape is evolving. And we share experiences and insights from several chartered accountants who have already embarked on the sustainability assurance journey.

Ainslie van Onselen
CEO
Chartered Accountants Australia and New Zealand

- 1. Foreword >
- 2. Sustainability assurance explained >
- Sustainability outcomes >
- Many sustainability areas can be assured >
- 3. Case study >
- 4. Getting started >
- 5. The current sustainability reporting and assurance landscape >
- 6. Resources >
- 7. Acknowledgements >

2. Sustainability assurance explained

Sustainability outcomes

Environmental, Social and Governance (ESG) reporting. Extended external reporting. Triple bottom line reporting. Integrated reporting. Broad based business reporting.

There is no shortage of terms to describe non-financial reporting. For the purposes of this playbook, we will consistently refer to 'sustainability reporting', because 'sustainability' is now widely used and understood in professional and technical publications, business, political and community sectors.

While sustainability does not include all non-financial topics, it does capture environmental issues (e.g. climate change, resource scarcity), social aspects (e.g. human rights, fair trade, community health and welfare) and governance matters (e.g. corporate disclosures, anti-corruption, anti-money laundering).

More than ever, organisations are developing sustainability strategies to create value over the long term for their stakeholders (e.g. employees, customers, suppliers, investors, community groups) and to deliver positive outcomes for society and the environment. These stakeholders expect organisations to be increasingly open and transparent about sustainability performance – which is where chartered accountants' reporting and assurance skills come in.

Importantly, sustainability is not just the domain of large corporates. All organisations have stakeholders and focusing on sustainability reporting allows decision-makers to anticipate and respond to their stakeholders' needs. For example, many small businesses have large corporate customers, which means they form part of a supply chain. Large organisations are increasingly seeking more information about the sustainability outcomes from their supply chains – and making purchasing decisions informed by what they find. So, increasingly SMEs will share their sustainability outcomes as part of doing business, even if many SMEs do not have mandatory sustainability reporting requirements.



Read more

This [CA ANZ playbook](#) explores sustainability for SMEs.

“Increasingly SMEs will need to share their sustainability outcomes as part of doing business.”



- 1. Foreword >
- 2. Sustainability assurance explained >
- Sustainability outcomes >
- Many sustainability areas can be assured >
- 3. Case study >
- 4. Getting started >
- 5. The current sustainability reporting and assurance landscape >
- 6. Resources >
- 7. Acknowledgements >

2. Sustainability assurance explained (continued)

Many sustainability areas can be assured

At the CA ANZ 2022 Australian Audit and Accounting Conference, KPMG's Jennifer Travers CA shared the following examples of sustainability topics that can be assured.



Health

- Occupational illness
- Occupational exposures
- Health culture



Safety

- Injuries (total and by types)
- Exposure hours
- Injury rates
- Safety risk management
- Safety culture



Environment

- Greenhouse gas emissions
- Climate risk
- Energy use
- Water
- Waste
- Biodiversity



Community

- Community investment
- Community complaints
- Human rights and modern slavery (e.g. supply audits)
- Cultural heritage



People

- Diversity and inclusion
- Employee and contractor hours
- Training and education
- Employment benefits



Economic & governance

- Production
- Production intensity
- Direct economic contribution
- Procurement practices
- Anti-corruption



Read more

This [recent Acuity article](#) explores responsible investing.

- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- Sustainability reporting in action >
- 4. Getting started >
- 5. The current sustainability reporting and assurance landscape >
- 6. Resources >
- 7. Acknowledgements >

3. Case study

Sustainability reporting in action

More and more organisations are setting targets to achieve net zero carbon emissions. Former auditor Miranda Siu CA has seen this first-hand. She assists organisations to understand transition risks and co-design a carbon disclosure roadmap. Siu's work underpins the carbon footprint numbers that are included in annual reports and sustainability reports, before these numbers are externally assured.

Siu says her grounding in audit helped her make the switch from financial reporting to carbon reporting, for several reasons:

"Firstly, the carbon accounting side of a business should reflect the financial side of the business, and my accounting background means I understand how a company or corporation is set up financially. I'm comfortable looking at general ledger data extracts and so forth.

"Secondly, when I think back to my audit days, so much of my work was looking at client data points from various systems, then analysing and verifying that data. Auditors have the attention to detail; we routinely do the calculations, check for errors, manipulate data in Excel, etc. And that's exactly what carbon accounting requires too.

"Thirdly, carbon accounting is all about interpretation. As auditors, we've read accounting standards and taxonomies and we've had to interpret those. That experience is transferable when you're interpreting

frameworks or guidance associated with the Greenhouse Gas Protocol, for example.

"Finally, chartered accountants know how to make the connection between the financial report and the users of that report. In carbon accounting it's just the same. You need to know what a 'true and fair view' looks like, and what is and is not 'material'. These concepts remain the same whether you're providing assurance of a financial report or carbon report."

"Sustainability reporting and assurance is coming, ready or not. Accountants who upskill now will make the transition much smoother for themselves, their colleagues, and their clients."

Miranda Siu CA, Sustainability consultant



Read more

This [Acuity](#) article features an interview with Miranda Siu CA.



- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. Getting started >
- Sustainability assurance is a change process >
- 1. Make someone in your firm accountable for sustainability assurance >
- 2. Speak with your clients >
- 3. Clarify what capabilities your firm requires >
- 4. Consider upskilling opportunities >
- 5. Partner with external specialists >
- 6. Maximise the benefits of your sustainability assurance services >
- 5. The current sustainability reporting and assurance landscape >
- 6. Resources >
- 7. Acknowledgements >

4. Getting started

Sustainability assurance is a change process

For many Australian and New Zealand organisations, the draft International Sustainability Standards Board (ISSB) reporting requirements (see next chapter for details) require a change process that is similar in significance to the introduction of IFRS, or digital transformation. As the demand for sustainability reporting rises, so too will the demand for high-quality, independent sustainability assurance.

So, audit firms need to start their own change process now to position themselves for sustainability assurance services.

We spoke with a number of chartered accountants who have begun the sustainability assurance journey in their practice and asked them to share their experiences and practical tips. We summarise their suggestions in this section of this playbook.

1. Make someone in your firm accountable for sustainability assurance

For many public practices, sustainability assurance will be new and – like any change – it will require research, learning, and time. Many of the chartered accountants we spoke with recommended giving someone in the firm responsibility to scope out possibilities and opportunities relating to sustainability assurance.

“This might be a partner or it could be someone earlier in their career,” explains Amir Ghandar FCA, Reporting and Assurance Leader at CA ANZ. “The important thing is that they are personally invested in bringing the firm into the sustainability space, and that they are supported by the firm. Their first task might be to research and prepare a business case, examining the viability of your firm providing its clients with sustainability assurance services.”

“The growth of sustainability assurance requires an informed, commercial discussion about the value and opportunities for audit firms.”

Matthew Green FCA, Partner, Mazars, Queensland



Watch

This Center for Audit Quality video [explains what sustainability assurance involves, and why it is so valuable for clients.](#)

- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. Getting started >
- Sustainability assurance is a change process >
- 1. Make someone in your firm accountable for sustainability assurance >
- 2. Speak with your clients >
- 3. Clarify what capabilities your firm requires >
- 4. Consider upskilling opportunities >
- 5. Partner with external specialists >
- 6. Maximise the benefits of your sustainability assurance services >
- 5. The current sustainability reporting and assurance landscape >
- 6. Resources >
- 7. Acknowledgements >

4. Getting started (continued)

2. Speak with your clients

As a trusted business partner, you already seek to understand your clients' operational and sustainability strategies. Enquiring about sustainability is a logical extension of this.

So, speak with your clients; listen to what their needs are now and talk about the future, too. Are they planning to disclose certain sustainability information and, if so, what are the sustainability issues and priorities? For many clients, such conversations should cover both risks and opportunities relating to sustainability reporting.

From a risk perspective, clients may be seeking to pre-empt investor requirements or comply with legislation or regulation. Clients might also be experiencing new expectations from stakeholders such as employees, customers and the communities in which they operate.

In terms of opportunity, clients could go above and beyond basic compliance. By voluntarily reporting and assuring their sustainability outcomes, clients might position themselves as leaders or preferred partners in the markets where they operate. Assuring sustainability information can help make their businesses attractive destinations for capital, customers and employees.

"Clients' sustainability issues vary across industries and geographies. For example, an audit firm in Perth, Australia might service small mining companies, whose sustainability priorities could be occupational health and safety and partnering with First Nations communities. Whereas an audit firm in Christchurch, New Zealand might service manufacturing clients whose sustainability priorities include energy use and waste management."

Melanie Scott FCA, Senior Policy Advocate – Reporting and Assurance, CA ANZ



Read more

On this web page, PwC Australia explains [how clients benefit from ESG reporting and assurance](#).

4. Getting started (continued)

- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. Getting started >
- Sustainability assurance is a change process >
- 1. Make someone in your firm accountable for sustainability assurance >
- 2. Speak with your clients >
- 3. Clarify what capabilities your firm requires >
- 4. Consider upskilling opportunities >
- 5. Partner with external specialists >
- 6. Maximise the benefits of your sustainability assurance services >
- 5. The current sustainability reporting and assurance landscape >
- 6. Resources >
- 7. Acknowledgements >

3. Clarify what capabilities your firm requires

To deliver sustainability assurance services, audit firms are likely to require a mix of new and existing capabilities. Practices can clarify the capability gap by answering questions such as:

- What sustainability assurance services do our clients need from us now and what might they need in the future?
- For our practice to meet those needs, what skills, knowledge and capabilities would our audit team require?
- Which of these capabilities do we already have within our practice?
- Which of these capabilities do we need to acquire?

Here, it is important not to underestimate or overlook the existing strengths in your practice. Many experienced auditors have transferable skills and knowledge such as understanding risk-based approaches, sampling, analytical procedures, comparing data, identifying exceptions/anomalies, developing expectations, leading teams of external specialists and managing internal staff. They also have personal qualities that can add value, such as an enquiring mind, ability to synthesise information, being effective communicators, etc.

Additionally, there may be subject-matter knowledge that the firm does not yet have. For example, assurance of environmental reporting might require an understanding of how Scope 1, 2 and 3 greenhouse gas emissions are measured. The important part is identifying what the missing skills and capabilities are now, so that you can start seeking and securing these (see below).



Read more

This *Journal Of Accountancy* article outlines [what auditors need to know about sustainability issues](#).

“It takes time to build detailed knowledge and experience in an audit firm, however there is always the potential to bridge the gap between auditing financial information and auditing sustainability information. This might include a process of upskilling within the firm, hiring external sustainability experts to join the firm or another key option may involve forming strategic partnerships with specialised sustainability consulting firms.”

Steven Watson FCA, Managing Director,
National Audits Group, NSW

- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. Getting started >
- Sustainability assurance is a change process >
- 1. Make someone in your firm accountable for sustainability assurance >
- 2. Speak with your clients >
- 3. Clarify what capabilities your firm requires >
- 4. Consider upskilling opportunities >
- 5. Partner with external specialists >
- 6. Maximise the benefits of your sustainability assurance services >
- 5. The current sustainability reporting and assurance landscape >
- 6. Resources >
- 7. Acknowledgements >

4. Getting started (continued)

4. Consider upskilling opportunities

While sustainability assurance is still an emerging area of specialty, there are already training and development opportunities to bring chartered accountants up to speed. The Chartered Accountants Program covers the assurance of non-financial information including sustainability assurance in its elective Assurance module, and more about sustainability can be learned in the seven-week elective Sustainability For Accountants module. Importantly, both modules are open to qualified chartered accountants, as well as CA Program provisional members.

“With stakeholder expectations changing all the time, sustainability reporting and assurance will continue to be a multi-faceted and fast-moving area. The [CA ANZ website](#) and [technical newsletters](#) provide regular updates on developments in non-financial reporting and assurance standards.”

Melanie Scott FCA, Senior Policy Advocate – Reporting and Assurance, CA ANZ



Read more

Learn about the CA Program [Assurance module](#), and the [Sustainability For Accountants module](#).



4. Getting started (continued)

- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. **Getting started** >
- Sustainability assurance is a change process >
- 1. Make someone in your firm accountable for sustainability assurance >
- 2. Speak with your clients >
- 3. Clarify what capabilities your firm requires >
- 4. Consider upskilling opportunities >
- 5. **Partner with external specialists** >
- 6. Maximise the benefits of your sustainability assurance services >
- 5. The current sustainability reporting and assurance landscape >
- 6. Resources >
- 7. Acknowledgements >

5. Partner with external specialists

Importantly, audit firms do not need to 'reinvent the wheel' and become experts in every facet of sustainability. Instead, as leaders in the field of assurance, chartered accountants are ideally placed to lead multi-disciplinary teams on audit engagements in sustainability matters. Collaborating with external subject matter experts (e.g. environmental engineers, human resources specialists, procurement/supply chain consultants, etc), auditors can provide the necessary quality management, independence, and ethical grounding that clients need. Chartered accountants are also perfectly placed to help clients understand and interpret the financial impacts of sustainability issues.

"Many talented people from a broad range of disciplines and professions contribute to our non-financial assurance work. The range of skills our people have contributes to the quality and the richness of the work we do."

Alison Brown FCA, Assistant Auditor-General, Financial Audit, Audit Office of NSW

"As with any new engagement service, firms need to evaluate their available skill sets and manage the risks of providing these services. Firms have done this before for SMSF audits and other new compliance engagements, so the broad approach will already be familiar to many."

John Ngiam CA, Senior Policy Advocate – Reporting and Assurance, CA ANZ



Read more

This ICAEW article identifies 10 questions auditors should ask before accepting an ESG assurance engagement.

4. Getting started (continued)

- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. Getting started >
 - Sustainability assurance is a change process >
 - 1. Make someone in your firm accountable for sustainability assurance >
 - 2. Speak with your clients >
 - 3. Clarify what capabilities your firm requires >
 - 4. Consider upskilling opportunities >
 - 5. Partner with external specialists >
 - 6. Maximise the benefits of your sustainability assurance services >
- 5. The current sustainability reporting and assurance landscape >
- 6. Resources >
- 7. Acknowledgements >

6. Maximise the benefits of your sustainability assurance services

For public practices, the benefit of providing sustainability assurance extends beyond attracting and retaining clients. It can also help attract and retain young audit professionals.

Recent Robert Half research indicated that 47% of workers aged under 35 would look for a new role if they thought their employer was not committed to genuine sustainability action. As *The HR Director* reflected: "It shows sustainability is becoming an essential part of recruitment and retention, particularly among younger workers."

CA ANZ's Amir Ghandar FCA adds: "Anecdotally, members have told us that job advertisements that mention 'sustainability' often attract higher numbers of job applicants. There's a genuine appetite among young accountants to use their skills to make a positive difference."

"The new cohorts of talent entering the audit profession are particularly motivated by sustainability issues. If you can offer potential new recruits the prospect of training and working on sustainability assurance engagements, that can be a powerful differentiator in the jobs market. From standard setters to users, a realisation that there is a need for reliable, sustainability assurance is very much front of mind. This emerging framework coupled with an increasingly 'sustainability savvy' workforce means there has to be genuine delivery when it comes to sustainability reporting."

Steve Hayes CA, Audit Partner, RSM, Auckland



Read more

This CA ANZ playbook offers practical tips for attracting and retaining audit talent.

- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. Getting started >
- 5. The current sustainability reporting and assurance landscape >**
 - Sustainability reporting and assurance today (and tomorrow) >
 - Three main categories of reporting
 - 1. Broad sustainability reporting >
 - 2. Climate reporting >
 - 3. Other sustainability 'subject specific' reporting >
 - Sustainability assurance standards >
 - Clients and their stakeholders expect integrity >
 - Helping clients get started >
- 6. Resources >
- 7. Acknowledgements >

5. The current sustainability reporting and assurance landscape

Sustainability reporting and assurance today (and tomorrow)

Australia and New Zealand do not yet have national approaches to sustainability reporting, or assurance. That is not surprising, given the wide variety of organisational outputs that sit beneath the sustainability umbrella. But with the emergence of international and jurisdiction-specific efforts, this is set to change. Reporting and assurance will likely become more mainstream, more codified, and possibly mandated in the coming few years.

Currently, there is a diverse range of legislation and guidance in place and/or being developed by government and different industry bodies. In this section of our playbook, we explain some common standards and frameworks for preparers and assurers of sustainability information. We also reflect on where this is heading in future.

“For chartered accountants, sustainability reporting and assurance requirements are almost an extension of the financial reporting and assurance work that our profession is already familiar with. There’s a lot of crossover in method and approach.”

Miranda Siu CA, sustainability consultant



Read more

[Amir Ghandar FCA's recent CA ANZ article](#) summarises major developments in the sustainability reporting and assurance landscape.



5. The current sustainability reporting and assurance landscape (continued)

- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. Getting started >
- 5. **The current sustainability reporting and assurance landscape** >
 - Sustainability reporting and assurance today (and tomorrow) >
 - Three main categories of reporting**
 - 1. **Broad sustainability reporting** >
 - 2. Climate reporting >
 - 3. Other sustainability 'subject specific' reporting >
 - Sustainability assurance standards >
 - Clients and their stakeholders expect integrity >
 - Helping clients get started >
- 6. Resources >
- 7. Acknowledgements >

Three main categories of reporting

1. Broad sustainability reporting

Globally, various reporting frameworks and standards are currently used to report organisations' broad sustainability impacts. Perhaps the best known are those provided by the [Global Reporting Initiative](#), containing a modular system of interconnected standards. These include [universal standards](#), as well as standards tailored for [specific industry sectors](#) (e.g. resources, agriculture) and topic standards.

There are now major steps being made to consolidate and unify sustainability reporting standards and frameworks to provide greater consistency and comparability across borders, organisations and industries. At the COP26 Summit in Glasgow last year, the IFRS Foundation formed the [International Sustainability Standards Board \(ISSB\)](#), a board that is currently developing standards for disclosure of sustainability-related financial information, and climate-related disclosures.

The International Public Sector Accounting Standards Board (IPSASB) is also [consulting on a sustainability reporting framework for the public sector](#).

Closer to home, the External Reporting Board (XRB) in New Zealand is [developing a sustainability reporting framework](#), drawn from [He Ara Waiora](#), to facilitate entities reporting the intergenerational and interconnected impact of their activities.

"The formation of the ISSB is a really tangible step towards international consensus. At the moment, many entities are voluntarily reporting because stakeholders are demanding it but they don't all undergo assurance. Under the new ISSB regime, information which is reported will inevitably require assurance to be credible."

Bill Edge FCA, former PwC Australia partner, currently AUASB chair and IAASB member

Listen



This recent PwC US podcast interview explains what the [Global Reporting Initiative](#) is, where it's heading, and how organisations should develop their [ESG reporting](#).

Read more



This web page explains [New Zealand Treasury's sustainability framework](#), which takes a tikanga-based approach to wellbeing.

This guide, [created by A4S and its Accounting Bodies Network](#), offers a brief introduction to the corporate reporting landscape.

- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. Getting started >
- 5. **The current sustainability reporting and assurance landscape** >
- Sustainability reporting and assurance today (and tomorrow) >
- Three main categories of reporting
 - 1. Broad sustainability reporting >
 - 2. **Climate reporting** >
 - 3. Other sustainability 'subject specific' reporting >
- Sustainability assurance standards >
- Clients and their stakeholders expect integrity >
- Helping clients get started >
- 6. Resources >
- 7. Acknowledgements >

5. The current sustainability reporting and assurance landscape (continued)

2. Climate reporting

Given the wave of international concern over human-induced climate change, it is no surprise that climate-related reporting is one of the fastest-growing areas of sustainability reporting.

Internationally, the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) released recommendations in 2017 to help organisations disclose climate-related financial risks to investors, lenders, and insurers. The TCFD's recommended disclosures are still widely considered the benchmark for standard setters.

As part of its move to achieve global consistency, the ISSB has [proposed standards on climate-related financial disclosures](#) that are aligned to the TCFD. The ISSB's proposed standards will likely include industry-specific disclosure requirements for groups of industries. Once issued, the standards will allow users to assess climate-related risks and opportunities with respect to an organisation's governance, strategy and risk-management as well as metrics and targets.

In New Zealand, the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021, paves the way for the [XRB to develop a climate-related disclosure framework](#). For reporting periods beginning on or after 1 January 2023, climate reporting entities will be required to prepare a climate statement in accordance with climate standards issued by the XRB.

In Australia, the [AASB has expressed support](#) for the voluntary adoption of the TCFD recommendations, as well as the ISSB's moves towards global harmonisation of climate-related disclosures.

For some Australian organisations, greenhouse gas emission disclosures are already part of business as usual. The [Clean Energy Regulator](#) was established in 2012, with its role determined by the climate change law. One of the schemes it administers is the [National Greenhouse and Energy Reporting \(NGER\) scheme](#).

The NGER scheme is a single national framework for reporting information on greenhouse gas emissions, production and consumption of energy and other information required by the relevant legislation. While it is not a standard setter, the regulator ensures that certain entities are keeping records on their activities.

"We work with clients to develop climate strategies, disclose progress on those strategies using TCFD reports, or assuring those reports. The TCFD report has 11 recommended disclosures across four pillars; that information covers some straightforward metrics, measures and targets. It should include the organisation's actions and achievements in a given year. It can also cover less straightforward information such as offset strategies for carbon units, physical risks around climate change, and transitional risks. An organisation can also choose additional frameworks depending on its issues/geography, such as Australia's NGER scheme or Corporate Emissions Reduction Transparency reporting."

Adrian King CA, Partner, Climate Change & Sustainability, KPMG Australia, Victoria



Read more

This CA ANZ web page [explains the TCFD recommendations](#), while this CA ANZ web page [explains the significance of climate-related risks for businesses](#).



Watch

Watch a recent AASB video discussion about [TCFD Implementation \(aasb.gov.au\)](#) implementing the Taskforce on Climate-related Financial Disclosures.

- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. Getting started >
- 5. **The current sustainability reporting and assurance landscape** >
- Sustainability reporting and assurance today (and tomorrow) >
- Three main categories of reporting
 - 1. Broad sustainability reporting >
 - 2. Climate reporting >
 - 3. **Other sustainability 'subject specific' reporting** >
- Sustainability assurance standards >
- Clients and their stakeholders expect integrity >
- Helping clients get started >
- 6. Resources >
- 7. Acknowledgements >

5. The current sustainability reporting and assurance landscape (continued)

3. Other sustainability 'subject specific' reporting

There are an increasing number of reporting standards and frameworks that broadly sit within the 'sustainability' remit, relating to specific subject areas. These are evolving all the time, and include subjects such as [modern slavery](#), [biodiversity impacts](#), [gender pay gap](#), [anti-money laundering](#), and more. Naturally, these vary in terms of priority and relevance, depending on the type, size and geography of the organisation making the disclosures.

"As preparers and assurers, our profession has a unique opportunity to drive greater consistency in the reporting and assurance relating to sustainability matters. Currently momentum in sustainability reporting is primarily being driven by large publicly listed entities and financial services organisations where climate-related disclosures will be mandatory. That said, many public sector and medium-sized private sector entities are experiencing increased stakeholder demand for a greater level of sustainability disclosures. While it may not be mandatory yet, the expectations of the market and stakeholders are mounting."

David Borrie CA, Assurance Partner, EY New Zealand, Wellington

Listen



Episodes four and five of the *Acuity* podcast discuss how accountants can play an instrumental part in climate action.

[Episodes four and five of the *Acuity* podcast.](#)

Keeping up to date

This playbook contains a top-level summary of sustainability reporting and assurance developments as of September 2022. However, the landscape will keep evolving and auditors can keep up to date via [regular audit and assurance news from Chartered Accountants ANZ](#). AUASB chair and IAASB member, Bill Edge FCA points out: "In standards-setting terms, the pace of change internationally is moving at lightning pace, and that's set to continue."

5. The current sustainability reporting and assurance landscape (continued)

- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. Getting started >
- 5. **The current sustainability reporting and assurance landscape** >
- Sustainability reporting and assurance today (and tomorrow) >
- Three main categories of reporting
 - 1. Broad sustainability reporting >
 - 2. Climate reporting >
 - 3. Other sustainability 'subject specific' reporting >
- Sustainability assurance standards** >
- Clients and their stakeholders expect integrity >
- Helping clients get started >
- 6. Resources >
- 7. Acknowledgements >

Sustainability assurance standards

As we have outlined in the previous section, stakeholders are increasingly demanding high-quality, rigorous reporting in more and more sustainability subjects. That is leading to growing demand for assurance around such reporting.

Sustainability assurance typically takes the form of either a limited assurance engagement or a reasonable assurance engagement. The higher the level of assurance provided, the more confidence users can have in the information being assured.

It's therefore important for auditors to explain to clients what the differences are between 'limited' and 'reasonable' assurance. This may include a discussion of who the intended users of the sustainability information are, and what level of assurance those users require.

Like any other assurance engagement, auditors require standards to work from. With sustainability, this can be challenging due to the breadth of different types of sustainability topics. But the International Auditing and Assurance Standards Board (IAASB) has a framework in place to provide the basis to assure non-financial matters in *ISAE 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (and a suite of standards beneath it). This flexible assurance framework sets a high bar for sustainability assurance.

While other assurance frameworks do exist in the marketplace (including those from AccountAbility and the International Organization for Standardization) for the purposes of this CA ANZ playbook, we concentrate on ISAE 3000.

As AUASB chair and IAASB member Bill Edge FCA explains, "ISAE 3000 provides an assurance framework. Auditors can apply this process to a range of specific sustainability matters and topics." Alison Brown FCA from the Audit Office of New South Wales adds: "ISAE 3000 is a robust assurance framework that underpins the specific standards dealing with non-financial audits of efficiency, effectiveness, and compliance with laws and regulations. Our reports to Parliament that are based on these standards are able to tell the full story."

The IAASB issued a more specific standard; ISAE 3410 *Assurance Engagements on Greenhouse Gas Statements* in 2012 which was adopted in both Australia and New Zealand. In June 2022, the IAASB supported development of a "stand-alone standard" consistent with ISAE 3000 for assurance over sustainability reporting. While the standard's development is in the early stages, the IAASB's commitment demonstrates the consensus among stakeholders about the importance of sustainability assurance.

In Australia, ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* is applied for assurance engagements relating to the NGER scheme. The Clean Energy Regulator regulates and registers greenhouse gas (and energy) auditors.

In New Zealand, an assurance engagement is required over parts of the climate statement relating to greenhouse gas emissions. To facilitate the assurance of greenhouse gas emissions disclosures, the XRB is analysing the appropriateness of ISAE (NZ) 3410 Assurance Engagements on Greenhouse Gas Statements for the purpose of this regime.

"The IAASB has published useful non-authoritative guidance for ISAE 3000, on extended external reporting assurance engagements plus another guide which contains detailed, illustrative examples on how to apply ISAE 3000 in practice."

John Ngiam CA, Senior Policy Advocate – Reporting and Assurance, CA ANZ

Read more



Access the XRB's explanatory guidance to external extended reporting in New Zealand. Visit the AUASB's website for guidance on external extended reporting in Australia. And visit the ICAEW's information hub for ESG assurance and read the ICAEW's article explaining what assurance opinions can be given on ESG metrics under ISAE 3000.

5. The current sustainability reporting and assurance landscape (continued)

- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. Getting started >
- 5. **The current sustainability reporting and assurance landscape** >
- Sustainability reporting and assurance today (and tomorrow) >
- Three main categories of reporting
 - 1. Broad sustainability reporting >
 - 2. Climate reporting >
 - 3. Other sustainability 'subject specific' reporting >
- Sustainability assurance standards >
- Clients and their stakeholders expect integrity** >
- Helping clients get started** >
- 6. Resources >
- 7. Acknowledgements >

Clients and their stakeholders expect integrity

When it comes to disclosing an organisation's sustainability outcomes, stakeholder confidence is paramount. But that confidence can be undermined by practices such as greenwashing, where a business masks its detrimental environmental impacts with token gestures, unsubstantiated claims, and/or marketing decoys.

Chartered accountants are perfectly placed to satisfy stakeholders' need for trust and integrity in sustainability reporting and assurance. As well as adhering to the profession's Code of Ethics, auditors who are members of CA ANZ are well-versed in independence, professional scepticism, and judgement. Their ability to assess the accuracy and completeness of information can be invaluable in sustainability assurance engagements. The International Ethical Standards Board for Accountants (IESBA) has committed to developing ethics and independence standards for relevant and trusted sustainability reporting.

Sustainability assurance requires auditors to demonstrate the same independence as required for traditional financial assurance. The Code of Ethics still applies, and auditors should consider all the principles of this. But, in most cases, conducting a sustainability assurance engagement for an existing financial audit client will not present a conflict of interest, nor threaten independence. In fact, they are complementary. Understanding a client's broader business context can actually assist auditors in delivering effective financial and non-financial assurance.

"When assuring an organisation's climate-related financial disclosures, part of the task is making sure that the organisation is following the TCFD guidance. For assurers the challenge is: Has the organisation disclosed the material information? Is the organisation telling part of the story or all of it? And is the information accurate? The audit process can give management, board and other stakeholders confidence that this information reflects what is really happening within the organisation; instead of just a set of 'nice-to-have announcements' to get them through an AGM."

Adrian King CA, Partner, Climate Change & Sustainability, KPMG Australia, Victoria

Helping clients get started

For clients who are new to sustainability assurance, KPMG Australia's Jennifer Travers CA says a readiness review can be a useful first step. "Essentially, this involves looking at the client's current reporting policies and procedures, identifying any gaps in their controls, and providing observations to address these. You can show clients the kinds of documentation and robust evidence that an organisation needs to have in place in order for it to be audited.

For independence reasons, you need to be careful not to provide too much detail in aggregate or take on management responsibility but, if you can identify areas of weakness, then that gives the client an opportunity to address these in readiness for an audit. Be mindful of the self-review threat, but so long as your readiness review avoids too much detail then you shouldn't preclude yourself from being able to do the assurance engagement later on."

Watch



At the CA ANZ 2022 Australian Audit and Accounting Conference, Jennifer Travers CA provided an invaluable and detailed outline of technical issues that auditors should consider when conducting ESG assurance engagements. [The video is available here.](#)

- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. Getting started >
- 5. The current sustainability reporting and assurance landscape >
- 6. Resources >
- 7. Acknowledgements >

6. Resources

Find out more about sustainability assurance

Regular updates

- CA ANZ: [Subscribe to Reporting and Assurance News](#) (My CA login required)

Guides and reports

- IAASB: [Guide to ISAE 3000](#)
- AUASB: [Local guidance for ISAE 3000](#)
- XRB: [Local guidance for ISAE 3000](#)
- CA ANZ: [ESG, ethics and artificial intelligence](#)
- CA ANZ: [Attracting and retaining audit talent](#)

Web pages

- XRB: [New Zealand assurance standards](#)
- BDO: [Sustainability resources](#)
- AUASB: [Australian assurance standards](#)
- CA ANZ: [Audit and assurance news](#)
- CA ANZ: [News for accountants on anti-money laundering](#)
- CA ANZ: [News for accountants on sustainable business](#)
- CA ANZ: [News for accountants on modern slavery](#)
- CA ANZ: [News for accountants on climate change mitigation and adaption](#)
- Accounting for Sustainability: [Global accounting initiative to make business more sustainable](#)

Videos

- AASB: [TCFD implementation webinar](#)
- CA ANZ: [Climate risks and new recommendations webinar](#)

Podcasts

- CA ANZ: [Small Firm, Big Impact podcast mini-series](#) (see episode 9)
- CA ANZ: [Acuity podcast about accountants leading the climate revolution](#) (see episodes 4 and 5)
- EY: [Auditing ESG reports on climate change and sustainability](#)
- KPMG: [Demystifying ESG assurance](#)
- Deloitte: [Assurance partners discuss ESG trends](#)
- PwC: [ESG podcast series](#)

Articles

- CA ANZ: [The business case for diversity](#)
- CA ANZ: [Careers in environmental accounting](#)
- CA ANZ: [Sustainability and accountants](#)
- CA ANZ: [What role do CAs play in creating a more sustainable future?](#)
- CA ANZ: [Real-life case studies of CAs making a difference on climate change](#)

- 1. Foreword >
- 2. Sustainability assurance explained >
- 3. Case study >
- 4. Getting started >
- 5. Current sustainability reporting and assurance landscape >
- 6. Resources >
- 7. Acknowledgements >

7. Acknowledgements

Thank you

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