Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

UNCTAD-ISAR – WBCSD Webinar
Assurance on sustainability reports: current practices and challenges

Tuesday, 16 June 2020

Presented by

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PwC

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Assurance on sustainability reports: current practices and challenges

Hilary Eastman, CFA, PwC Head of Global Investor Engagement
There are numerous reporting standards and frameworks
Are companies and investors spoiled for choice?

...and many, many more...
Integration is increasing, but disclosure quality is not

Global growth of sustainable investing strategies 2016-2018

<table>
<thead>
<tr>
<th>Strategy</th>
<th>2018</th>
<th>2016</th>
<th>Growth 2016-18</th>
<th>CAGR 2016-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact/community investing</td>
<td>$444.26</td>
<td>$248.47</td>
<td>79%</td>
<td>33.7%</td>
</tr>
<tr>
<td>Sustainability themed investing</td>
<td>$1,017.66</td>
<td>$276.16</td>
<td>269%</td>
<td>92.0%</td>
</tr>
<tr>
<td>Positive/best-in-class-screening</td>
<td>$1,841.87</td>
<td>$818.01</td>
<td>125%</td>
<td>50.1%</td>
</tr>
<tr>
<td>Norms-based screening</td>
<td>$4,679.44</td>
<td>$6,195.40</td>
<td>-24%</td>
<td>-13.1%</td>
</tr>
<tr>
<td>Corporate engagement/engagement shareholder action</td>
<td>$9,834.59</td>
<td>$8,385.17</td>
<td>17%</td>
<td>8.3%</td>
</tr>
<tr>
<td>ESG integration</td>
<td>$17,543.81</td>
<td>$10,353.20</td>
<td>69%</td>
<td>30.2%</td>
</tr>
<tr>
<td>Negative/exclusionary screening</td>
<td>$19,770.96</td>
<td>$15,063.57</td>
<td>31%</td>
<td>14.6%</td>
</tr>
</tbody>
</table>

Note: Asset values are expressed in billions.

Overall, how satisfied are you with the climate-related disclosure of publicly-traded companies?

- Very dissatisfied: 16%
- Somewhat dissatisfied: 19%
- Neither satisfied nor dissatisfied: 25%
- Somewhat satisfied: 40%
- Very satisfied: 2%

Do you believe that markets are consistently and correctly pricing climate risks into company and sector valuations?

- No: 11%
- Unsure: 87%
- Yes: 2%
Investors’ level of confidence depends on many factors
Investor views from WBCSD-PwC round tables

- **Perception of management and the board**
  - Through dialogue
  - Transparency in reporting
  - Competence demonstrated in presentations
  - Governance structures

- **Balance**
  - Narrative corroborates financial statements
  - Both positive and negative elements are disclosed

- **Plausibility**
  - Experience of company and sector
  - Comparison with peers
  - Consistency

- **Independent assurance**
  - Third party verification
  - Level of assurance
Investors prioritise assurance on the information they use
Investor views from WBCSD-PwC round tables

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<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Risks</td>
<td>Have all risks been identified and reported</td>
</tr>
<tr>
<td>2</td>
<td>Policies</td>
<td>Appropriateness of policies and whether they have been applied conservatively or aggressively</td>
</tr>
<tr>
<td>3</td>
<td>Internal controls and effectiveness of governance</td>
<td>Strengths and weaknesses</td>
</tr>
<tr>
<td>4</td>
<td>Metrics and valuation methodologies and calculations</td>
<td>Appropriateness, relevance to business model and strategy and correct application</td>
</tr>
<tr>
<td>5</td>
<td>Assumptions used for scenarios</td>
<td>Are scenarios and estimates reasonable and how sensitive are they to changing factors</td>
</tr>
<tr>
<td>6</td>
<td>Peer comparison</td>
<td>Third-party insight into how a company compares with its peers</td>
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</tbody>
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