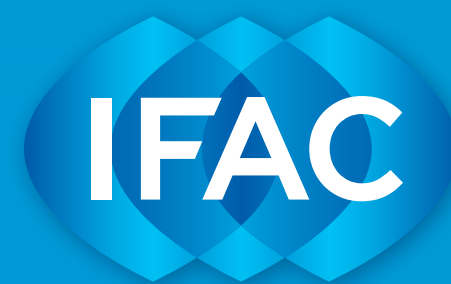


# THE STATE OF PLAY IN REPORTING AND ASSURANCE OF SUSTAINABILITY INFORMATION: UPDATE 2019-2020 DATA & ANALYSIS



International  
Federation  
of Accountants



AICPA® & CIMA®

JULY 2022





# FOREWORD

Since our inaugural global benchmarking study on sustainability reporting and assurance was published in June of 2021, a continuing crescendo of sustainability or ESG-related activity has been taking place. Companies, regulators, standard-setters, investors, and other stakeholders continue to drive enhanced reporting and transparency of sustainability information around the world.

As we continue our analysis of the state of play, we provide this interim report on the 2020 reporting cycle. We look forward to continuing to analyze 2021 and future reporting years to understand what is happening globally in terms of ESG reporting and assurance. The following themes underscore how the ESG reporting and assurance environment continues to evolve:

- The number of companies reporting ESG information has increased slightly, and we saw more information reported in annual or integrated reports rather than separate sustainability reports in 2020 over the prior year.
- The number of companies obtaining assurance on ESG information has grown.
- Professional accounting firms continue to perform the majority of sustainability assurance engagements globally, but there has been an increase in the use of other/non professional accountant assurance providers and there are still wide differences in practice between jurisdictions.

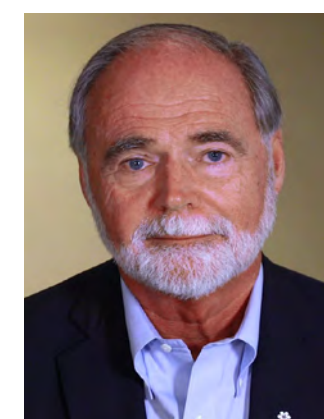
Companies that seek assurance on ESG information often do so to enhance trust and confidence in disclosures, identify areas for improvement related to controls and processes surrounding the collection and reporting of data, and support more informed decision-making. The accountancy profession is well suited to provide

assurance on ESG information due to its expertise, professional standards, systems of quality management, objectivity, and independence requirements. Further, the practitioner that audits the financial statements is the best-positioned to also provide assurance on ESG information in a connected way –i.e., auditors are already well-acquainted with the company, its structures, processes, and controls.

Over 70 percent of companies studied share this view, as evidenced by research findings that those companies that obtained assurance on ESG information by a professional accountant, had their statutory auditor perform the engagement. However, it is interesting that, particularly in specific jurisdictions, companies are instead choosing to use consulting firms to provide assurance on ESG information.

We urge professional accountancy organizations, audit firms, and individual professional accountants to drive conversations about ESG reporting and assurance. We must supply the information necessary for stakeholders to understand why the accountancy profession is best placed to deliver assurance on ESG information.

We look forward to publishing a three-year trend analysis (including 2021 data) of sustainability reporting and assurance data. Until then, we hope you find interest in this important, evolving sustainability story.



Kevin Dancey  
Chief Executive Officer,  
IFAC

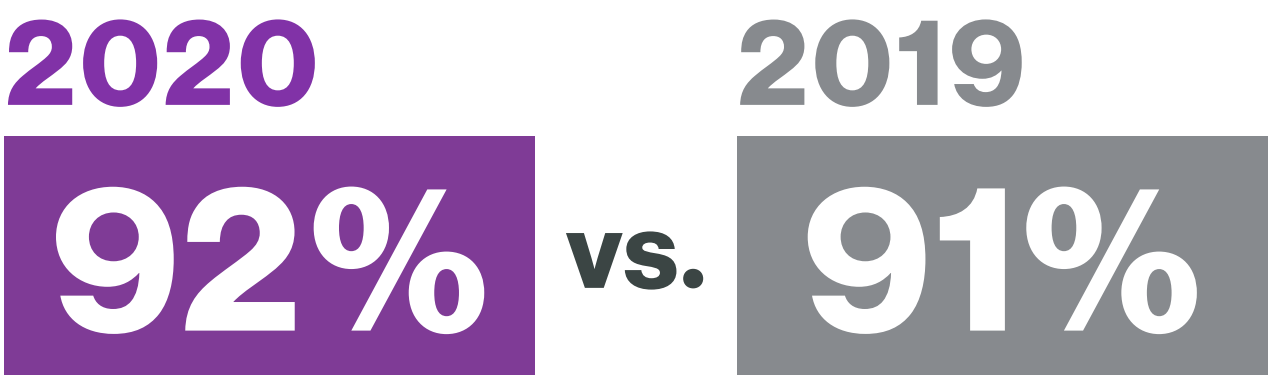


Susan S. Coffey, CPA, CGMA  
Chief Executive Officer – Public Accounting  
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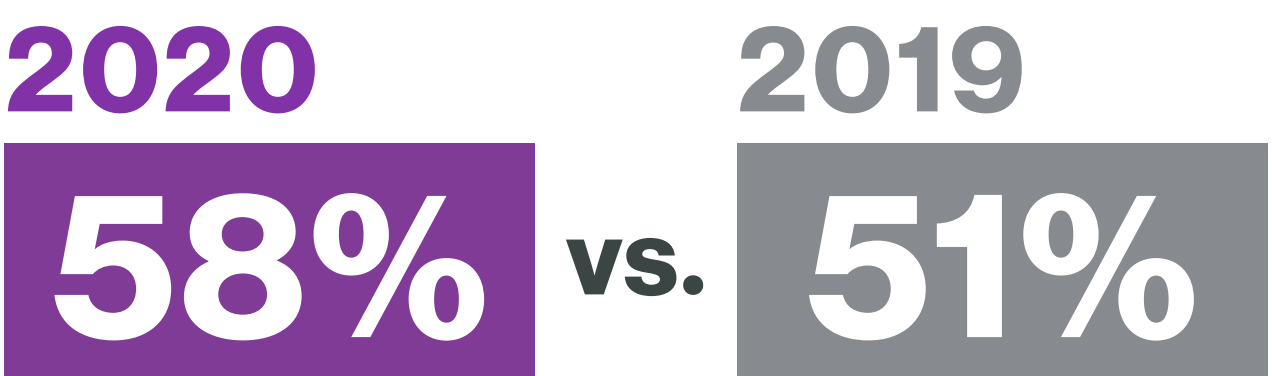
# MAPPING GLOBAL REPORTING AND ASSURANCE PRACTICES

This study was designed to update understanding (based on 2020 reporting) of market practice for the assurance of environmental, social, and governance (ESG or sustainability) information, globally. 1400 companies across twenty-two jurisdictions were reviewed. (See Methodology Section.) A company was considered to have reported ESG information or obtained assurance, regardless of how much information was provided or assured (i.e., one GHG number counts).

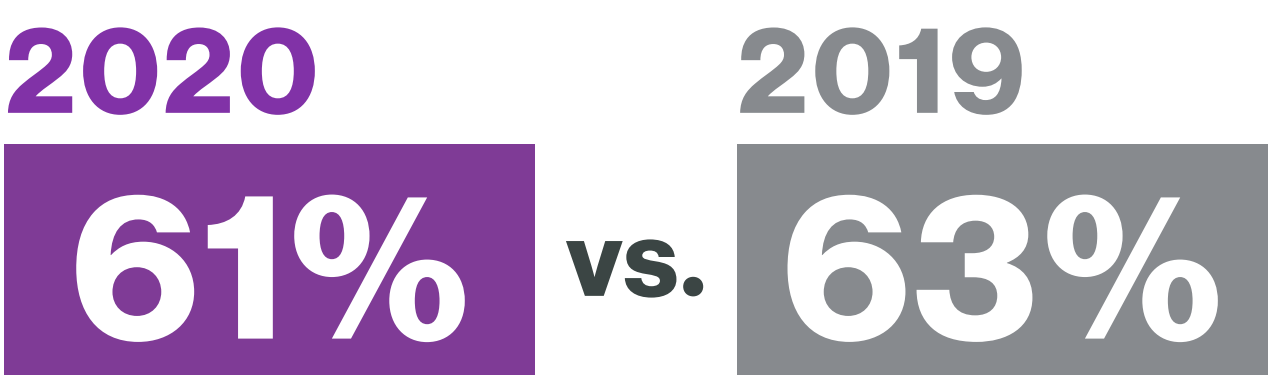
## KEY FINDINGS: 2020 VS. 2019



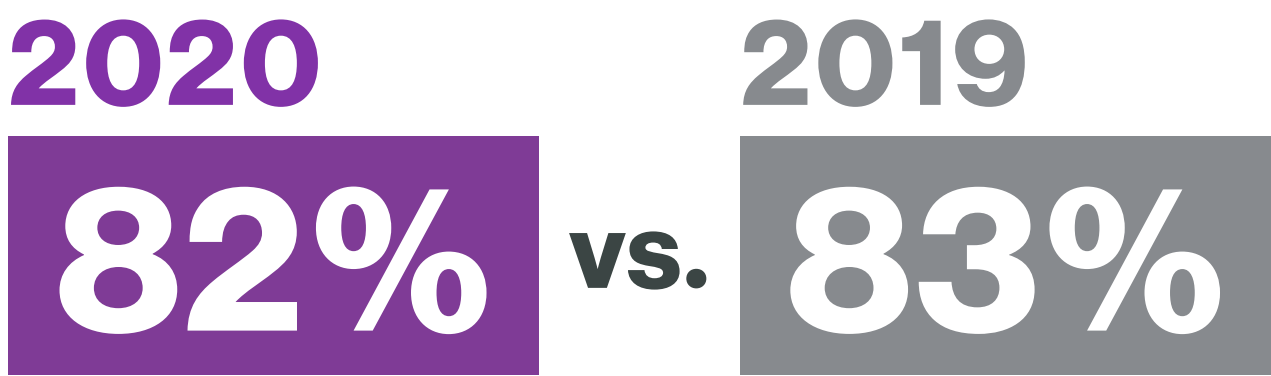
reported *some* ESG information



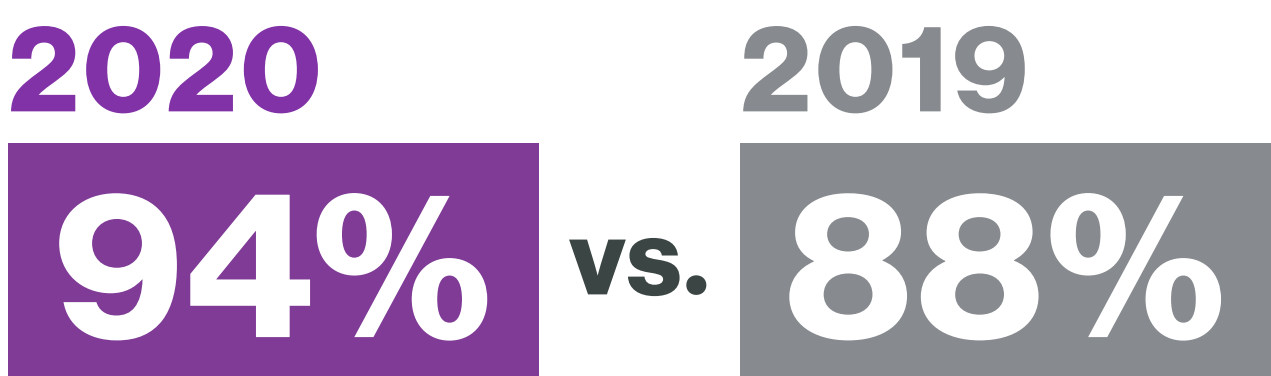
obtained *some* level of assurance



of assurance engagements were conducted by Firms



of assurance was limited in nature



of Firms applied ISAE 3000 (Revised)

For the second year, our analysis indicates that while the frequency of reporting ESG information is high, the incidence of assurance is not, and there are meaningful differences in practice across jurisdictions.

[▶ Link to June 2021 State of Play report](#)



# SUMMARY CHANGES: REPORTING



**METHOD OF REPORTING.** While the use of stand-alone Sustainability Reports declined globally, some jurisdiction-specific reporting preferences remained the same in 2020. For example, reporting on ESG in the U.S. and Canada relied heavily on Sustainability Reports, while Annual Reports dominate in the European Union and companies in South Africa report in Integrated Reports. (see page 5 for more information.)

**1,283** of **1,400** companies reported ESG information (compared to **1,269** in 2019)

SASB increase of

**153%**

over 2019

&

TCFD increase of

**100%**

over 2019

**STANDARDS & FRAMEWORKS.**

The use of / reference to SASB Standards and the TCFD framework increased significantly.

**STANDARDS & FRAMEWORKS.**

The use of / reference to GRI Standards and the Sustainable Development Goals (SDGs) remained high among the companies who reported on ESG.

increasing from

**69%**

to

**72%**

(GRI)

increasing from

**62%**

to

**76%**

(SDGs)

# CHANGES IN WHERE COMPANIES REPORTED ON ESG

Fewer companies relied on stand-alone Sustainability Reports while the use of Integrated Reports and Annual Reports for ESG disclosures increased.

For example, in Australia, one additional company disclosed its ESG information in an Integrated Report, three additional companies used Annual reports, and four fewer companies used a Sustainability Report.

FORM TYPE	2020	2019
Integrated	21.0%	16.4%
Annual	19.7%	17.8%
SR	50.9%	56.5%

Changes in the type of reporting method used by companies in our sample from Saudi Arabia had no net cumulative impact.

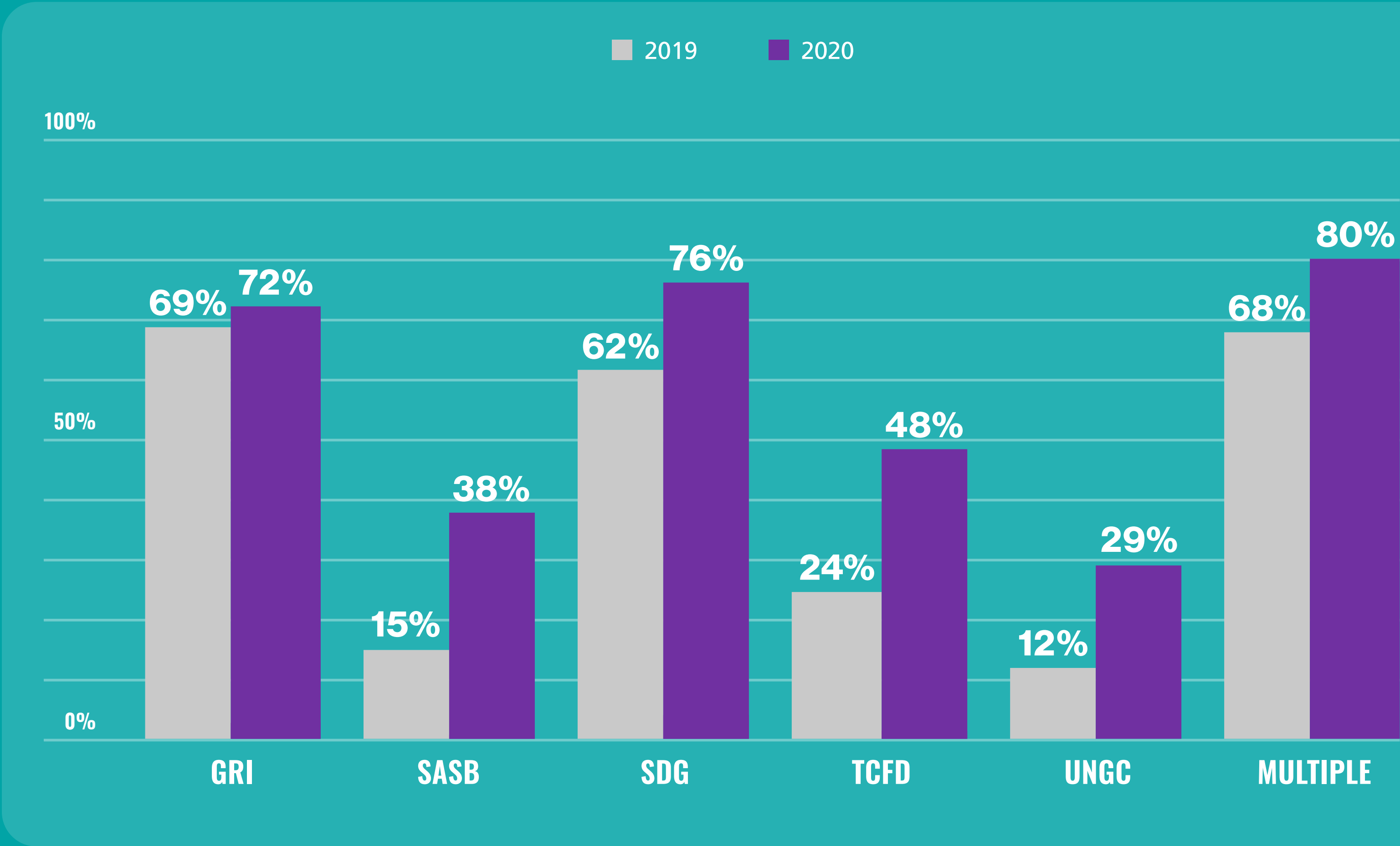


# ESG REPORTING FRAMEWORK / STANDARD

The use of MULTIPLE frameworks/standards

increased from **68%** in **2019**  
to **80%** in **2020**

The percentage of ESG reporting framework/standard is calculated as the number of reports that disclose the use of a specific framework/standard vs. the total number of reports that include ESG information (1,283). The sum of the percentages indicated exceeds 100% because most companies use more than one framework/standard for reporting purposes.



# SUMMARY CHANGES: ASSURANCE



## ASSURED ESG INFORMATION.

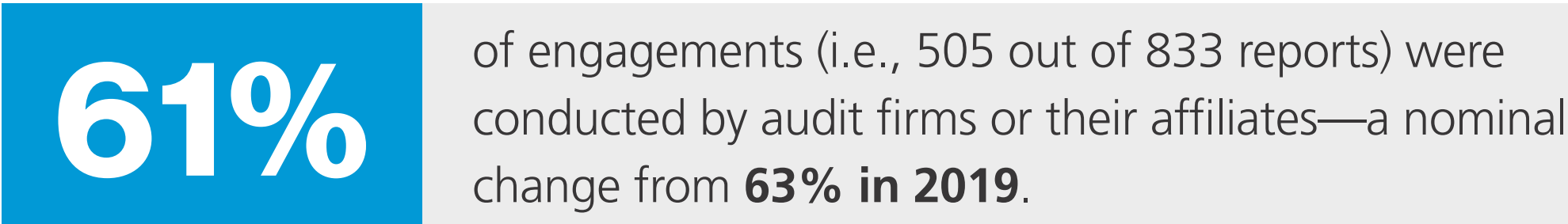
The percentage of companies which obtained assurance on some of their 2020 ESG reporting increased from:

Double-digit increases were noted in Australia, Brazil, Canada, Italy, Russia, Turkey, and the U.K.



## WHO PROVIDES ASSURANCE.

Of **833** separate assurance reports from **741** companies:



The majority of assurance engagements in Hong Kong S.A.R., China; India; Indonesia; South Korea; U.K. and U.S. were not conducted by audit firms or their affiliates.

**ASSURANCE STANDARDS.** ISAE 3000 (Revised) remained the most widely used standard for ESG assurance engagements—increasing from:



**94% of Firms** (or their Affiliates) used ISAE 3000 (Revised), while non-IAASB standards were most commonly used by other service providers (i.e., only 39% used IASE 3000).

**LEVEL OF ASSURANCE.** **97% of audit firm-related engagements** resulted in limited assurance reports.

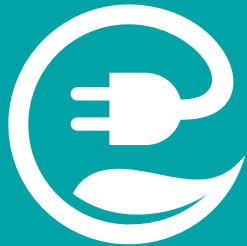
In contrast, **59%** of engagements conducted by other service providers resulted in limited assurance, while moderate assurance (**23%**) and reasonable assurance (**18%**) were also prevalent.



# SCOPE OF REPORTING AND ASSURANCE

## Reporting:

Most companies reported some information on GHG, other environmental, social, and governance sustainability matters. 89% of companies provided information in all four of the ESG categories examined in this study.



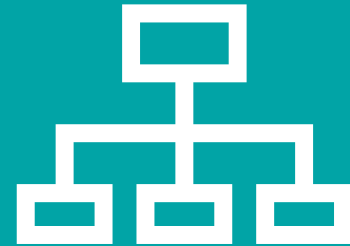
**GHG**  
**92%**



**Other Environmental**  
**98%**



**Social**  
**96%**



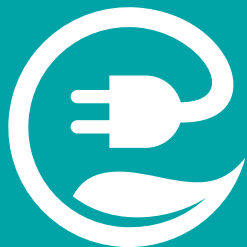
**Governance\***  
**95%**



**All Topics**  
**89%**

## Assurance:

Assurance obtained by companies reporting on ESG focused primarily on GHG data and did not cover the range of sustainability information. Only 43% of companies obtained assurance on information in all four of the ESG categories examined in this study.



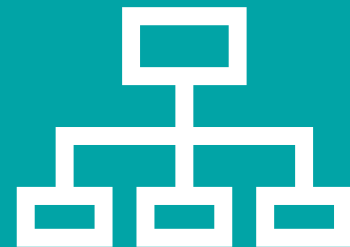
**GHG**  
**95%**



**Other Environmental**  
**78%**



**Social**  
**68%**



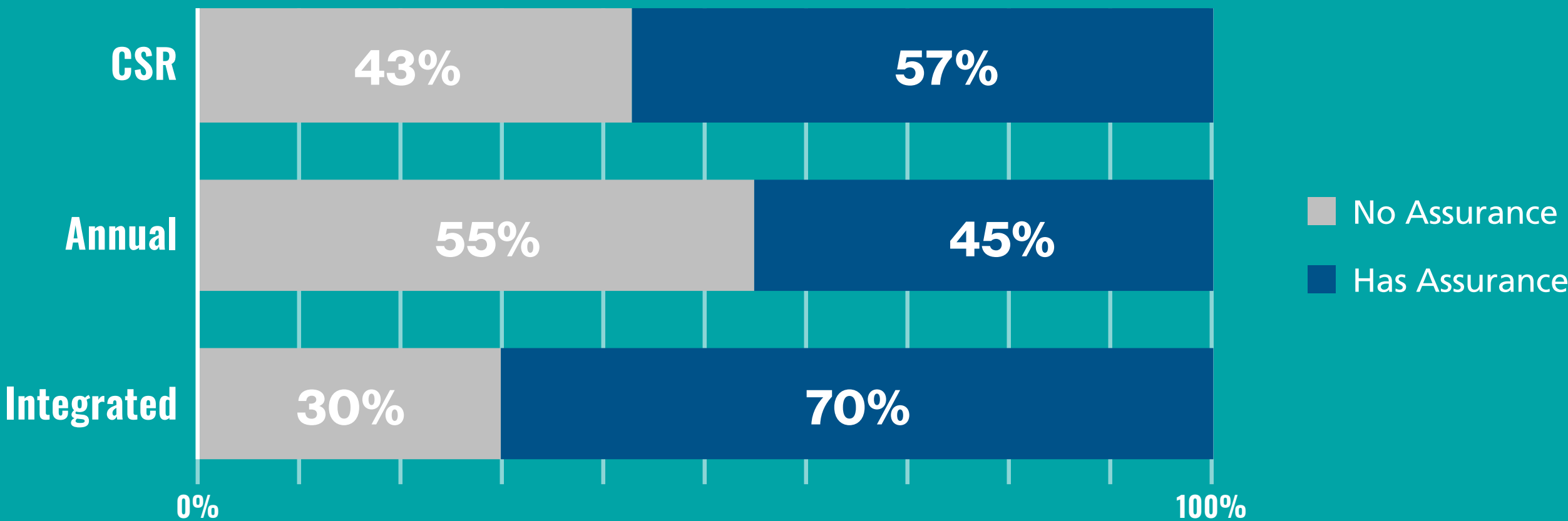
**Governance\***  
**43%**



**All Topics**  
**43%**

Companies who provided ESG information in Integrated Reports obtained more assurance than companies who reported in Annual Reports or stand-alone Sustainability Reports.

\* Governance does not include remuneration (or other) information that is statutorily required to be reported and assured in some jurisdictions.





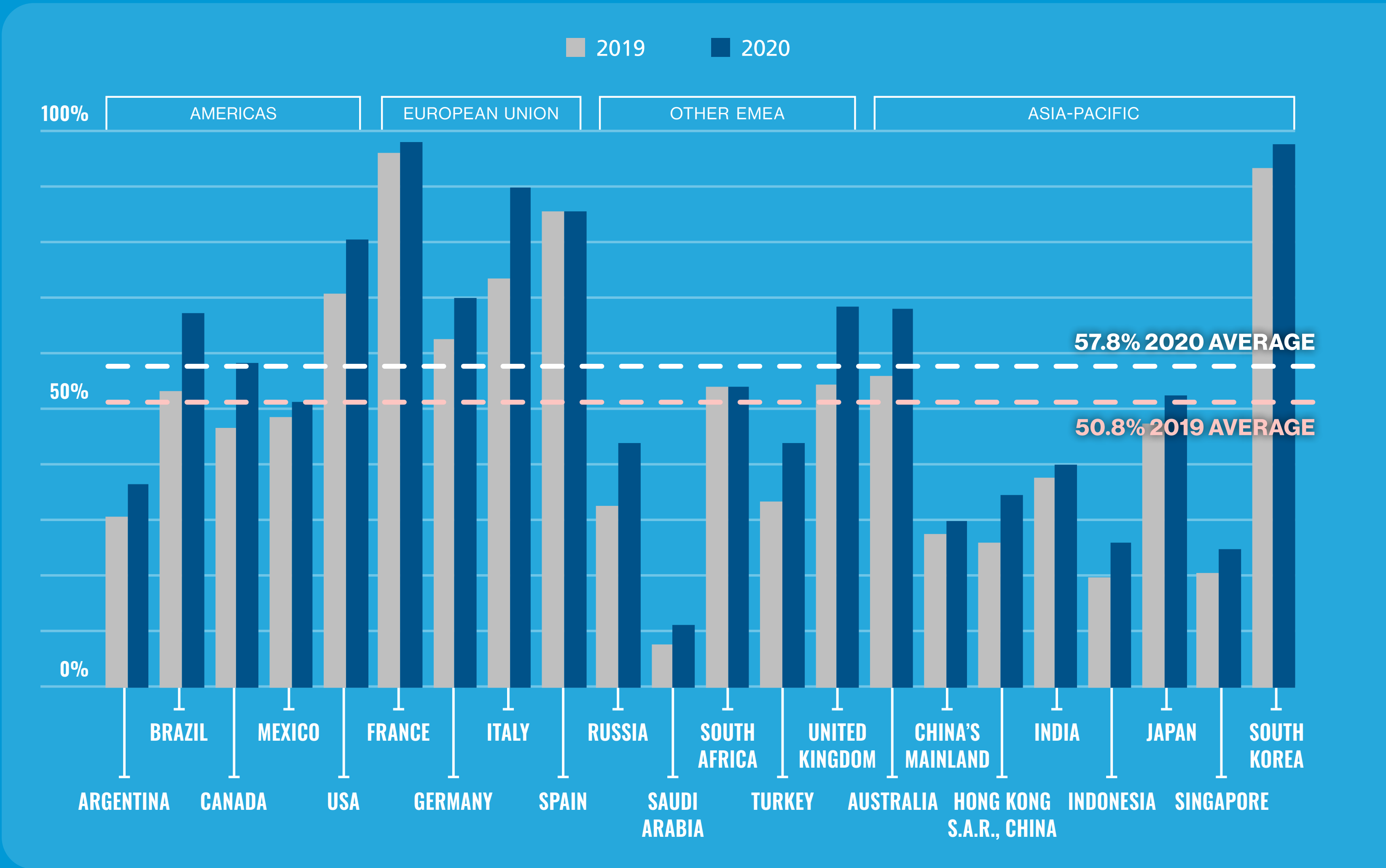
# ASSURED ESG INFORMATION BY JURISDICTION

**833 reports** from **741 companies** who obtained assurance in 2020

**704 reports** from **645 companies (51%)** who obtained assurance in 2019

Percentage of assurance is based on the number of companies that obtained assurance over reported ESG information (741) vs. the total number of companies that reported ESG information (1,283). If a company obtained more than one assurance report (i.e., there were multiple metrics or information individually verified), that company is only counted once. Reviews, verification statements, and other similar items were not counted as assurance reports.

**58%** of the companies that disclosed ESG data, obtained assurance.

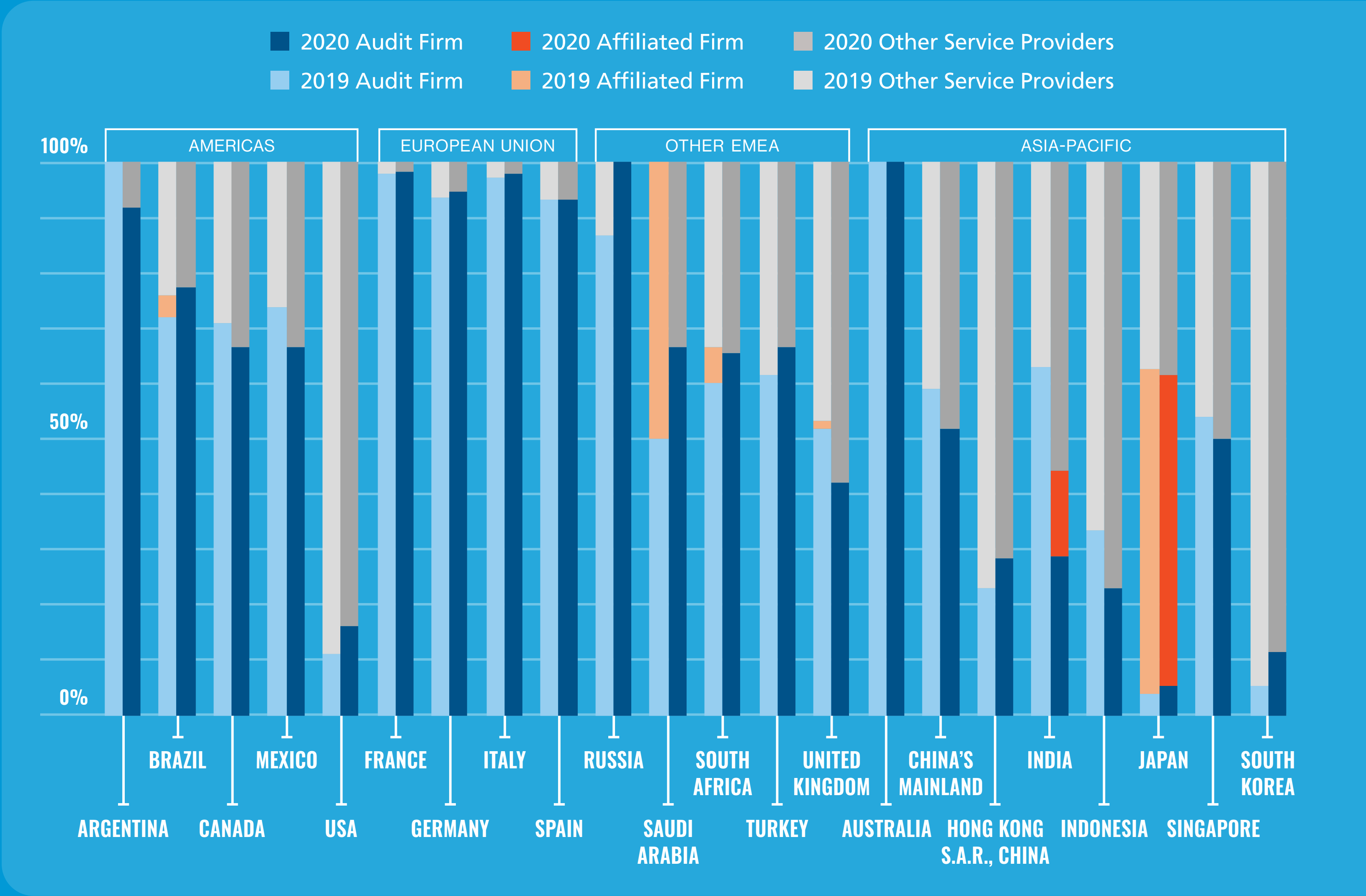


# TYPE OF FIRM PROVIDING ASSURANCE BY JURISDICTION

Assurance provider is calculated as the number of assurance reports signed by firm type vs. the total number of assurance reports.

An Affiliated Firm is an independent entity that is associated with a separate audit firm (typically the audit firm member of a global network).

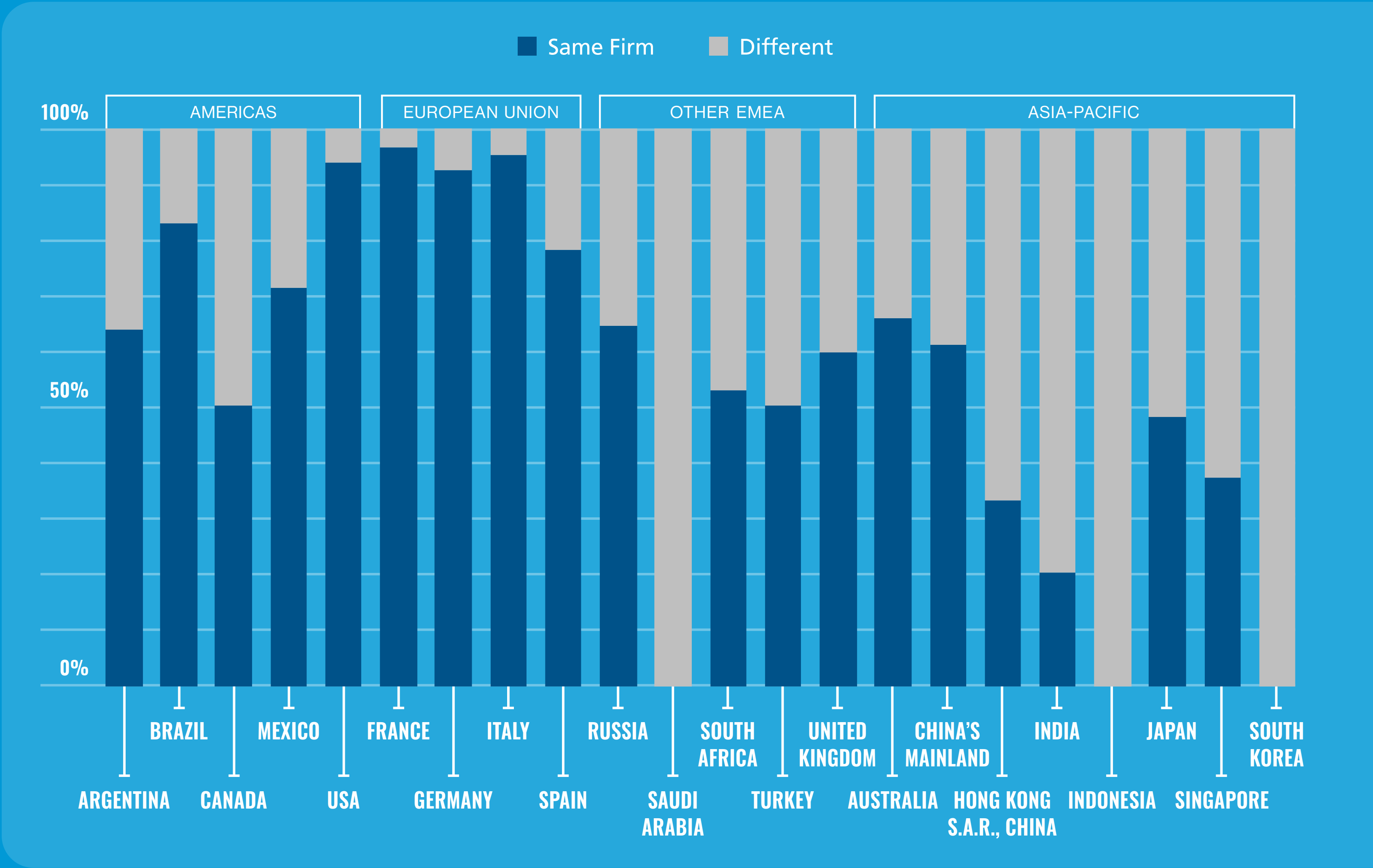
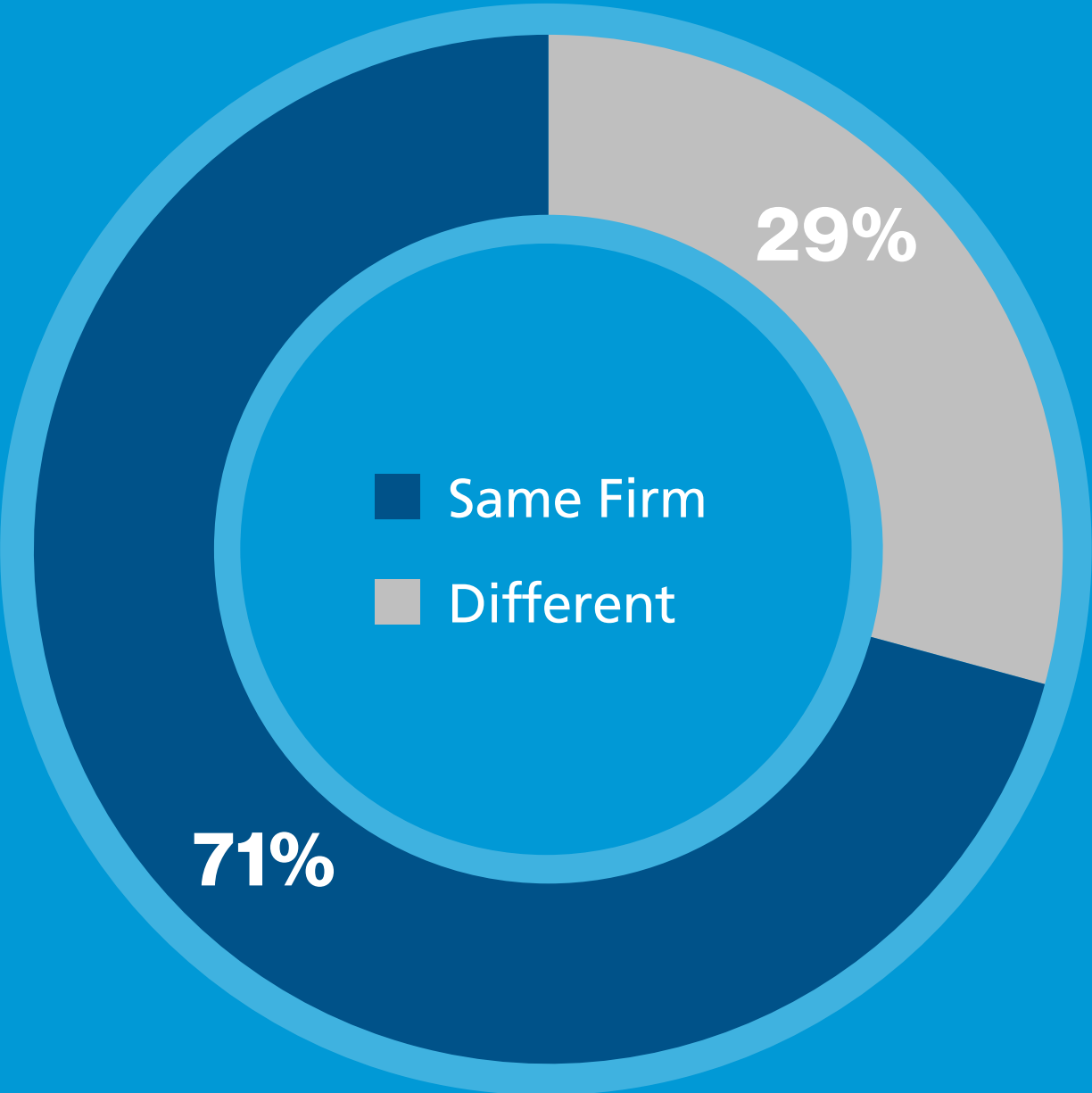
While the overall share of engagements performed by Audit Firms (or their affiliates) has remained relatively consistent **(61% in 2020 vs. 63% in 2019)**, there are jurisdiction-specific changes—reflecting market practice that is still evolving.





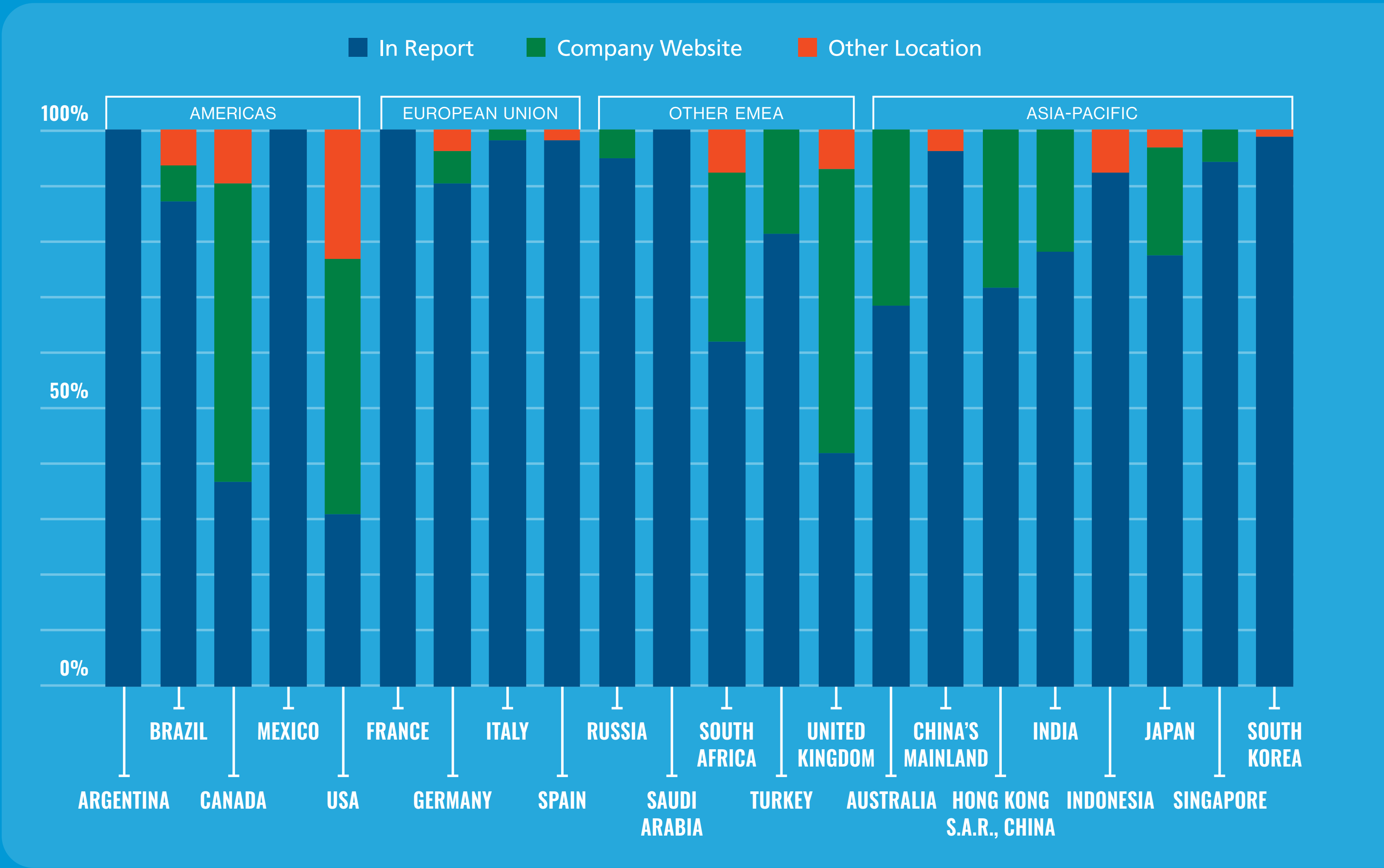
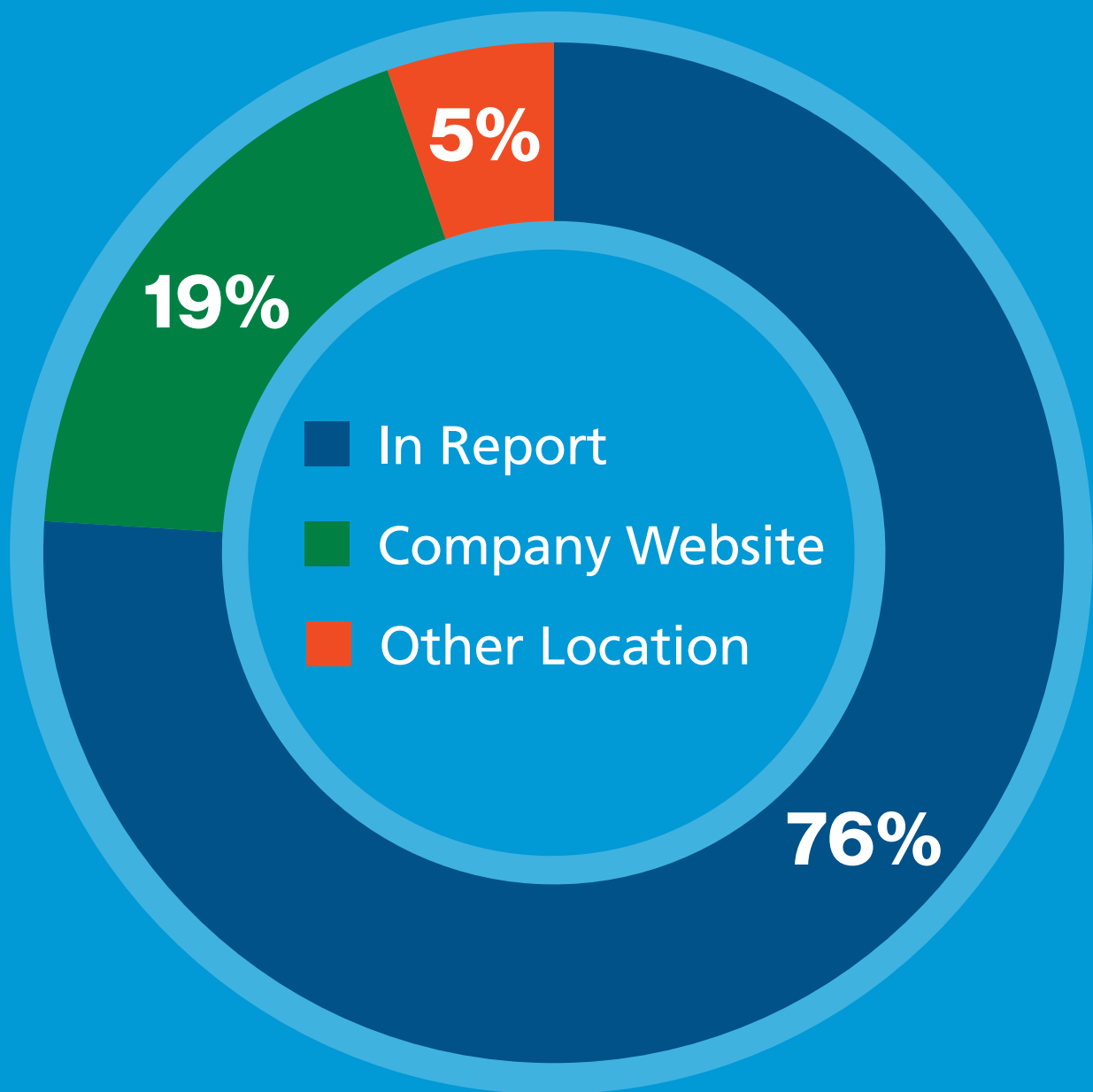
# STATUTORY AUDITORS VS. ESG ASSURANCE PROVIDERS

**71% of 505** ESG assurance reports provided by audit firms were from the same firm as the statutory audit provider for the same reporting entity.



# WHERE DID WE FIND ASSURANCE REPORTS?

76% of companies included assurance reports in the Annual Report. The majority of companies in Canada, the U.S., and U.K. provided evidence of assurance on a company website or in some other location—not as part of the information in the Integrated Report, Annual Report, or Sustainability Report.





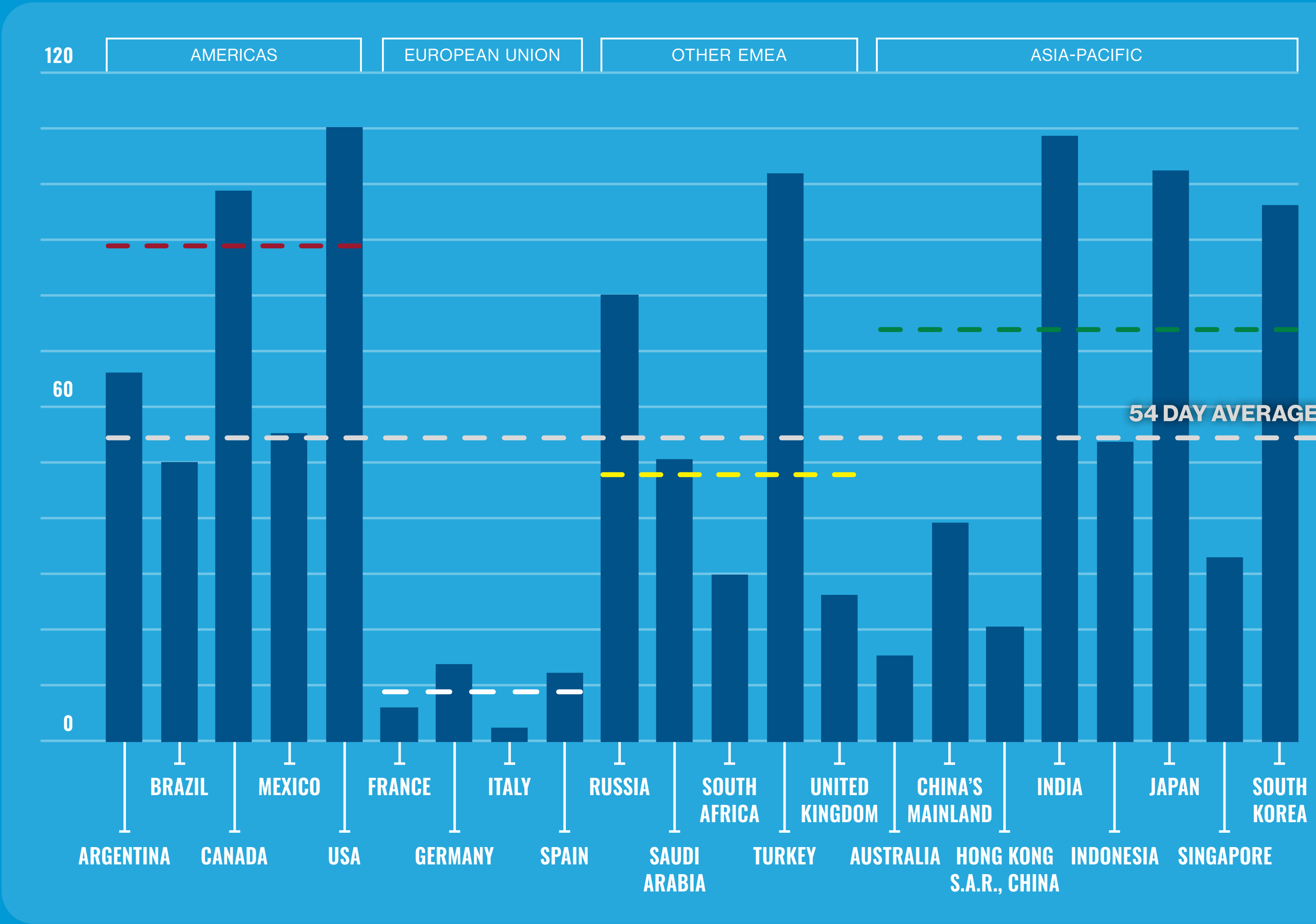
# DAYS BETWEEN STATUTORY AUDIT AND ESG ASSURANCE

Based on 733 instances where both financial audit and ESG assurance reports/signatures were examined.

On average, 54 days separated the issuance of the statutory audit report from the ESG assurance report.

- 9-Day avg. gap in EU countries
- 48-Day avg. gap in other EMEA
- 73-Day avg. gap in Asia-Pacific
- 89-Day avg. gap in Americas

Some jurisdictions may have different deadline requirements for statutory reporting versus voluntary disclosures, which can impact the time between the date of the statutory audit report and ESG assurance report(s).

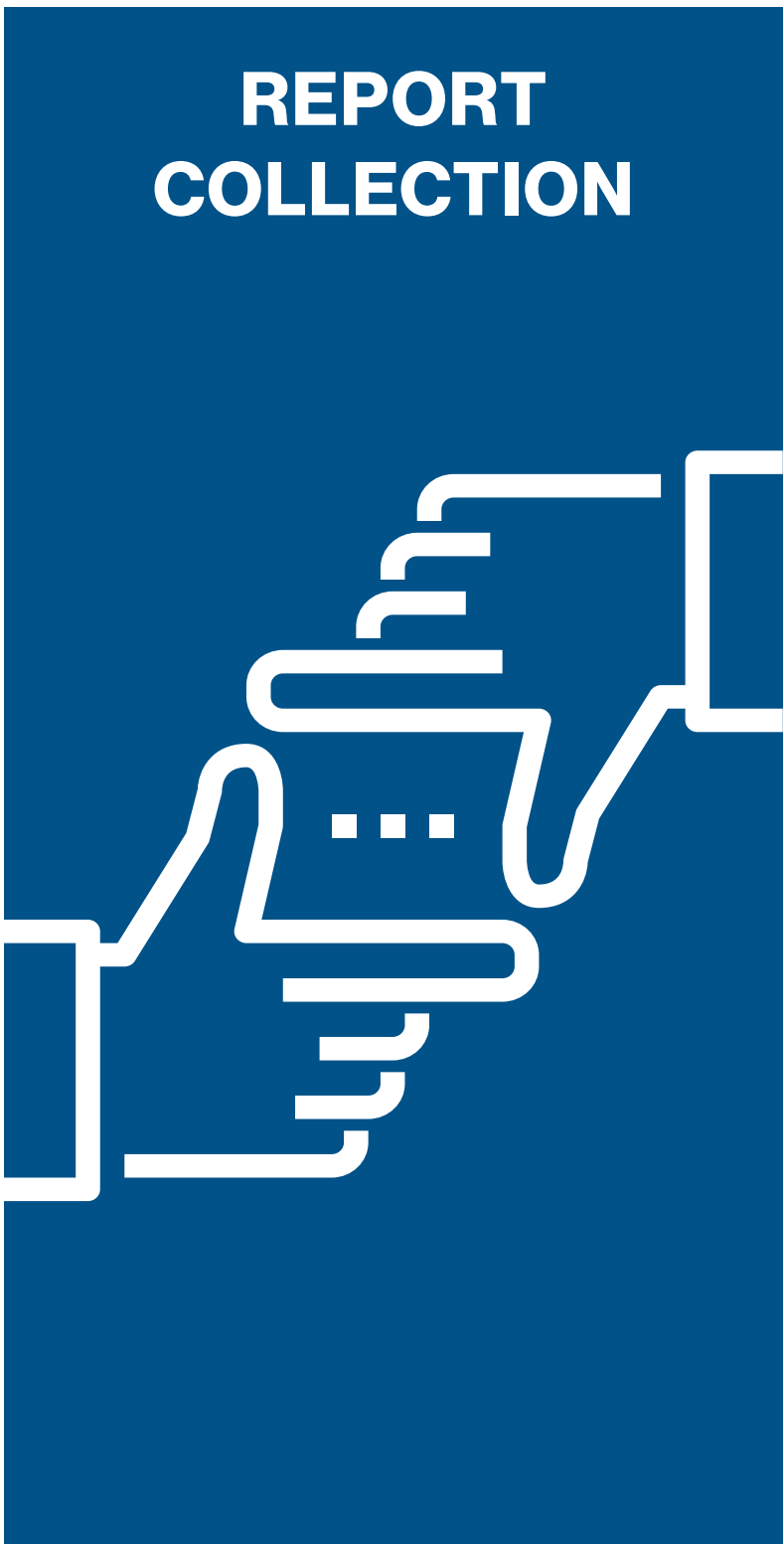


# METHODOLOGY

This study reviewed the largest companies in each jurisdiction by market capitalization as of approximately March 22, 2021, and attributed to jurisdictions based on the location of the company’s headquarters. The largest 50 companies were reviewed in 16 jurisdictions, while the largest 100 companies were reviewed in the largest six economies (denoted with an asterisk).

Americas	Europe, Middle East, and Africa (EMEA)	Asia-Pacific
<ul style="list-style-type: none"><li>• Argentina</li><li>• Brazil</li><li>• Canada</li><li>• Mexico</li><li>• United States of America*</li></ul>	<ul style="list-style-type: none"><li>• France</li><li>• Germany*</li><li>• Italy</li><li>• Russia</li><li>• Saudi Arabia</li><li>• South Africa</li><li>• Spain</li><li>• Turkey</li><li>• United Kingdom*</li></ul>	<ul style="list-style-type: none"><li>• Australia</li><li>• China’s mainland*</li><li>• Hong Kong S.A.R., China</li><li>• India*</li><li>• Indonesia</li><li>• Japan*</li><li>• Singapore</li><li>• South Korea</li></ul>

## DATA COLLECTION METHODOLOGY



Reports were usually located in one of four locations on a company’s website.

1. Dedicated sustainability web page for stakeholders
2. Sustainability web page under “About the Company” section
3. Annual reports or downloads section of Investor Relations web page
4. Sustainability section of Investor Relations web page

If a report could not be located on a company’s website, the company name was searched with the term “2020 sustainability report.” If a report was still not located, the company was searched in the GRI Database of sustainability reports. For Hong Kong Stock Exchange (HKEx) listed companies, the exchange website was used to collect reports if a report could not be found on a company’s website. This only impacted companies located in China and Hong Kong S.A.R., China.



# METHODOLOGY

## REPORT CLASSIFICATION



Reports were classified into three groups: Sustainability Reports, Annual Reports, and Integrated Reports. Sustainability Reports were identified as those published for the sole or main purpose of informing stakeholders of environmental, social, or governance activities and performance. Annual Reports were identified as those published for the main purpose of informing stakeholders of financial

performance. Annual Reports were only collected if they included sustainability or ESG reporting. Integrated Reports were identified as those published pursuant to the <IR> framework issued by International Integrated Reporting Council.

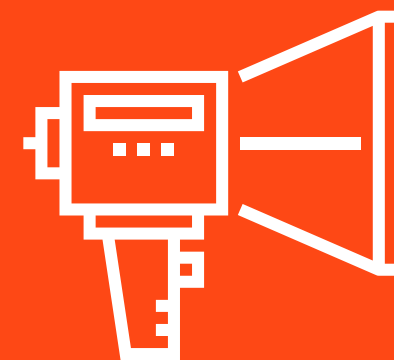
For companies that issued more than one report, a hierarchy was used to determine which report to collect. If an Integrated Report was published, the company was counted as reporting in an Integrated Report, regardless of any other publications. If a company published both an ESG report and published this ESG information within an Annual Report, the company was counted as reporting in an Annual Report.

## REPORTING STANDARDS



Reporting standards were collected from the “About this Report” section. Both reporting standards and reporting frameworks were captured due to inconsistent disclosure regarding their use as standards or frameworks. Next, any standards or frameworks indexed in the appendix were collected. Finally, a text search for the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), United Nations Sustainable Development Goals (SDG), United Nations Global Compact (UNGC), and Taskforce on Climate-related Financial Disclosures (TCFD) was used to find additional references within the body of the report. Standards and frameworks must have been used to report primary information to stakeholders.

## ASSURANCE



A company was determined to have obtained assurance if an assurance report that covered ESG data was found within a report, on the company’s website, or in the CDP database. Verification statements were not counted, nor were references to assurance where a specific assurance report was not available. If a report included more than one assurance report, each report was reviewed separately.



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