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

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

Friday, 30 October 2020

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The Investor Perspective

**The Role of Assurance in Protecting Investors' Interests in
Rigorous and Reliable Corporate Disclosures and Commitments**

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30 OCTOBER 2020**

Three Trends Affecting Expansion of Assurance



Growing public and regulatory scrutiny of greenwashing



Investor use of sustainability disclosures is increasing, while confidence in disclosures is decreasing.

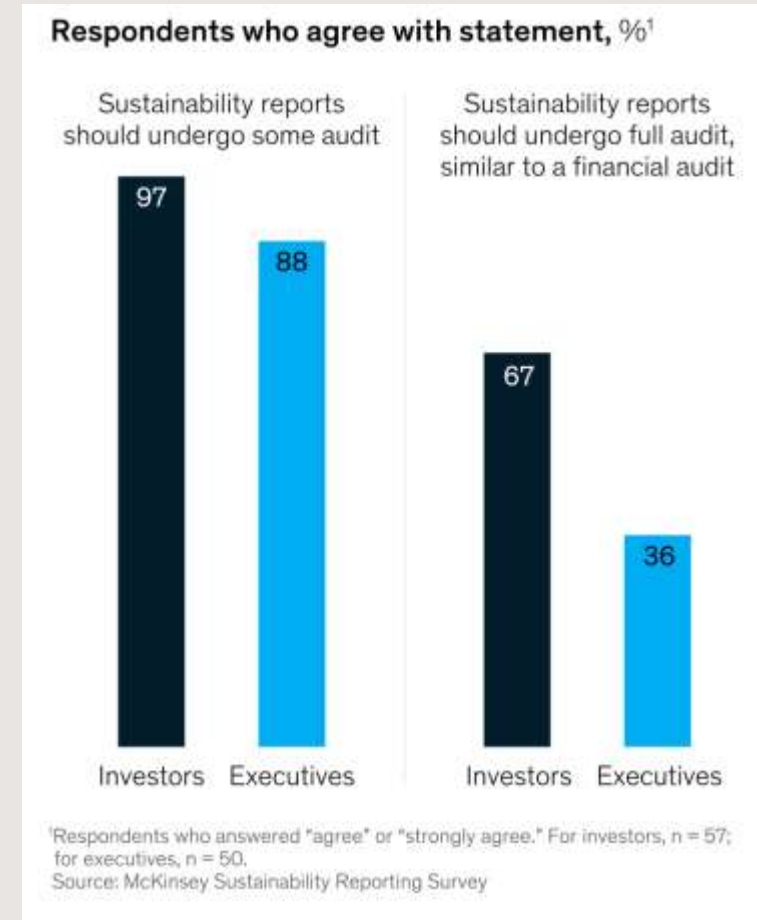


The coverage and depth of assurance over sustainability assurance is confusing and not meeting investor needs.

McKinsey survey on sustainability reporting

“Investors say they cannot readily use companies’ sustainability disclosures to inform investment decisions and advice accurately.”

"Investors also harbor doubts about corporate sustainability disclosures because few of them undergo third-party audits. Nearly all the investors we surveyed—97 percent—said that sustainability disclosures should be audited in some way, and 67 percent said that sustainability audits should be as rigorous as financial audits.”



Source: McKinsey, *More Than Values: the Value-Based Sustainability Reporting that Investors Want* (Aug. 2019).

The Fine Print Undermines Trust

“the subject matter has been assessed against [the company’s] Reporting Requirements and Definitions”

with no mention of suitability

“We did not review the narrative sections of the Report, except where they incorporated the Subject Matter.”

No “detailed testing of source data or the operating effectiveness of processes and internal controls. This provides less assurance and is substantially less in scope than a reasonable assurance engagement.”

The “scope of work did not include examinations of the underlying data systems, or the accuracy of the underlying data in systems operated by” the company.

The catalysts?

- + **Investor demand** through engagement, shareholder proposals and other private ordering
 - + Council of Institutional Investors, *Statement on Corporate Disclosure of Sustainability Performance*
 - + Environmental Defense Fund, *Hitting the Mark*
 - + The Ceres Roadmap for Sustainability
- + **Strategic board stewardship**: Investor confidence maximizes a board's opportunities for capital formation to execute on long-term plans
- + **Audit profession evolution**: Without government mandates, firms will need to compete on the basis of quality to sustain investor demand.

