

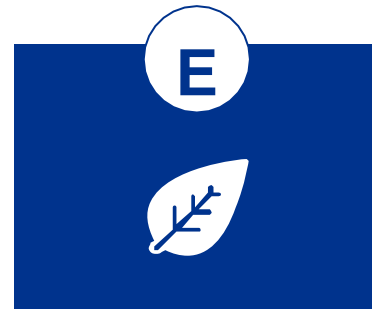


ICAEW ESG Assurance webinar

20 Oct 2021



What is ESG?



Environmental

Our impact on the world we live in

- Climate change
- Greenhouse gas (GHG) emissions
- Resource depletion, including water
- Waste and pollution
- Deforestation
- Hazardous materials
- Biodiversity



Social

Our contribution to the communities we operate in

- Working conditions, including slavery and child labour
- Impact on local communities
- Conflict regions
- Health and safety
- Employee relations and diversity
- Product mis-selling
- Data protection



Governance

Our license to operate

- Executive pay
- Bribery and corruption
- Political lobbying and donations
- Board diversity and structure
- Tax strategy
- Data breaches

Different groups will use alternate terms to discuss ESG, e.g.:

- Individual consumers – “Ethics”
- Organisations – “Sustainable”, “Responsible” or “Purpose”
- Capital Markets – “Transition to A Responsible Future”

ESG is good business

Sustainability = **Value Creation**

ESG isn't just the right thing to do, it's the commercially smart thing to do. It will generate returns, increase access to capital, and build resiliency against both market and external changes.

ESG Assurance

What have investors asked for?



“The goal should be to create standards that are designed to be assurable and will ultimately allow for the audit of sustainability information. IA members do not believe that the standards should be subject to mandatory audit at this stage. Nonetheless, in the long run, assurance should be the end target.”

The Investment Association (UK)
December 2020

The Investment Association response to the IFRS Foundation Sustainability Reporting Consultation, December 2020
<https://www.ifrs.org/projects/work-plan/sustainability-reporting/comment-letters-projects/consultation-paper-and-comment-letters/#comment-letters>

ESG Reporting and Assurance - challenges and opportunities

Challenges



Ownership of ESG reporting

- No clear ownership for ESG reporting
- Diversity in practice – Risk, Marketing or Finance led



Guidance/mandatory framework

- Many voluntary frameworks resulting in alphabet soup of disclosures
- Mandatory reporting has started but requirements are published in piecemeal.



Specialist resources for reporting

The current reporting teams do not have sufficient specialist knowledge



Data availability and appropriate systems and processes

Creates challenges for Assurance:

- ESG data located in multiple functions of the business with inconsistent levels of quality.
- Insufficient governance and control measures over the data produced internally for ESG reporting



Opportunities/What you can do



- Integrate ESG into overall strategy and business models to ensure better alignment of objectives and accountability.

- Consider most appropriate framework to source data and requirements to early identify gaps.
- Consider technology and potential third party providers to enhance data sourcing process.

- Diversify and broaden the scope for reporting teams.
- Train and upskill people.
- Consider ESG reporting skills in recruitment.

- Early engagement with stakeholders and assurance provider to assess data requirements
- Design and streamline Target Operating Model for ESG reporting.



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