2nd IOSCO STF Roundtable on Audit and Assurance of Sustainability-related Financial Disclosures, Remarks from Kerrie Waring, CEO, ICGN
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I have been asked to comment on 'what next' in our collective journey towards a global framework for assurance of sustainability information. And let me applaud from the outset the progress made by standard setters around the world and the work of IOSCO.

Harmonization will minimize regulatory fragmentation and facilitate consistent, comparable, and verifiable information upon which risk, opportunity and resilience in companies can be properly assessed and priced.

As an investor led organisation which promotes high standards for the governance of sustainability, ICGN expects that corporate boards are confident in publicly affirming – in a timely manner - that the annual report and accounts present a balanced and understandable assessment of the company's position and long-term prospects – not only relating to financial performance but also demonstrating resilience, and the degree to which environmental and social factors are taken into account.

ICGN sent 26 letters this year in response to public consultations, 11 of which relate to corporate sustainability reporting, standards, or assurance.

- We encourage the ongoing coordination of efforts to establish complementary and interoperative standards that connect historic and forward-looking information.

- The financial consequences of sustainability impacts on a company should be consolidated within the financial statements (including in the Notes).

- Reporting standards should be applied to both public and private companies and the pace of adoption tailored according to company size.

Investors expect auditors to ensure that sustainability related assumptions and judgements are sound, and that the financial statements provide a fair representation of a company's economic health.

While it may take some time for auditors to build capacity to provide this level of assurance, ICGN welcomes enhanced regulatory scrutiny to expedite greater use of existing rules.

IASB already provides guidance clarifying that material climate risks should be considered in the same manner as any other material factor in the audit process.

Additionally, IASB encourages companies to include climate considerations in financial statements in-line with existing standards.

Regulators have reinforced this message - the UK Financial Reporting Council and ESMA issued statements last year warning of increased scrutiny.

But beyond this, what are the practical steps we can take?

- Firstly, acknowledgement from boards that they accept their responsibility for the governance of sustainability, clarified in publicly disclosed board mandates.

- We need a common language for governance reporting. The ICGN Global Governance Principles and the G20-OECD Principles are now referenced in the EU Corporate Sustainability Reporting Directive as authoritative global governance frameworks of most relevance to users which is a good start. But we need to coordinate references with other Directives to marry what companies are reporting with what investor are assessing.

- Reporting should include the process and frequency by which sustainability matters feature on board agendas, detailing discussions, and attendance.

- Audit Committees should demonstrate competence for the oversight of sustainability and how this impacts the financial statements.

- Information around how managerial incentives correlate directly with sustainability KPIs, based on audited financial data should be disclosed.

- Boards should be genuinely diverse to ensure effective and inclusive decision-making comprised of directors with knowledge of sustainability matters, whilst relying on expert advice when necessary.

- And we need frequent and constructive dialogue between investors, audit committees and auditors, particularly around any significant issues arising from the audit relating to sustainability.

Ultimately, governance is about how companies are directed and controlled based on the principles of fairness, accountability, responsibility, and transparency. And ‘sustainability’ and ‘resilience’ are only achievable if these solid foundations are in place.

Disclosure is not an end in itself – it’s the start of a conversation between companies and investors in their mutual responsibility to preserve and enhance long term value upon which we all rely.

And rigorous audit and assurance are cornerstones to this dialogue, instilling investor confidence around the quality and integrity of information to help ensure the efficient allocation of capital and investment decision-making.

ENDS.