

# The State of Play in Sustainability Assurance

ASEAN Federation of Accountants

Indonesian Institute of Certified Public Accountants

Japanese Institute of Certified Public Accountants



**IFAC**

**David Madon**

**Director**

**Sustainability, Policy, Regulation**

**April 26, 2022**

# BENCHMARKING GLOBAL PRACTICE

## THE STATE OF PLAY IN SUSTAINABILITY ASSURANCE



- Significant global attention is being devoted to issues around sustainability-related reporting and a movement towards global standards.
- Attention is turning towards bringing trust and confidence in this information through assurance.
- IFAC’s objective was to examine assurance practices related to sustainability/ESG disclosure and answer the following questions:
  - How many companies are obtaining assurance over their ESG disclosures?
  - What type of practitioner (audit firm or other service provider) is conducting the assurance engagement?
  - What type of assurance (limited, reasonable, or “other”) is being provided?
  - What standards are being used to perform the assurance engagements?

# MAPPING GLOBAL REPORTING AND ASSURANCE PRACTICES

- Reviewed 1400 companies across 22 jurisdictions.
- Frequency of reporting ESG information is high.
- Incidence of assurance is not; Only 44% when exclude the EU.
- The accountancy profession currently conducts just over 60% of assurance engagements.
- Limited assurance is by far the most common—83%
- We also found “moderate” or “other” types of opinions, especially in Asia.
- Significant differences in reporting and assurance practices exist between jurisdictions.

## KEY FINDINGS

91%

of companies reviewed report some level of sustainability information

51%

of companies that report sustainability information provide some level of assurance on it

63%

of these assurance engagements were conducted by Audit or Audit-Affiliated Firms

88%

of assurance engagements employing an Audit Firm made use of the International Standard on Assurance Engagements 3000 (Revised)

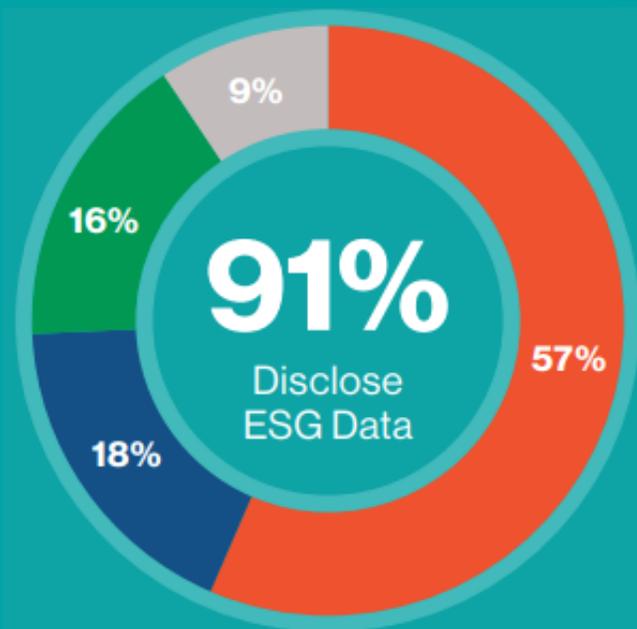
83%

of all assurance engagements result in limited assurance reports



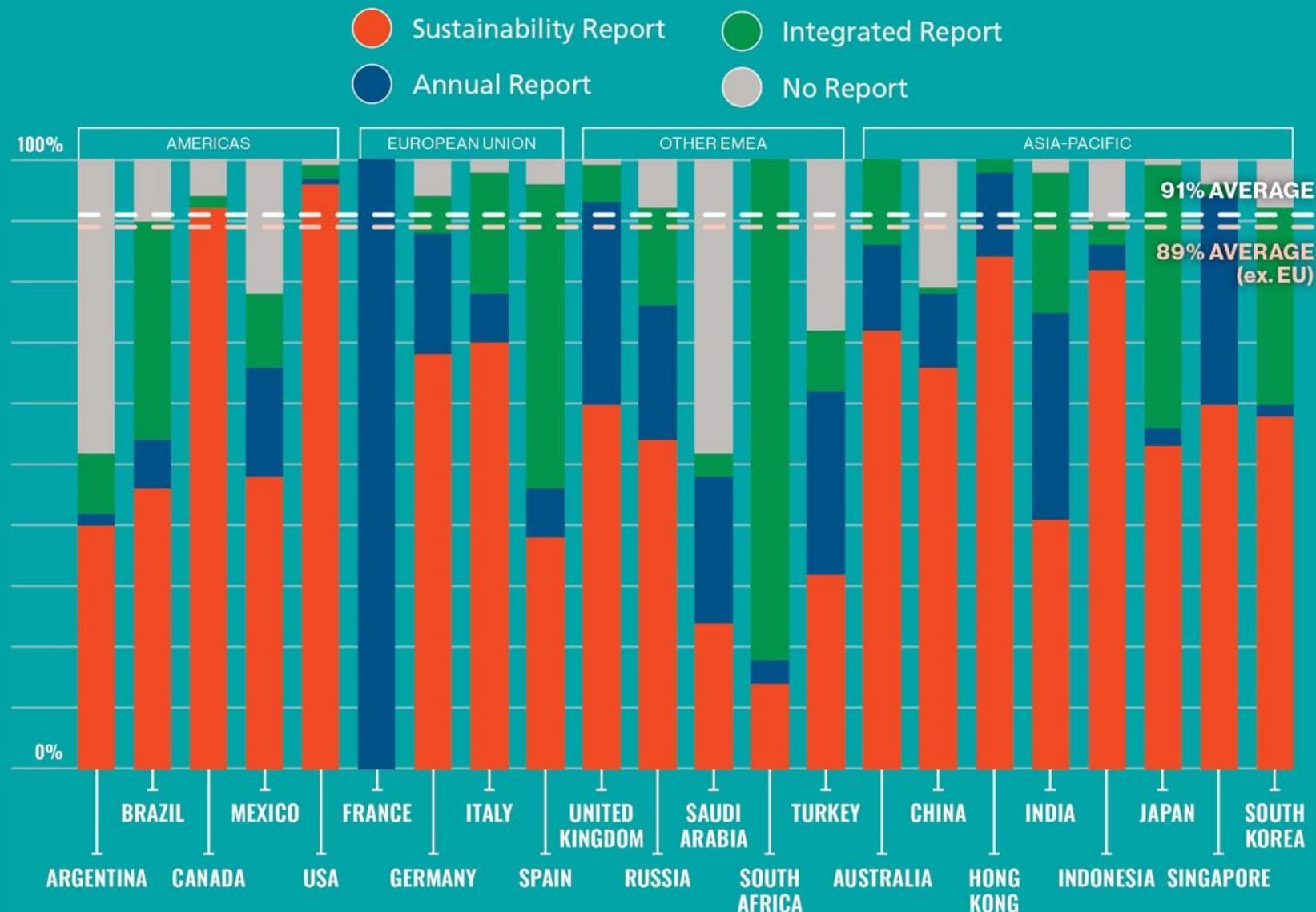
There are significant differences across jurisdictions

# REPORTING



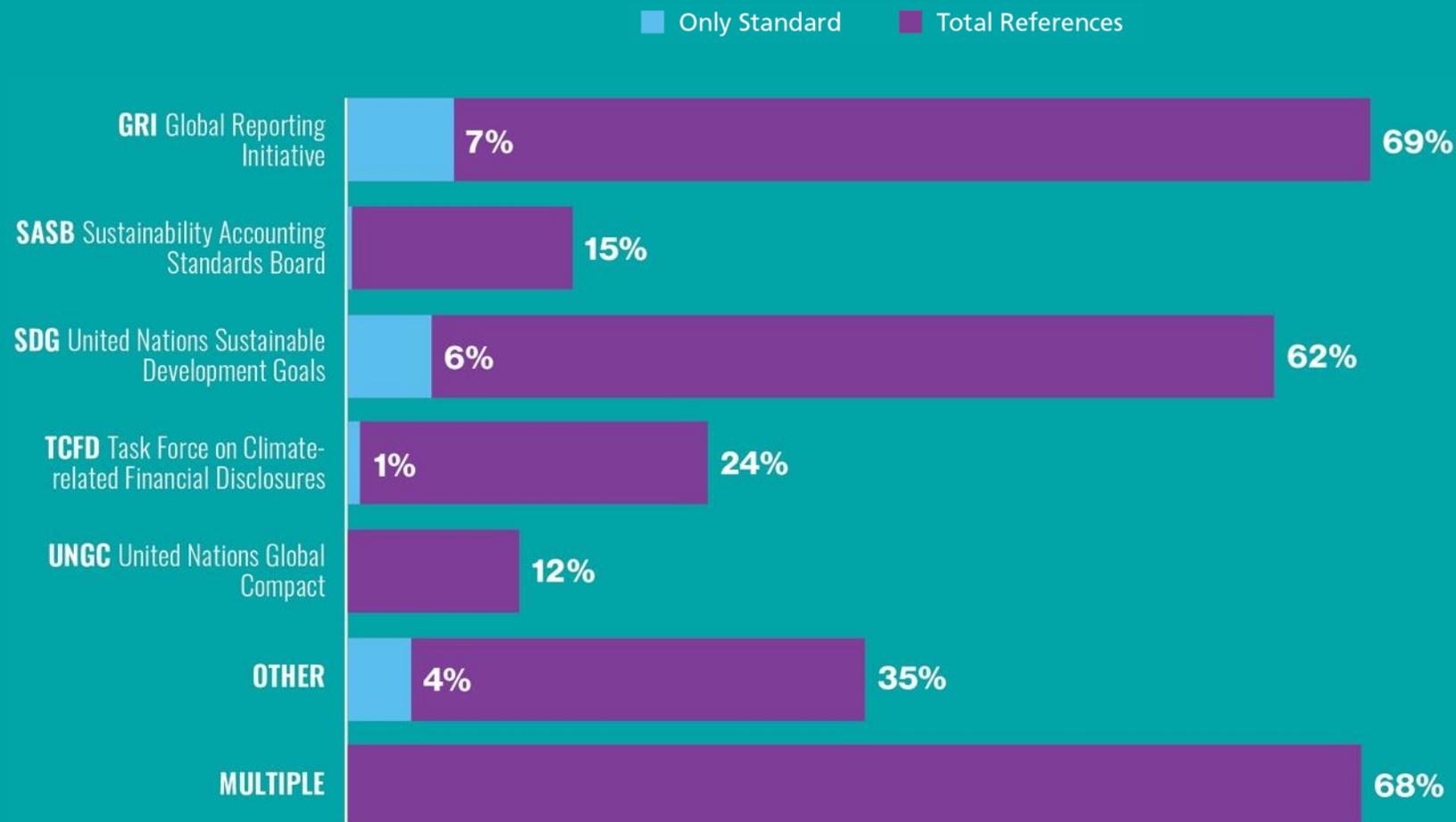
# METHOD OF ESG REPORTING BY JURISDICTION

- France is unique in that all ESG reporters disclose that information directly in the Annual Report.
- South Africa has the largest portion of Integrated Reports; notable mention to Brazil, Spain, Japan and South Korea.
- American and Canadian companies overwhelmingly disclose ESG information in stand-alone Sustainability Reports.



# ESG REPORTING FRAMEWORK/ STANDARD

- Reporting against GRI and the UN SDGs were the most common.
- But two-thirds of companies reported using multiple frameworks/standards.
- Very few companies use a single framework/standard.
- Data highlights the lack of consistency and comparability that persists without harmonized global standards.

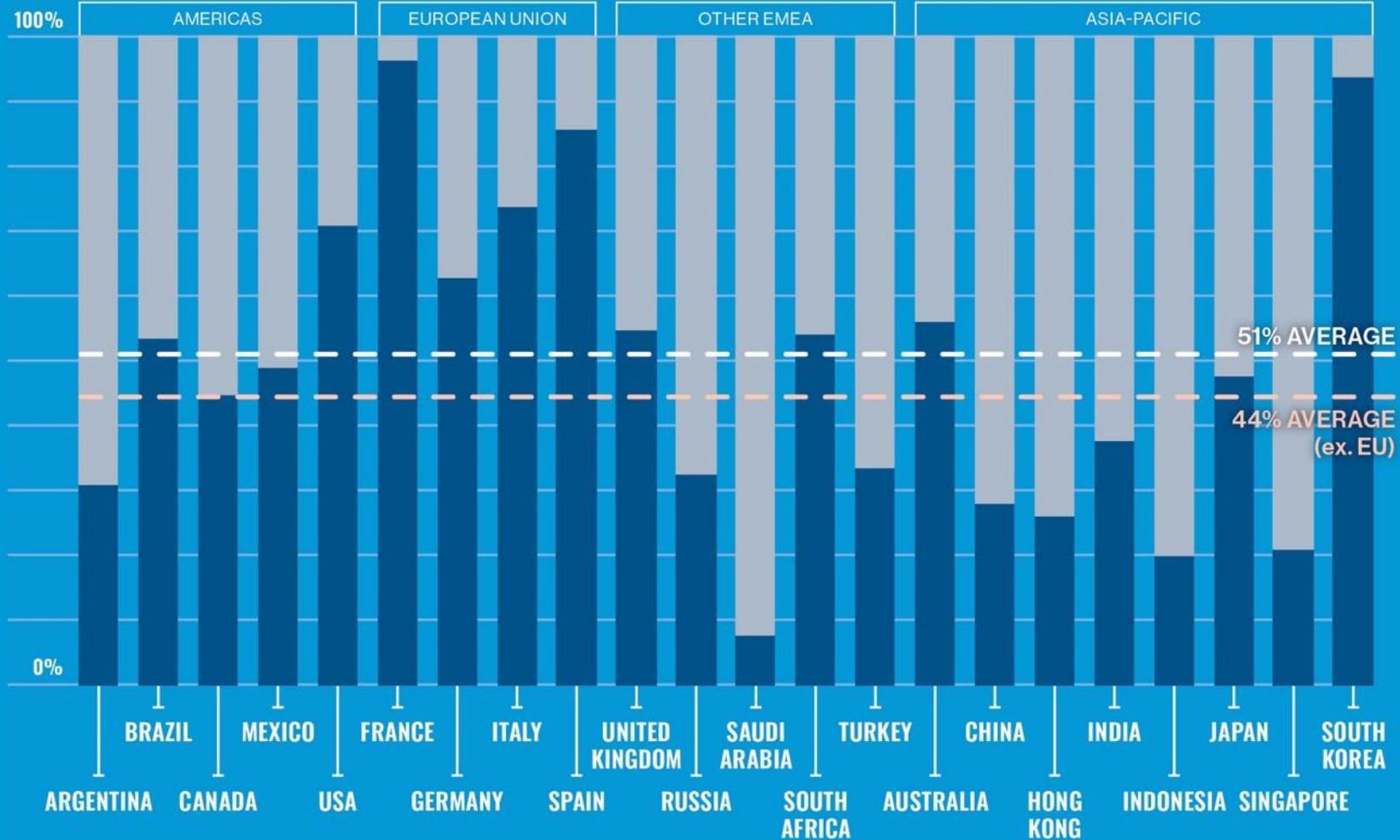




# ASSURANCE

# ASSURED ESG INFORMATION BY JURISDICTION

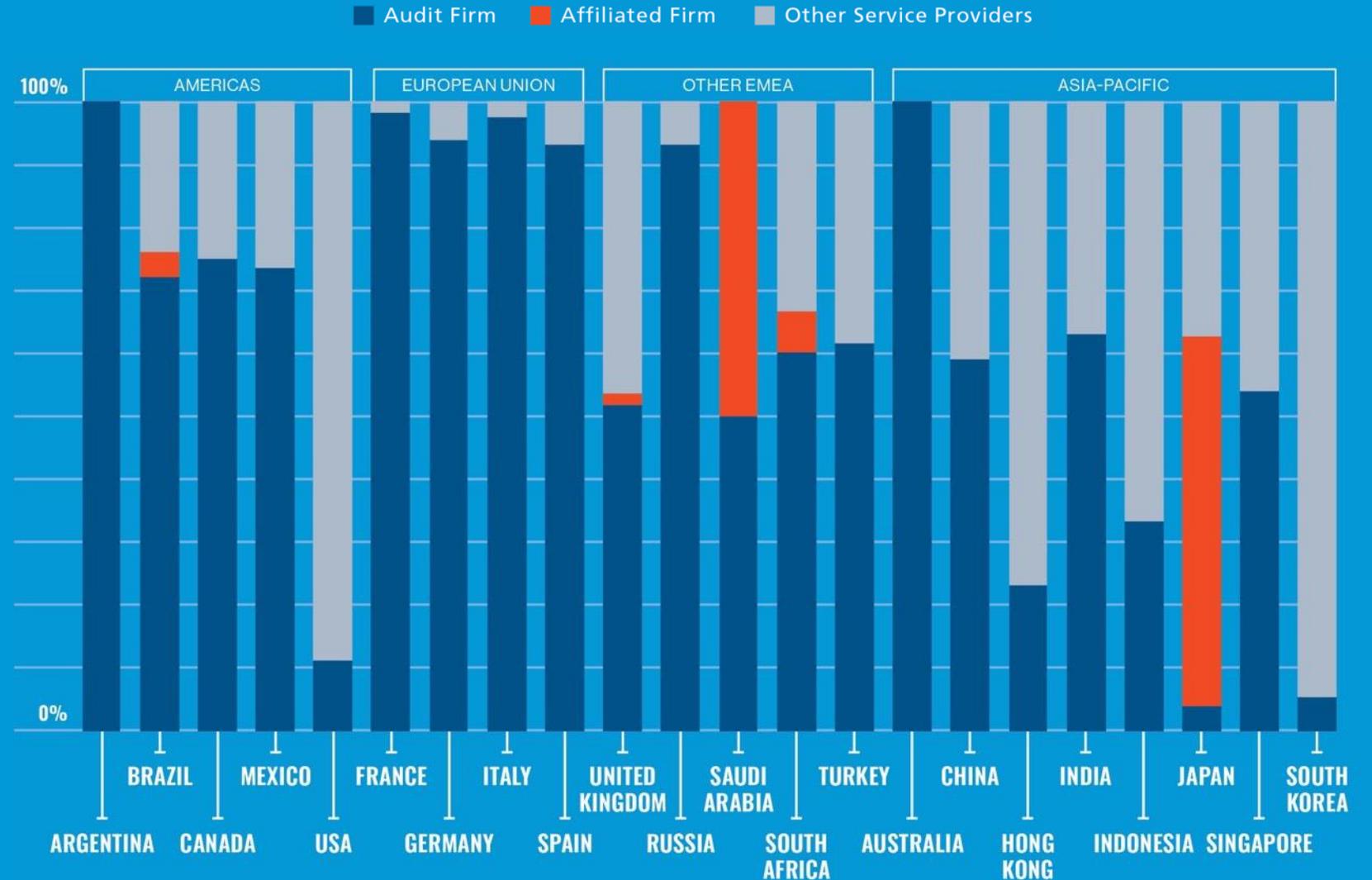
- Only half of companies obtained assurance. Most assurance reports do not cover all disclosed ESG information.
- France and South Korea had the highest rates of assurance, but the nature of that assurance differs significantly between the two.



of the **1,269** companies that disclosed ESG data, **51%** obtained assurance (44% excluding EU)

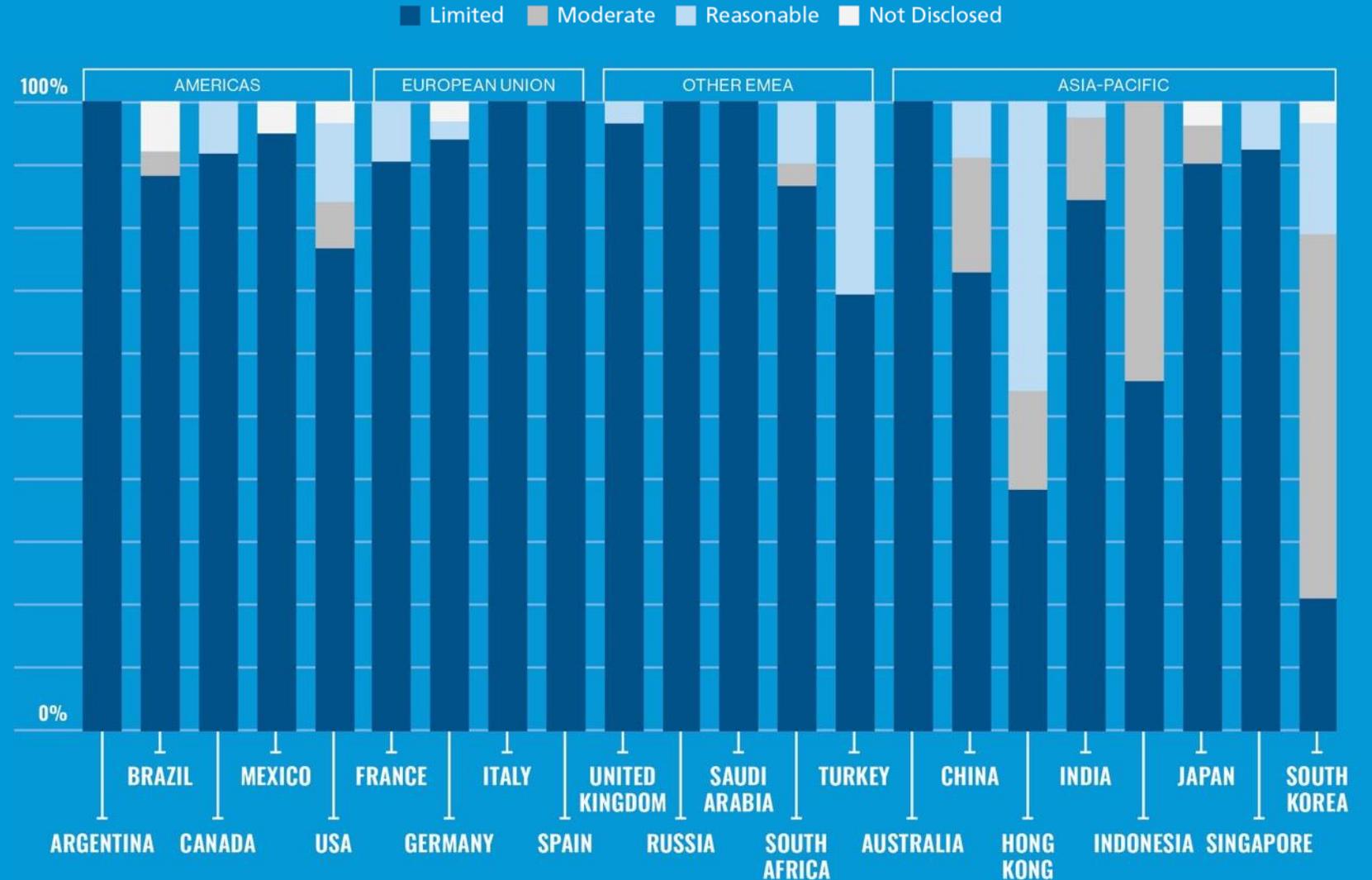
# TYPE OF FIRM PROVIDING ASSURANCE BY JURISDICTION

- Global market share:
  - 58% audit firm
  - 5% affiliated firm
  - 37% other service providers
- Jurisdictional differences:
  - Other service providers common in the USA, UK, and in many Asia-Pacific jurisdictions.
  - Profession’s market share highest in EU and Australia.
- Many companies had multiple separate assurance reports covering portions of their ESG reporting.



# LEVEL OF ASSURANCE BY JURISDICTION

- Limited assurance is by far the most common. 83% of sustainability assurance engagements result in limited assurance opinions.
- Both limited and reasonable engagements performed by audit firms and other service providers.
- “Moderate” assurance only provided by other service providers pursuant to non IAASB-based standards.
- Open global policy question as to whether limited is a path to reasonable assurance.



# ASSURANCE STANDARDS CITED IN ESG REPORTS

- Profession uses ISAE 3000 (Revised).
- Other service providers use ISAE 3000, AA1000AS and ISO 14064-3.
- 87 instances of other service providers using ISAE 3000:
  - 47% “in accordance with”
  - 36% “based on”
  - 17% other
- Anything other than “in accordance with” is *not in accordance with ISAE 3000*.

of **410**  
AUDIT FIRM REPORTS

of **35**  
AFFILIATED FIRM REPORTS

of **259**  
OTHER SERVICE PROVIDER REPORTS



# IFAC's Vision:

Requiring high-quality assurance maximizes trust & confidence in sustainability information

IFAC'S VISION FOR HIGH-QUALITY ASSURANCE OF SUSTAINABILITY INFORMATION

Sustainability-related disclosure is finally taking its rightful place within the corporate reporting ecosystem, through global and jurisdiction-specific initiatives. Climate, human capital, and other ESG matters are becoming decision critical. The way forward is clear—with the establishment of the International Sustainability Standards Board and support from public authorities like IOSCO—for a system that delivers consistent, comparable, and reliable information.

In order to be trusted, sustainability disclosure must be subject to high-quality, independent, external assurance. Best practices are emerging—founded on high-quality standards.

### EMERGING BEST PRACTICES

Regulatory frameworks should be designed to promote rigor and define the scope of what companies report and how assured—resulting in robust, decision-useful information. Regulation should discourage compliance-based reporting and assurance.

Aligning sustainability disclosure with financial reporting (i.e., applying an integrated mindset, improving timeliness, and including disclosures in management commentary or integrated reports) should break down information silos within companies and support an interconnected approach to both reporting and assurance.

Interconnecting sustainability assurance with financial statement audit engagements leverages the skills and competencies of professional auditors as well as their knowledge of company strategy, governance, business model, risks/opportunities, and performance—maximizing value to companies and their stakeholders.

Over time, transitioning from the current practice of limited assurance to reasonable assurance engagements would further enhance trust and confidence.

A proportional and phased approach to new reporting and assurance requirements, especially for smaller enterprises, allows appropriate time for implementation.

### HIGH-QUALITY GLOBAL STANDARDS

A harmonized, global reporting system based on the **Building Blocks Approach** provides the level basis for robust, high-quality assurance. Sustainability standards should be developed with assurance in mind and assurance processes need to align with reporting frameworks.

Regulatory fragmentation at the global level creates unnecessary costs and reduces comparability and consistency. This applies to standards for reporting and assurance of sustainability information.

To meet stakeholder needs, **ISAE 3000 (Revised)** requires practitioner competence, compliance with quality control/management standards, and an ethical framework. This is the most globally-accepted standard and the logical foundation for driving evolution and consistency in sustainability assurance engagements.

Regulation and enforcement must deliver uniform application of standards across different service providers of sustainability assurance engagements. To do otherwise introduces doubt and confusion about the integrity and reliability of reported information.

Sustainability assurance depends on practitioners exercising professional judgement and skepticism and staying with independence—all in accordance with an ethical framework such as the **IESBA Code**.

### SUPPORTING THE ECOSYSTEM

- Corporate governance should provide effective oversight of all reported information, including over the drivers of enterprise value and/or societal impacts relevant to strategic decision-making, risk management, and investor/stakeholder confidence.
- Multidisciplinary firms enable professional accountants to be on the leading edge of sustainability subject matter expertise and to deliver value-added services.
- Professional accountancy organizations should provide member support, education, and technical guidance as well as promote high-quality reporting and assurance through discussions with policymakers, regulators, investors, and other stakeholders.
- Current legal liability regimes need to be updated to better ensure high-quality sustainability disclosure and assurance thereon.

### ASSURANCE ENHANCES THE CREDIBILITY OF REPORTING

Authorities and regulators should maximize trust and confidence in sustainability disclosure by requiring high-quality assurance.

## • Emerging best practices

- ✓ Regulatory frameworks should require robust, decision-useful information (with assurance)—not compliance-based behavior.
- ✓ Alignment between sustainability disclosure and financial reporting (i.e., timing, location, integrated mindset) will break down information silos.
- ✓ Interconnecting sustainability assurance with the financial audit maximizes value for companies and their stakeholders.

## • Built on a foundation of high-quality global standards

- ✓ Regulatory fragmentation creates unnecessary cost/complexity and reduces comparability/consistency—for reporting *and* assurance.
- ✓ A harmonized, global baseline of sustainability disclosure—based on a Building Blocks Approach—provides the best basis for high-quality assurance.
- ✓ ISAE 3000 (Revised) is the most globally-accepted standard and the logical foundation for driving evolution/consistency in sustainability assurance.
- ✓ Regulation and enforcement must deliver uniform application of global standards by providers of sustainability assurance engagements. Otherwise, trust and confidence is compromised.

# Time for Action:

## Next steps for the profession

- Public interest responsibility: ENABLERS of high-quality, decision-useful ESG information
  - ✓ Support, promote and position the ISSB for success
  - ✓ Demonstrate our value at the center of information flows and decision making—using our skills / competencies to connect financial and non-financial information

### TIME FOR ACTION ON SUSTAINABILITY: NEXT STEPS FOR THE ACCOUNTANCY PROFESSION



With the establishment of the International Sustainability Standards Board (ISSB), the way forward is clear: The accountancy profession must lead on climate reporting and other material environmental, social and governance disclosures and their assurance—contributing to strong and sustainable financial markets and economies and enabling the UN's Sustainable Development Goals.

#### ACTIONS

- 1 Advocate for smart sustainability-related policymaking & regulation—starting with support for the new ISSB and requiring assurance of sustainability disclosures.
- 2 Adopt an integrated mindset—breaking down information silos within companies and promoting an interconnected approach to what companies report and have assured.
- 3 Be proactive on climate reporting—complying with existing standard-setter requirements and best practices.
- 4 Demonstrate sustainability-related skills and competencies—ensuring professional accountants continue to expand the value-added services they are able to offer in the future.

#### ACCELERATE SUSTAINABILITY

To address the climate crisis  
To promote sustainable organizations that create long-term value for investors, stakeholders, and society  
To enable reporting entities and investors to measure and assess progress towards sustainability objectives

#### THE OBJECTIVE

ENABLE HIGH-QUALITY & DECISION-USEFUL INFORMATION

#### AVOID REGULATORY FRAGMENTATION

To promote consistency and comparability for investors and capital markets  
To reduce cost, complexity, and confusion for reporting entities



Support and promote the ISSB—the accountancy profession is an essential stakeholder

- The path to globally comparable, decision-useful, and assurable sustainability disclosure starts with a comprehensive baseline of standards set by the ISSB. This is **Block 1 of the Building Block Approach**: investor-focused information.
- The accountancy profession should encourage and contribute to the completion of the ISSB's climate standard in 2022, with potential endorsement by IOSCO. This is step one in the ISSB's mission to develop standards addressing a broad range of environmental, social and governance factors.
- Now is the time to engage with local policymakers and regulators about how to build on the success of IFRS Accounting Standards adoption and to develop a similar **pathway for IFRS Sustainability Disclosure Standards**.
- Policymakers must collaborate and align jurisdiction-specific requirements with global requirements developed by the ISSB.



### WHY—AND HOW—THE ACCOUNTANCY PROFESSION MUST LEAD



- **Information & Data:** Professional accountants are at the center of information flows and decision making—uniquely positioned to capture, analyze, report on, and assure sustainability information.
- **Relevant Skills & Competencies:** Interconnecting financial and sustainability information must happen. This relies on the skills and competencies of professional accountants—combining understanding of a company's business model, risks/opportunities, systems/processes and performance with knowledge of sustainability factors and the ability to collaborate with experts.
- **Global Reach:** Professional accountants are globally connected to meet the needs of global capital markets, global clients and global supply chains.
- **High-Quality Assurance:** Assurance services, based on the IAASB ISAE 3000 (Revised)—applied by professional accountants in compliance with quality management standards and an ethical framework—enhance credibility and trust in sustainability disclosure. High-quality sustainability assurance should be mandatory.
- **Public Interest Mandate:** As a regulated profession, professional accountants are subject to an ethical code, public oversight, and charged with acting in the public interest. Their professional judgment and skepticism, independence, and competencies are unique.

#### HOW

##### ADVOCATE FOR SMART POLICY & REGULATION

Enhance corporate reporting through regulatory frameworks that promote rigor and define the scope of what companies report and have assured, disincentivizing compliance-based behaviors.

Foster trust and confidence in the sustainability information companies report by requiring **high-quality assurance**, conducted in accordance with standards set by the IAASB and performed by professional accountants.

Implement sustainability disclosure requirements taking a proportional, phased approach that is rightsized for smaller enterprises.

Update liability regimes to better support expanded, value-added professional services and assurance.

##### DEMONSTRATE SUSTAINABILITY-RELATED SKILLS & COMPETENCIES

Position professional accountants as best placed to meet the sustainability-related needs of reporting entities, including assurance services.

**Integrate new ESG subject matter** with the foundational skills and competencies, professional judgement, and integrity of professional accountants.

Provide support, education, and technical guidance that promotes high-quality reporting and assurance of sustainability information, enhancing the role of professional accountants as valued partners and advisors.

##### BE PROACTIVE ON CLIMATE REPORTING

**Comply with financial statement reporting requirements** (e.g., IFRS Accounting Standards or local GAAP and best practices), without material omissions or misstatements to reflect climate matters material to financial performance.

Align and integrate climate-related information and financial disclosures with a reporting entity's stated climate commitments/targets and strategic decisions.

Quantify climate-related risks and build robust data capture and reporting systems for sustainability information.

##### CHAMPION AN INTEGRATED MINDSET

Enhance corporate governance, including audit committees, to provide effective oversight of *all* reporting, including sustainability-related disclosure.

Eliminate information silos within companies to better integrate sustainability disclosures with the work of CFOs and to facilitate holistic decision-making and communication with stakeholders.

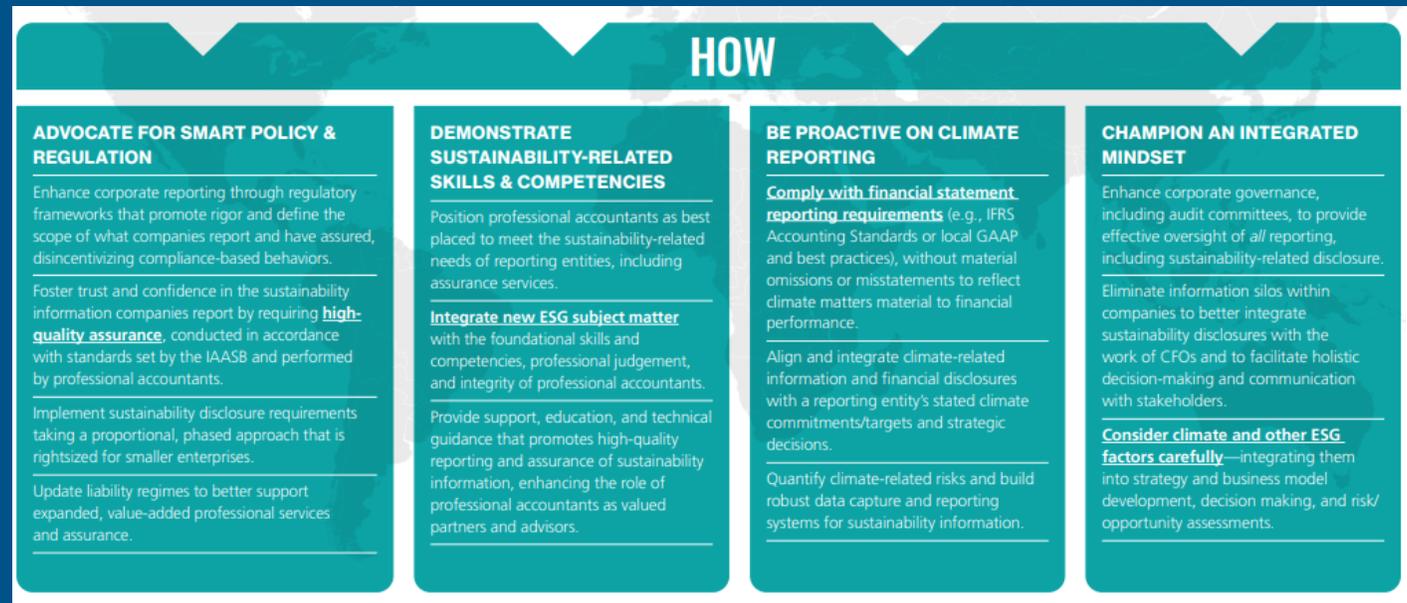
**Consider climate and other ESG factors carefully**—integrating them into strategy and business model development, decision making, and risk/opportunity assessments.

# How we lead

## WHAT NEXT?

- IFAC collaborating with MBs on B20 Indonesia advocacy / events.
- IFAC thought leadership on “Integrated Mindset.”
- Update to The State of Play.
- Benchmarking what companies report on emission reduction targets and transition plans.
- IFAC resources to facilitate access and collaboration on ESG subject matter education.
- Collaboration with CPA Canada on the Green Bond/Sustainable Finance market.
- Engaging with and listening to our Member Body network.

1. Be proactive in reporting the effects of climate change—in the financial statements
2. Break down “ESG” vs. “Financial” information silos
3. Integrate ESG subject matter into our foundational skills and competencies, professional judgement, and integrity
4. Advocate for smart policymaking



# IAASB: Building Confidence in Sustainability Information Reported

**Lyn Provost**

*IAASB member and Chair of the IAASB's  
Sustainability Assurance Working Group*

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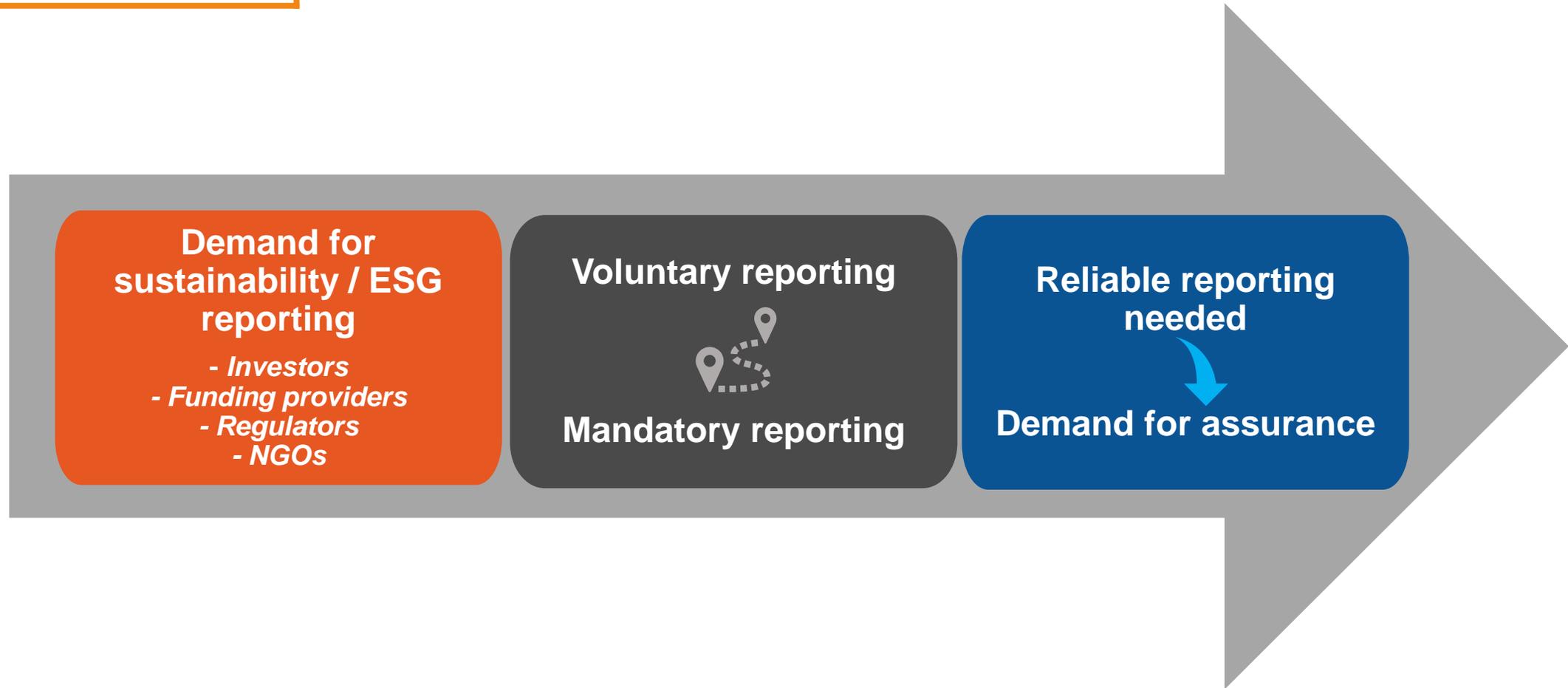
**The State of Play in Sustainability  
Assurance**

**ASEAN Federation of Accountants  
Regional Webinar**

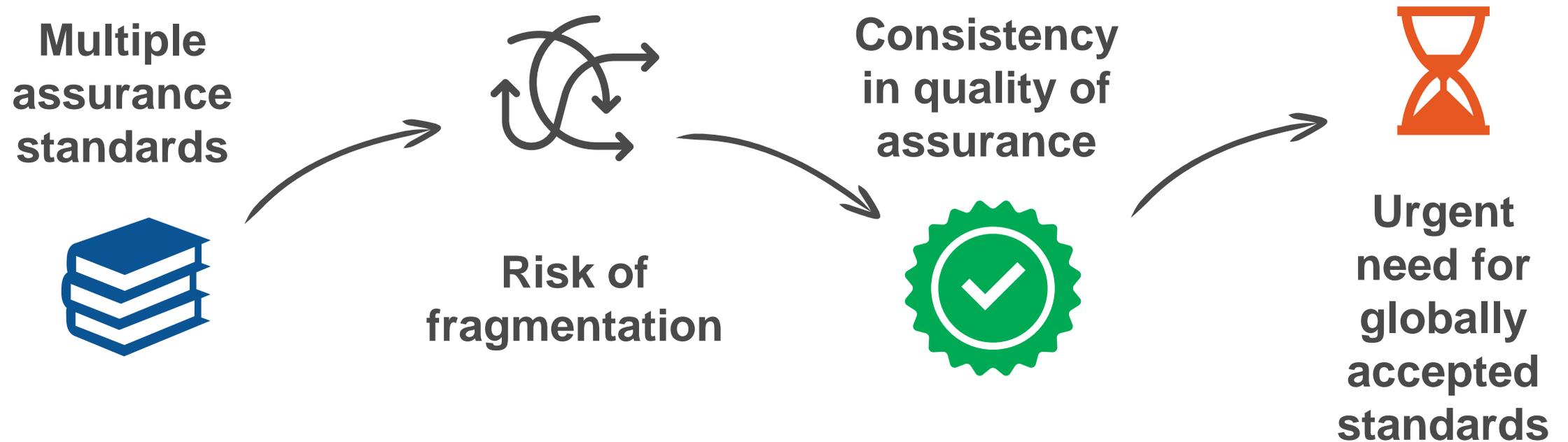
**April 26, 2022**



# A Global Movement in Sustainability Reporting

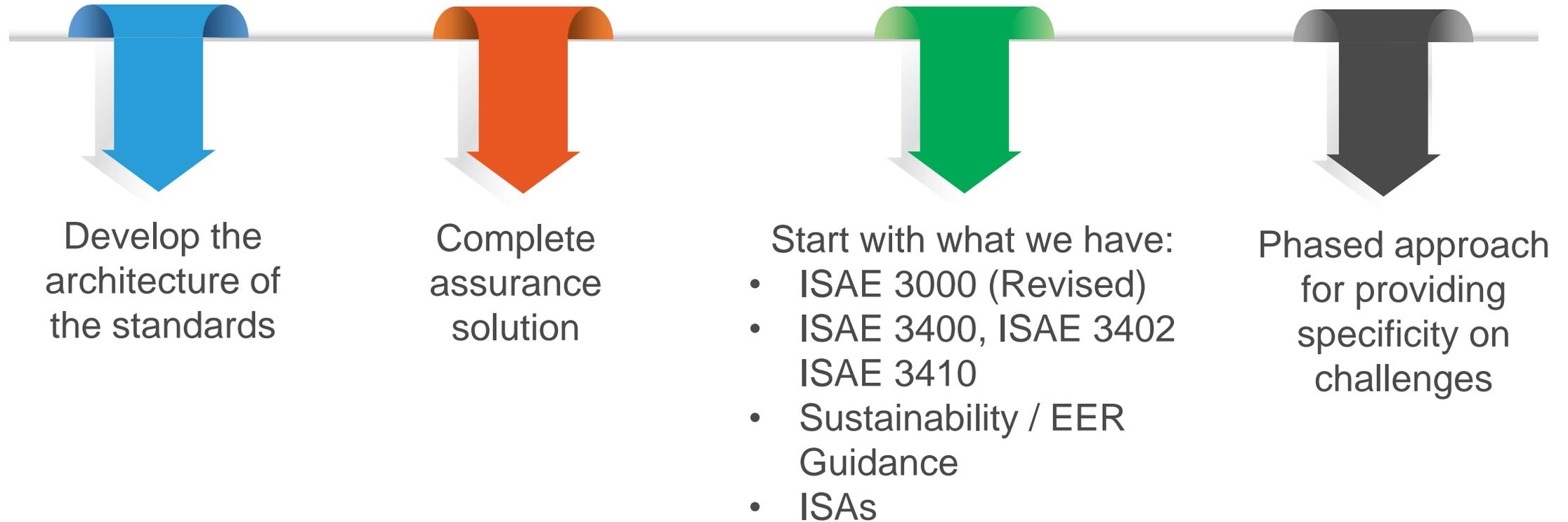


# What is Driving the Need for IAASB Actions?



# Preliminary Ideas on IAASB Actions

## A need for International Standards for Assurance on Sustainability

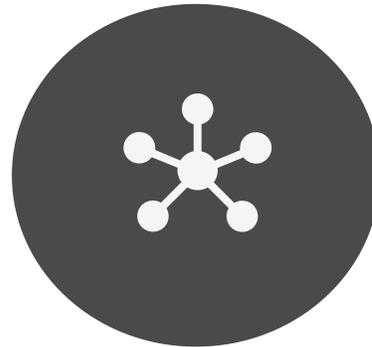
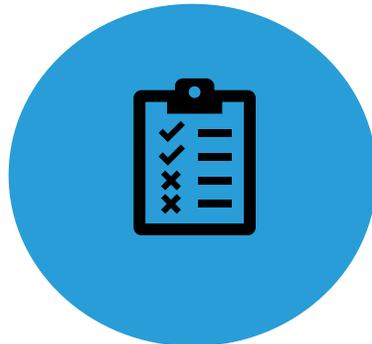


# Focusing on Priority Challenges



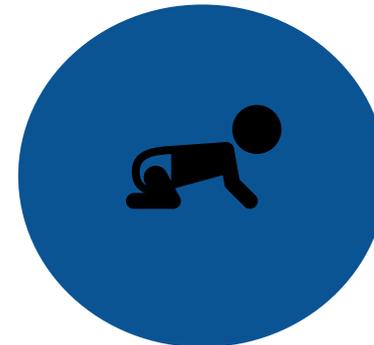
Limited versus  
reasonable  
assurance

Suitable  
reporting  
criteria



Scope of  
engagement

Evidence

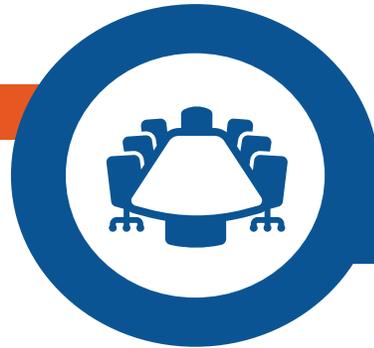


Materiality

# Way Forward



**Continue to  
develop an outline  
of actions**



**Feedback to  
the IAASB**



**Progress actions  
as agreed with  
IAASB**

**Ongoing  
outreach**

IAASB

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IAPN.

ISA.

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***AFA-IAPI-JICPA Joint Webinar 2022***

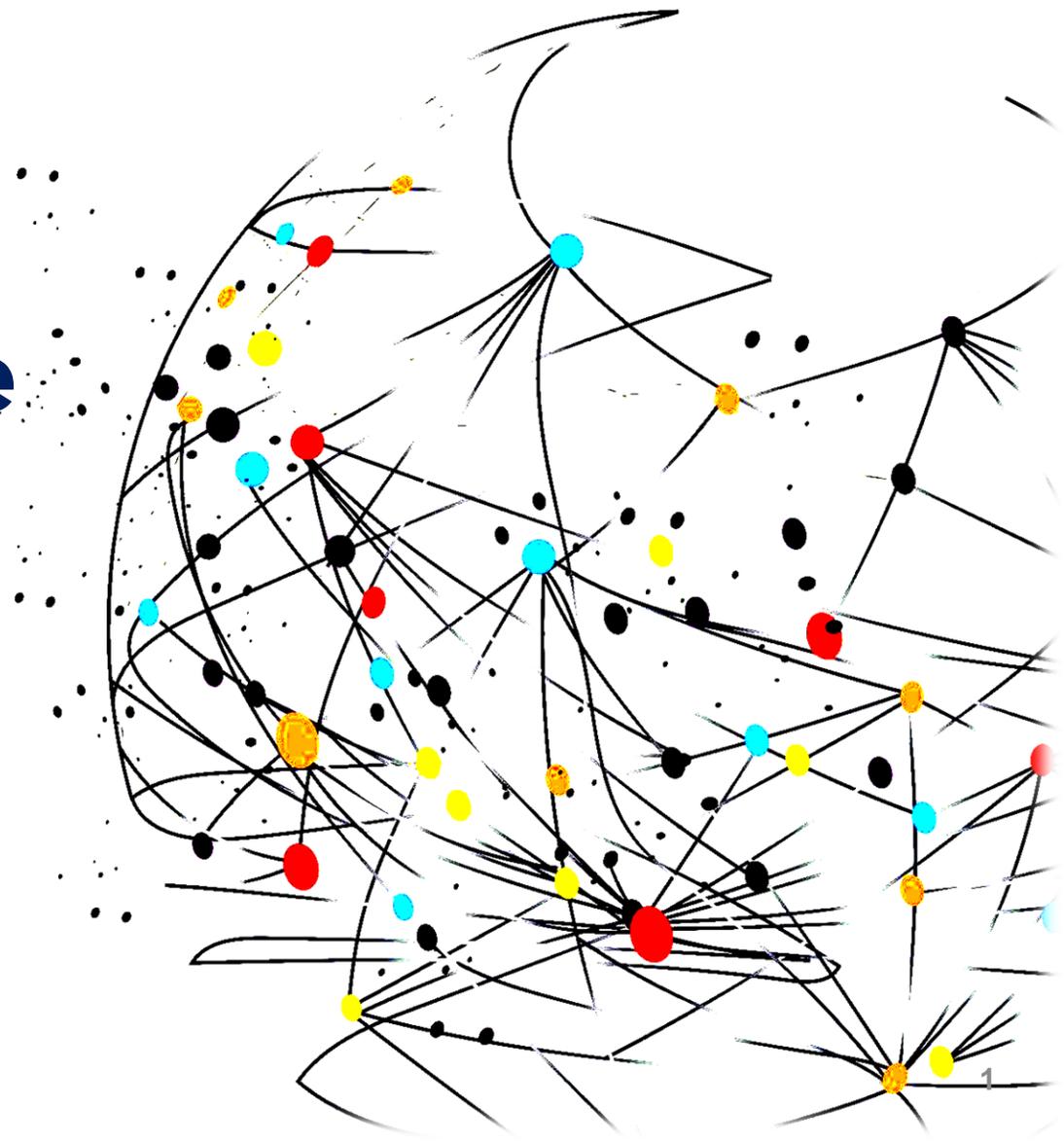
# An Overview of The State of Sustainability Assurance In Indonesia

Presented by:

**Kusumaningsih Angkawidjaja**

Chair - IAPI

EER Task Force - IAPI



# ***Disclaimer***

- The Indonesian Institute of Certified Public Accountants (I API) provided this presentation to support the AFA, I API, and JICPA joint webinar "The State of Play in Sustainability Assurance".
- I API is not liable for any loss incurred by the party who directly or indirectly commits or refrains from taking any action based on this content, whether caused by negligence or otherwise.

**Objectives:**

- To develop technical and practical guidance to support the practitioners in providing **assurance services** related to **Extended External Reporting** using ISAE 3000 (Revised) or ISAE 3410.
- To create awareness on the Sustainability Assurance on **EER** through collaboration with key stakeholders in sustainability ecosystem

## MEET OUR TEAM

## Practitioner



Djohan Pinnarwan



Kusumaningsih A



Handoko Tomo



Steven Tanggara



Esika Wahasri

Hendang Tanusdjaja  
Task Force LeaderAria Farah Mita  
AcademicianFernando U. Reyes  
Subject Matters ExpertPalti F.T.H Siahaan  
Corporate Officer



### Regulatory for Indonesian Companies

- ❑ **Law No.32 year 2009** regarding Environmental Protection and Management.
- ❑ **POJK No.51/POJK.03/2017 2017 ("OJK Rule 51")** requires the entity to submit their first Sustainability Report starting from April 30, 2020
- ❑ **Surat Edaran Otoritas Jasa Keuangan No. 16 /SEOJK.04/2021** requires preparers to apply OJK Rule 51 on their annual report.

### Benefits of Seeking Sustainability Assurance Services

- **Ensure credibility, reliability, and accuracy** of non-financial disclosures in annual and integrated reports
- **Strengthen Internal Awareness** of material sustainability risks and opportunities
- Driving organizations to enhance **Systems, processes, and internal controls** around the collation and reporting ESG data
- Allow the organizations to **prepare for the mandatory ESG assurance** coming into effect in the near future.
- Allow the organizations to **benchmark their disclosures to best practice** and enhance the overall quality of their sustainability disclosures .

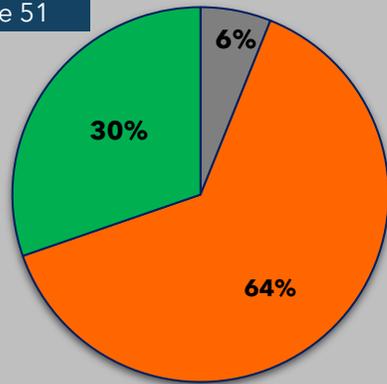


### Demand for Sustainability Reporting & Assurance in Indonesia

Increasing pressure on certain corporates by investors and regulators to disclose and report on sustainability initiatives

## Currently Reporting Framework on Sustainability Report

- OJK Rule 51
- GRI & OJK Rule 51
- Multiple & OJK Rule 51

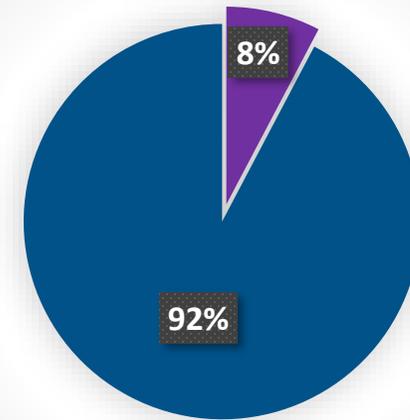


**Remarks: "multiple" may comprise more than 2 standards as follow:** (GRI, SUSBA, SASB, UNGC, and SDGs)

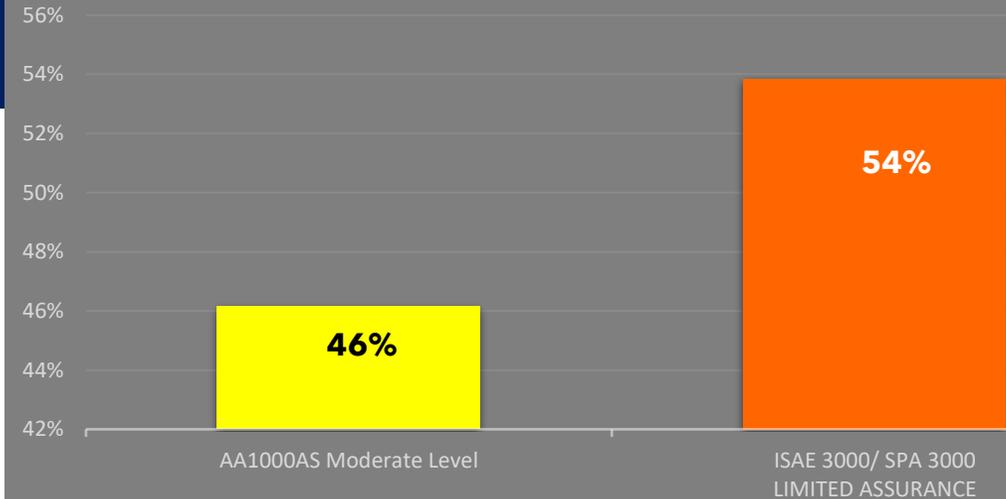
We sorted the fifty (50) largest listed companies by market capitalization from IDX's market data as of March 31, 2022 and use the latest sustainability report (the term "2020 or 2021 sustainability report").

## Type of Firm Who Provides Assurance Services

- Non Audit Firm
- Audit Firm



## Currently Assurance Standard



## Definition of Assurance (IFAC): See Reasonable assurance

(in the context of audit engagements, and in quality control)—A high, but not absolute, level of assurance



**ISAE 3000** "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" **as adopted** by Indonesian Auditing and Assurance Standard Board, **(SPA 3000)**

**ISAE 3000 (Revised)** "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"

- Non-Authoritative Guidance on Applying ISAE 3000 (Revised) - EER Guidance
- Non-Authoritative Support Materials

**ISAE 3410** "Assurance Engagements on Greenhouse Gas Statements"

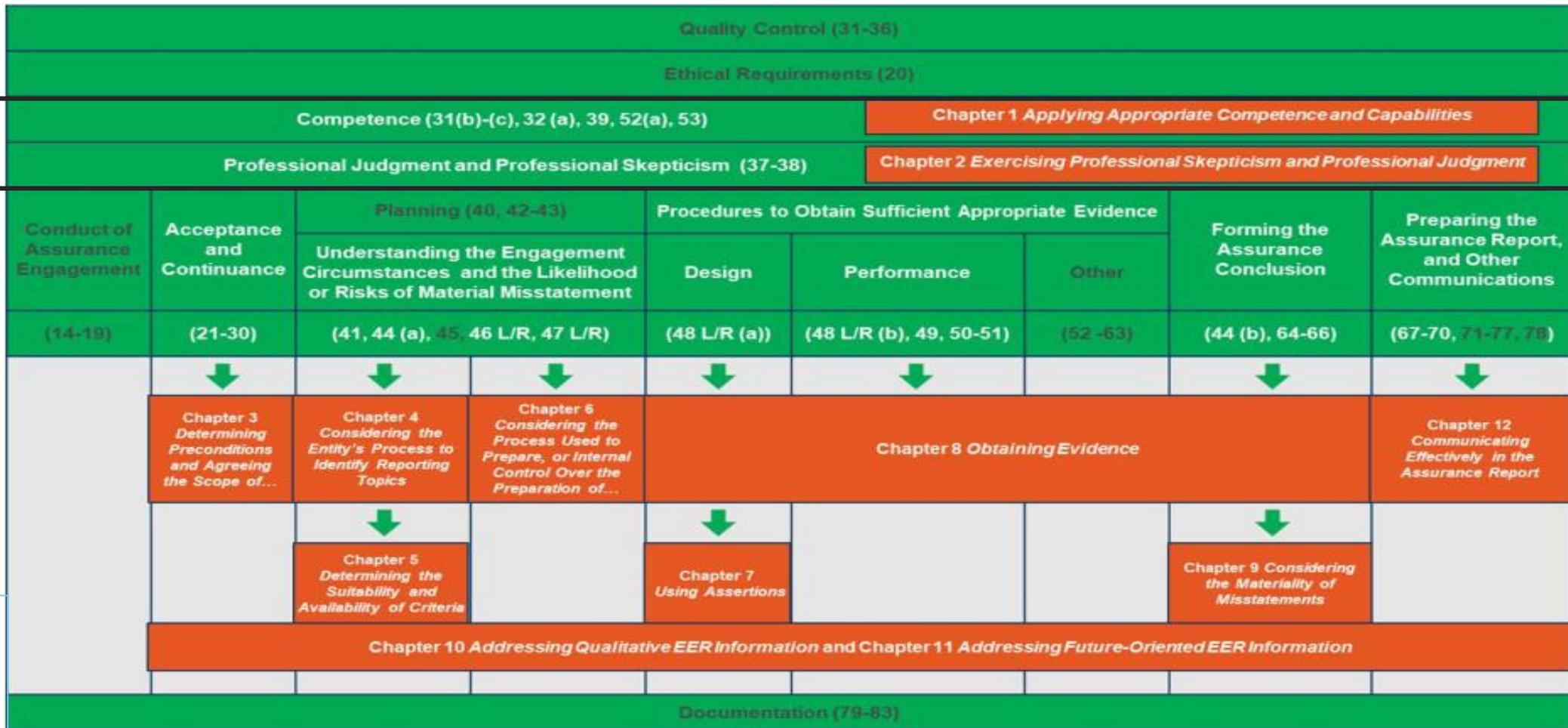
**Status**

**Adopted**

**In process of adoption to be SPA 3000 (Revisi) along with its guidance**

**In process of adoption to be SPA 3410**

An overview of all the aspects of the performance of an EER assurance engagement under ISAE 3000 (Revised)



Core requirements for Public Practice or Auditors

When providing assurance services in Sustainability report, practitioners **need to collaborate** with Subject Matter Expert.

**Source:**  
Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability ..... page 8

Diagram 1 – Relationships Between Stages of Engagement, Standard Requirements, and this Guidance

**Competence, Exercising Professional Skepticism & Professional Judgment****What is competence needed?**

Assurance competence **includes skills and techniques** of the Standard; accordingly, assurance competence is distinct from and calls for more than an application of subject matter competence → **Auditors Skillset**.

**What is professional skepticism?**

**An attitude** that includes a questioning mind, being alert to conditions which may indicate possible misstatement, and a critical assessment of evidence.  
*(in the context of ISAE 3000 (Revised))*

**What is professional judgment?**

The application of relevant training, knowledge and experience, within the context provided by assurance and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the engagement.  
*(in the context of ISAE 3000 (Revised))*

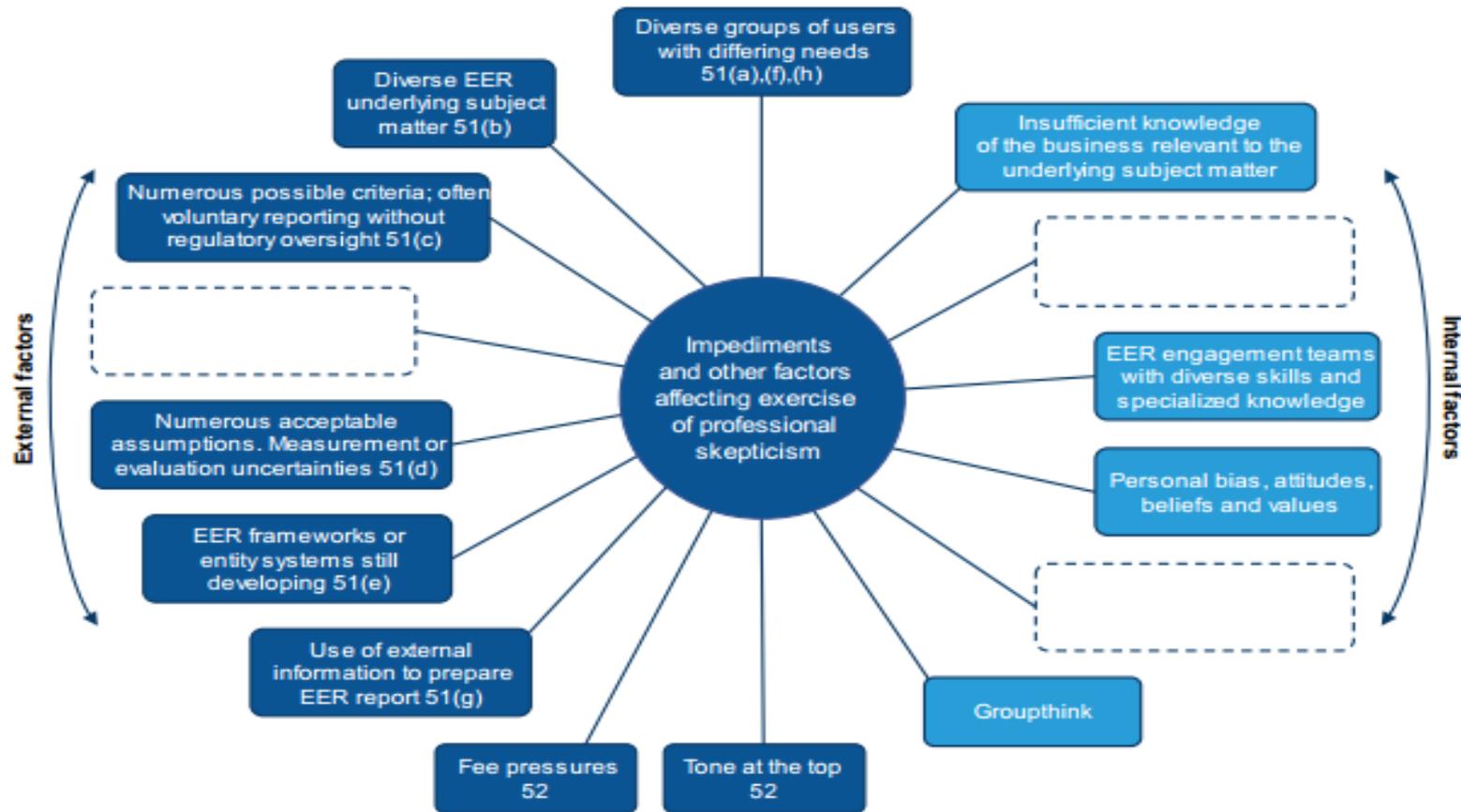
**Supports the exercise of professional skepticism, as shown in the following examples:**

- 1 Integrity**
- 2 Objectivity**
- 3 Professional Competence and Due Care**

**Source:**

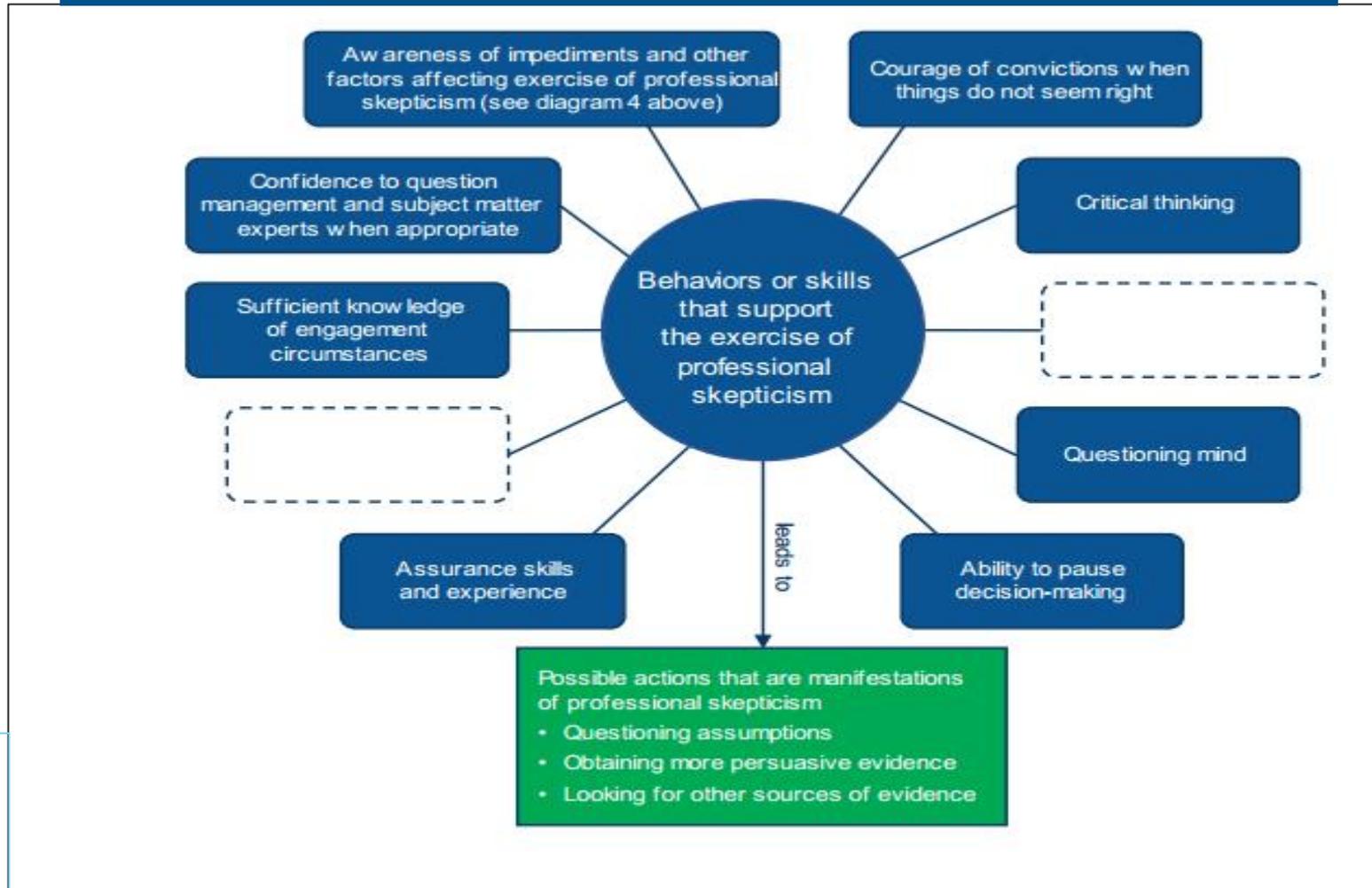
International Code of Ethics for Professional Accountants - IFAC

An example of possible factors or impediments that may influence the practitioner's **exercise of professional skepticism**



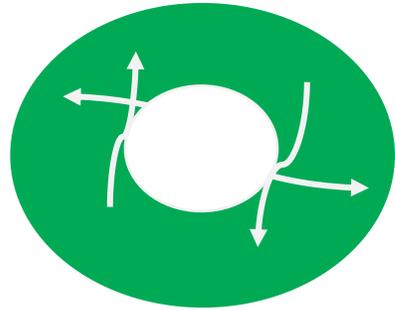
**Source:**  
 Non-Authoritative Guidance  
 on Applying ISAE 3000  
 (Revised) to Sustainability  
 ..... **page 19**

The diagram below **indicates both behaviors or skills** that may support the exercise of professional skepticism



**Source:**  
 Non-Authoritative Guidance  
 on Applying ISAE 3000  
 (Revised) to Sustainability  
 ..... **page 21**

ISAE 3000 (Revised) contemplates two levels of assurance:



## Limited Assurance

- Practitioner reduces engagement risk to a level that is acceptable to form a negative form of expression of the practitioner's conclusion
- Practitioner is required to consider the process used to prepare the subject matter information.
- Practitioner collects less evidence than for a reasonable assurance but sufficient to express such conclusion



## Reasonable Assurance

- Practitioner needs to reduce the engagement risk to an acceptably low level as the basis for a positive form of expression of the practitioner's conclusion.
- Practitioner is required to evaluate the design of the relevant controls and whether they have been implemented
- Practitioner collects more evidence than for a limited assurance engagements

## ISAE 3000 (Revised) & Non-Authoritative Guidance-EER



### Non-Authoritative Support Material:

- a) Illustrative Examples of Selected Aspects of Sustainability and other EER
- b) Credibility and Trust Model Relating to Sustainability and other EER



## ISAE 3410



**Timing**

- ◆ September 2022
- December 2022

**Timing**

- ◆ September 2022
- December 2022

**Timing**

- ◆ December 2022
- March 2023

**Remarks:**

- ◆ Estimation of Public or Limited Hearing
- Estimation to Finalization

THANK YOU

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*KA/Divisi Teknis & Standar*



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**www.iapi.or.id**



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# An overview of the state of sustainability assurance in Japan and JICPA's initiatives on sustainability assurance

26th April 2022



**ShinTakenaka**  
(Head of Climate Change & ESG Assurance  
Office, Deloitte Touche Tohmatsu LLC)

# Speaker introduction

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## Shin Takenaka

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Accounting Operations Advisory  
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Mobile: +81 80 9802 6597

Shin is a leader of Climate/ESG Assurance Office in Audit Advisory Division of Deloitte Japan.

He is a Certified Public Accountant in Japan and also United States with over 21 year experiences in Japan, Australia and the United Kingdom providing assurance, advisory and accounting services to various organisations including retail and distribution businesses, trading houses, infrastructure and energy and resources.

In 2004, he was seconded in the United Kingdom and involved in a number of IFRS implementation work and complicated US GAAP implementation projects. He gained in-depth understanding of the operation of Global Multinational subsidiaries and skills to manage complicated processes and changes at clients by coordinating relevant service lines within the firm and counterparts in HQs.

In 2008, he moved to Australia and got a promotion to partner to support Japanese energy and resources companies for complicated compliance obligations and transformation of the accounting functions including environmental matters.

In 2020, he returned to Deloitte Japan and has been leading the climate team to support Japanese companies' climate reporting and transformation such as TCFD and coming ISSB disclosures and governance building.

He is leading a newly set Deloitte Japan's initiative to support foreign owned companies based in Japan as Global Inbound Group.



# **Overview of the state of sustainability assurance in Japan**

# Current plan of regulatory sustainability reporting in Japan

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## Sustainability reporting development in Japan

- Mandatory disclosure of sustainability information in annual securities report (under discussion)
- SSBJ [Sustainability Standards Board of Japan] (2022)



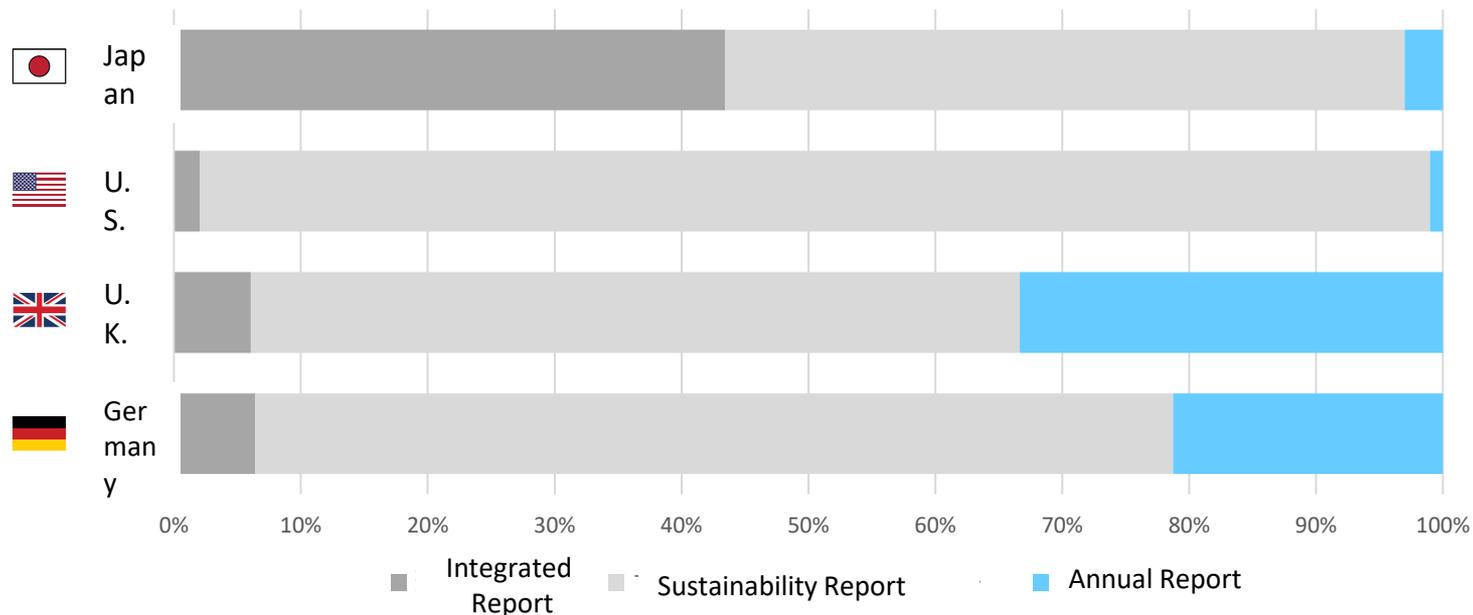
- Expectations for the assurance of regulatory sustainability disclosures



# An overview of the state of sustainability assurance in Japan

Voluntary sustainability report and integrated report are the main media for disclosing sustainability information in Japan.

- Results of a survey on disclosure media conducted by the International Federation of Accountants (IFAC)

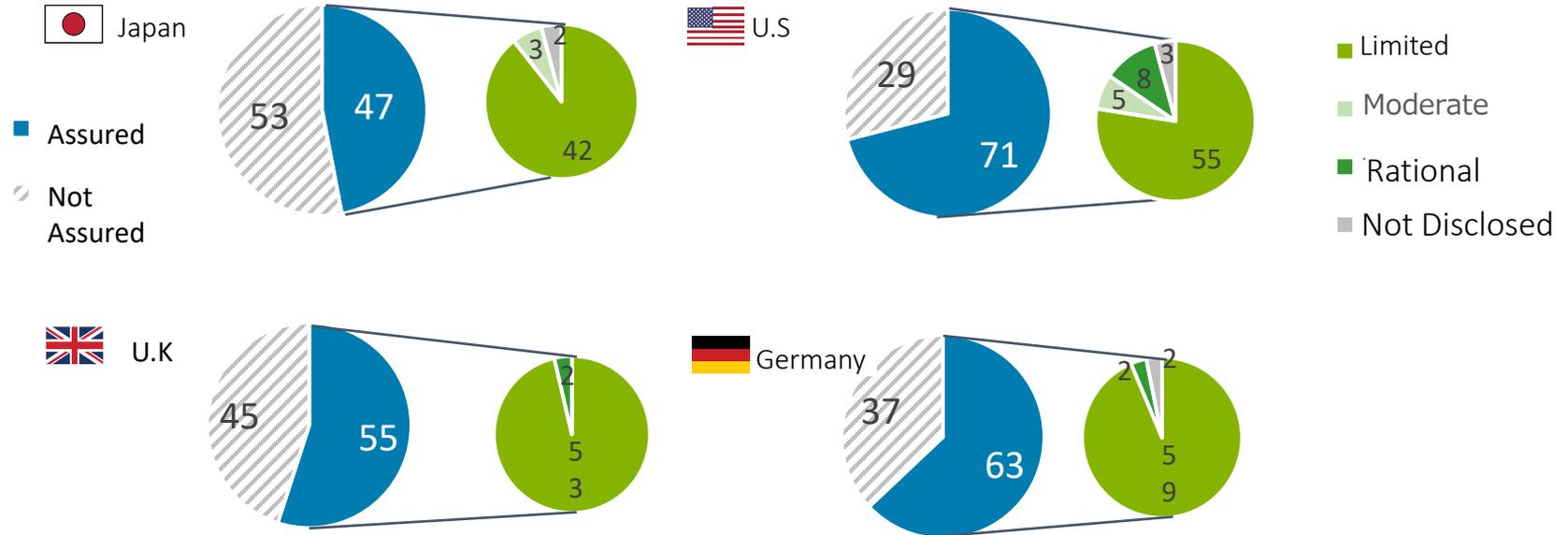


Source: Prepared by Deloitte Touche Tohmatsu based on Benchmarking Global Practice *The State of Play in Sustainability Assurance* (June 2016) published by the IFAC.

# An overview of the state of sustainability assurance in Japan

The percentage of assured sustainability disclosures in Japan is much lower than those in major western countries, and the level of assurance provided for such disclosures is mostly limited.

- Results of a survey on assured sustainability disclosures and assurance level conducted by the International Federation of Accountants (IFAC)

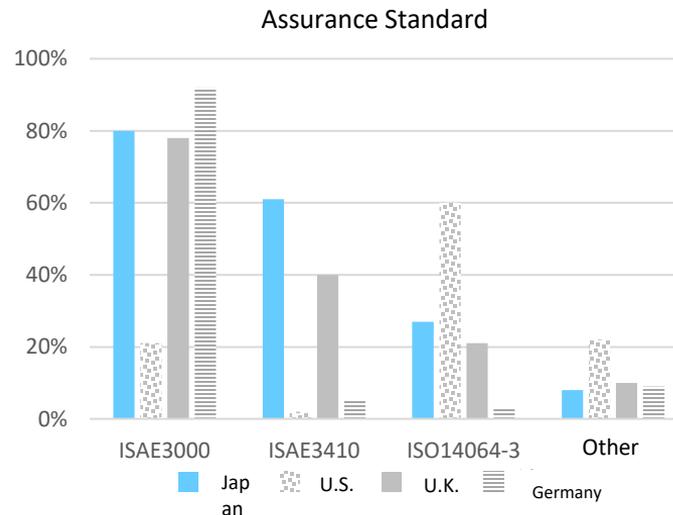
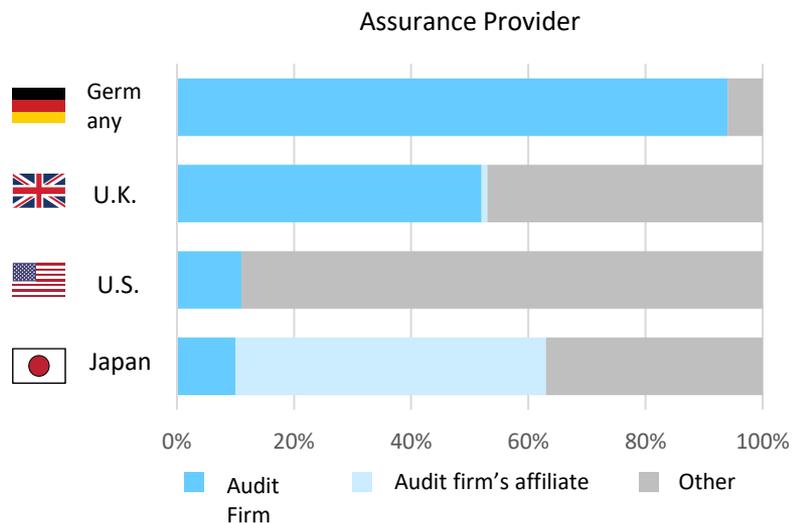


Source: Prepared by Deloitte Touche Tohmatsu based on Benchmarking Global Practice *The State of Play in Sustainability Assurance* (June 2016) published by the IFAC.

# An overview of the state of sustainability assurance in Japan

In Japan, most of the assurance providers are audit firms and their affiliates, and ISAE 3000 and ISAE 3410 are mainly used as assurance standards.

- Results of survey on assurance providers and assurance standards conducted by the International Federation of Accountants (IFAC)

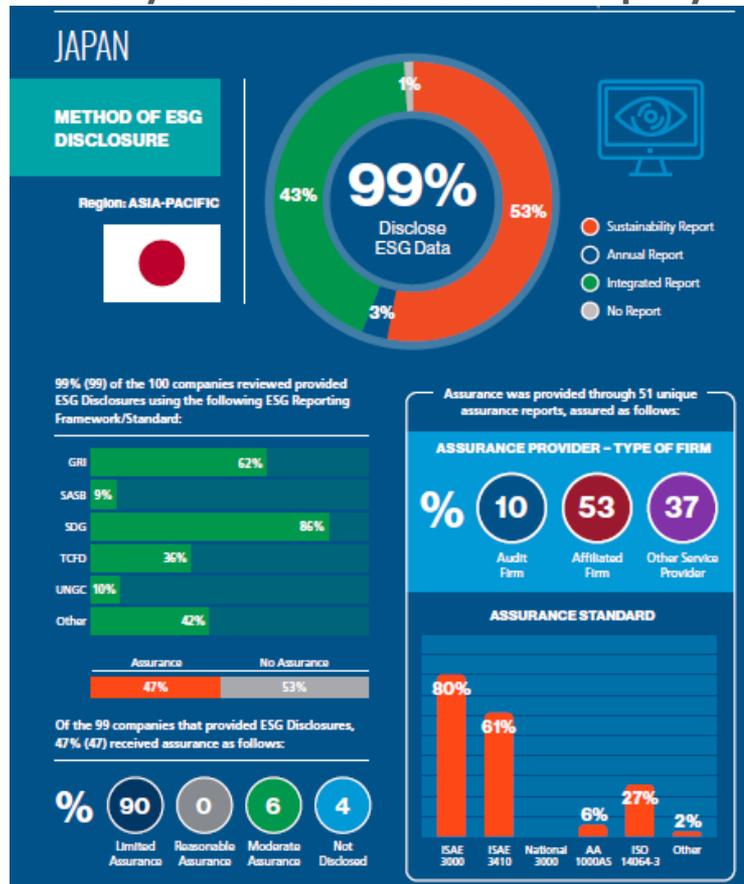


Note: If the respondents mentioned more than one standard, they were counted separately.

Source: Prepared by Deloitte Touche Tohmatsu based on Benchmarking Global Practice *The State of Play in Sustainability Assurance* (June 2016) published by the IFAC.

# An overview of the state of sustainability assurance in Japan

## Summary of ESG disclosure and third-party assurance in Japan



In Japan, Annual Securities Report (annual report) is scarcely used as a medium for disclosing ESG information.



Audit firms and their subsidiaries provide third-party assurance in accordance with ISAE 3000 and/or ISAE 3410.



In Japan, assurance services are mostly provided by audit firms and their subsidiaries, no matter if those services are supposed to be provided in accordance with ISAE 3000 developed by IAASB.



90% of the assurance provided is limited assurance.

Source: Prepared by Deloitte Touche Tohmatsu based on Benchmarking Global Practice The State of Play in Sustainability Assurance (June 2016) published by the IFAC.

# An overview of the state of sustainability assurance in Japan

While the forms of reporting media vary, assurance services specifically for GHG emissions reporting are all provided by ISO accreditation bodies.

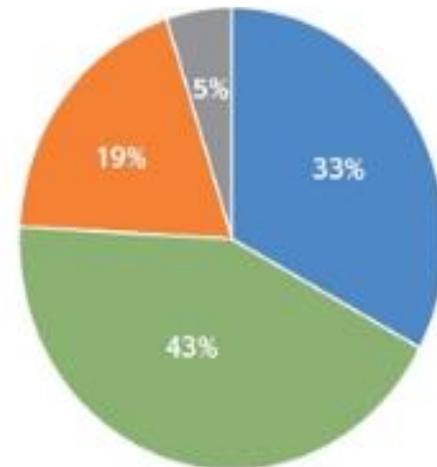
Percentages of different reporting media to be assured

	IR	Sustainability Report	ESG Data Collection	Website Information	GHG Emission Report	Other	Total
Audit, Accounting Firms and	12	23	15	14	0	3	67
ISO Accreditation Bodies	12	20	14	7	15	3	71
Others	0	1	0	0	0	0	1
Total	24	44	29	21	15	6	139

\*1 "Other" of audit firms and other relevant institutions represents services related to the Equator Principles.

\*2 The total number of assured reporting media is 139, which exceeds the total number of companies that received assurance. This is because some companies received assurance for more than one reporting medium.

Percentage of reporting media covered by the assurance



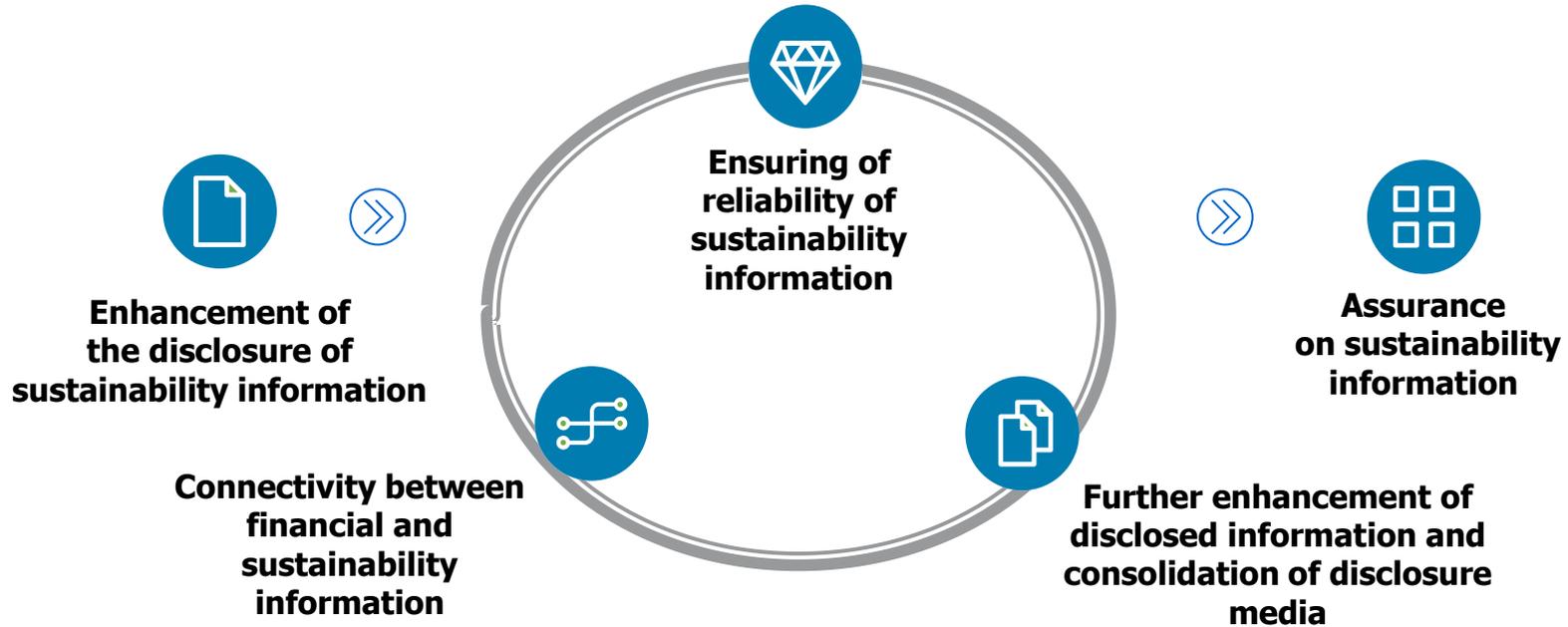
- Environmental & Social Indicators
- Environmental Indicator (including GHG)
- GHG Emission Only
- Social Indicator Only

Source: Fact-finding Survey on Assurance for Non-financial Reporting, November 2021 issue of the Accounting and Auditing Journal

# An overview of the state of sustainability assurance in Japan

It is essential to proceed with preparation and responses in anticipation of domestic and global discussions on assurance engagements as well as their future progress.

- Directions to be taken and themes to be considered in regard to sustainability reporting





# **JICPA's Initiatives on Sustainability Assurance**

# JICPA Special Committee on Corporate Disclosure and Governance Discussion Paper

*JICPA Special Committee on  
Corporate Disclosure and Governance*

*Discussion Paper*

## Key Issues in Enhancing Usefulness and Trust in Corporate Disclosure

– Establishing Sustainable Value Creation Cycle  
through Interaction between Disclosure and Governance –

### Topics discussed in the final report

Topic1	Structure of report and the content elements
Topic2	Reporting frameworks and standards
Topic3	Interaction between corporate disclosure and corporate governance
<b><u>Topic4</u></b>	<b><u>Audit and assurance for enhancing trust in corporate disclosure</u></b>

# Audit and assurance for enhancing trust in corporate disclosure

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## **4-1** Enhancing quality of corporate disclosure: audit and assurance

### **Current state and issues**

- The role of external auditors is questioned for the quality of corporate disclosure.

### **Possible solutions**

- ▶ External auditors understand more about an entity's sustainable value-creation to assess whether disclosure as a whole represents corporate value.

# Audit and assurance for enhancing trust in corporate disclosure

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## **4-2** Strengthening communication and cooperation between external auditors and those charged with governance

### **Current state and issues**

- The growing importance of the board of directors, the roles of external auditors, and their communication with the board of directors

### **Possible solutions**

- ▶ Deepen external auditors' communication with the board of directors, especially with independent directors
- ▶ Promote tripartite cooperation involving the board of corporate auditors, etc.

# Audit and assurance for enhancing trust in corporate disclosure

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## 4-3 Reliability of non-financial information

### Current state and issues

- Only some of the information disclosed in Integrated Reports and/or other voluntary reports are subject to assurance.
- Presenting a sharp contrast with Annual Securities Report, which is the current scope of financial statement audit
- Issues to be addressed include the scope of assurance; feasibility of assurance, which should be ensured by preparation standards; bodies providing assurance; and interaction with financial statement audit.

### Possible solutions

- ▶ Undertake assurance for both financial and non-financial information in the same annual report for comprehensive use of information by investors

# Audit and assurance for enhancing trust in corporate disclosure

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## **4-4** Enlightenment and capacity building of professional accountants

### **Current state and issues**

- Re-identification of the expertise required for professional accountants with a recent environmental change taken into account

### **Possible solutions**

- ▶ Enhance capabilities of professional accountants
- ▶ Review the existing education system and develop a policy from a medium- to long-term perspective



**Establish the JICPA Sustainability Education Study Project Team**

## JICPA's initiatives on sustainability assurance

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- Establish the Sustainability Education Study Project Team, which:
  - ▶ Looks into the development of a syllabus for sustainability education for CPAs; and
  - ▶ Holds webinars on the disclosure of climate change information and how to ensure the reliability of such information.

## JICPA's initiatives on sustainability assurance

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- JICPA looks into the development of practical guidance on assurance engagements for green bonds.
  - ▶ **Green bond issuers are recommended to receive pre- and post-issuance reviews by an outside party.**
  - ▶ **CPAs should be in charge to provide assurance services in accordance with the International Standard on Assurance Engagements (ISAE) 3000.**

# JICPA's initiatives on sustainability assurance

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## Industry's needs

- Expectations for the extensive rollout and promotion of sustainability education in the accountant profession
- Need for initiatives that are globally consistent
- Initiatives undertaken by audit firms (international accounting firms) on their own
- Shortage of resources in SMPs



## Approach

Develop JICPA's syllabus for sustainability education so that it is positioned as a "hub" for promoting the extensive rollout in the industry.



- The syllabus is developed by JICPA.
- The education programs are aligned with other training programs provided by audit firms and JAFEL.
- Publicize about our initiatives to provide CPAs with sustainability education programs to get them equipped with knowledge and insight on sustainability.

# Reference

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- Working Group on Corporate Disclosure of the Financial System Council, Financial Services Agency
- Revision to the Corporate Governance Code
- Sustainability Standards Board of Japan (SSBJ)
- TCFD Consortium
- Study Group on Disclosure Policies for Non-financial Information (Stance Paper)

● ● Building trust, empowering our future  
jicpa



The Japanese Institute of  
Certified Public Accountants

# Regional Webinar on Sustainability Assurance



# SEC develops a sustainable ecosystem for Thai capital market



**ASEAN  
Capital  
Markets  
Forum**



**UNITED NATIONS  
HUMAN RIGHTS  
OFFICE OF THE HIGH COMMISSIONER**



## SEC develops a sustainable ecosystem for Thai capital market

### Vision

SEC strives to enhance the benefits and well-being of people through being a trustworthy and proactive organization, collaborating with all stakeholders to build a sustainable capital market

### Mission

To assure a conducive environment for a fair, efficient, dynamic and inclusive capital market



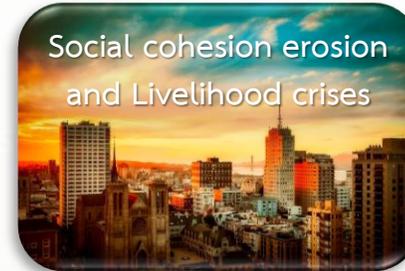
## Top 10 Global Risks by Severity

Over the next 10 years



■ Economic ■ Environmental ■ Geopolitical ■ Societal ■ Technological

Source: World Economic Forum Global Risks Report 2022



# Increasing an opportunity of global investment



## Cost of fund

Companies have received increased interest from both domestic and international investment, which help reducing companies' financial costs

## Improved performance

Companies have improved performance from considering and integrating ESG into business operations

Companies that are responsible for sustainability have received increased interest from global investment

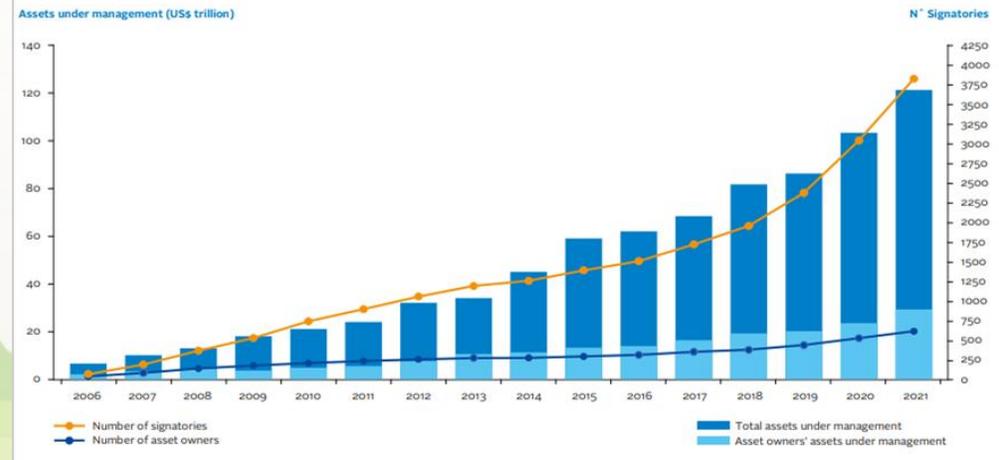
**More than 3,800 signatories**

applying responsible investment principles in investment decisions



**Over 120 Trillion USD**

The PRI has grown consistently since it began in 2006:



# ESG Development in the Thai Capital Market

## Corporate Governance Report Assessment Scores

with a minimum of



**661**

listed companies



## Members in Dow Jones Sustainability Indices

MEMBER OF

**Dow Jones  
Sustainability Indices**

**24**

listed companies

In collaboration with  **SAM**  
a RobecoSAM brand

## Thailand Sustainability Investment (THSI) list 2021



**146**

listed companies

## Members in FTSE4Good Emerging Indexes



FTSE4Good

**39**

listed companies

## SETTHSI index Constituents H1/2022

**SETTHSI  
Index**

**99**

listed companies

Jan 1 – June 30, 2022

## Members MSCI ESG Universal Index

**MSCI** 

**42**

listed companies



The SEC issues best practices / disclosure rules / and manuals, to support ESG Thai capital market.



# Driving business towards sustainability



Human Rights



GHG emissions



Enablers: collaboration / capacity building / awareness raising / regulation / guidelines / enforcement / incentive

## SEC is enhancing ESG Disclosure in the Form 56-1 One Report (Effective in 2022)

- Overall of 56-1 & Annual report
- Summary of the 4 main topics



Policy and objectives of sustainable management



Management of impacts on stakeholders in the business value chain



Social sustainability management



Management of environmental sustainability  
(Verification on GHGs Emission)



**Objectives and business operations regarding ESG**



**risk management including ESG risks**



**MD&A connecting with ESG issues**

There are 169 listed companies that disclosed this information in 2021 (early adopted).

125 companies are in SET and 44 companies are in mai.

# Mechanism for promoting One Report



**Cooperate with other related organizations (e.g. capacity building, manuals, and guidance)**



**Exempt annual fee for listed companies**



**Enhance boards' roles to incorporate ESG-issues into the corporate strategy, as well as support accurate and reliable disclosure.**



**Encourage investment analysts and fund managers to integrate ESG factors into their investment process.**



## Sustainable financial products

launched sustainable financial products in 2021 with a total value of **174,696 million baht**  
(increased 102% from 2020 (year-end data of 2021))

Green Bond

Social Bond

Sustainability  
Bond

Sustainability-  
linked bond

carbon fund

<sup>NEW</sup>  
Sustainable & Responsible  
Investing Fund



## Requirement for the external reviewer

**Green Bond**

**Social Bond**

**Sustainability  
Bond**

**Sustainability-  
linked bond**

- No requirement
- So far, every deals have appointed the external reviewer (market mechanism)
- Assurances: EY, Singapore, KPMG

- Mandate for pre & post issuances
- Potential for the assurances of the performance (KPI)
- Assurances: DNV assurance

