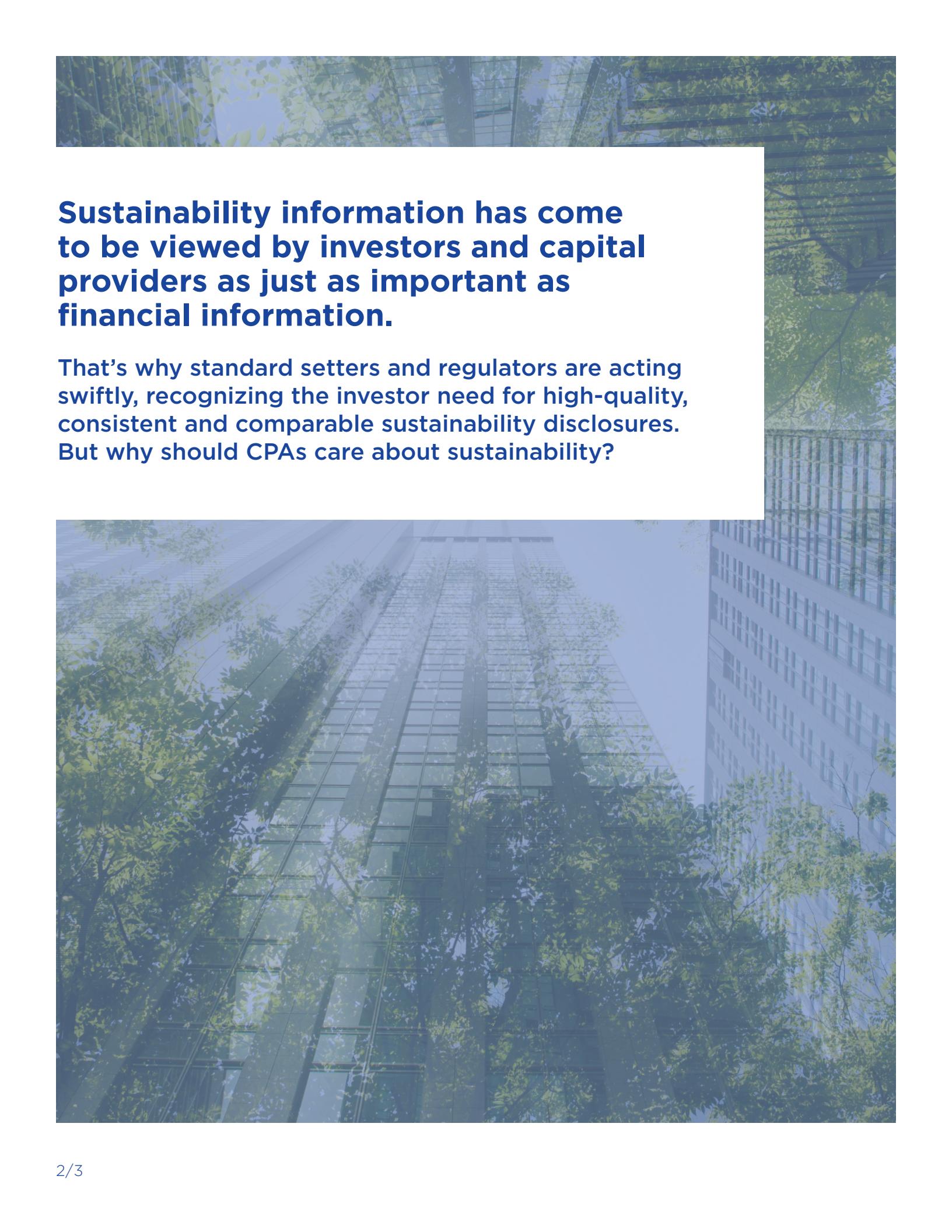




NOVEMBER, 2023

WHY SHOULD CPAs CARE ABOUT SUSTAINABILITY?



Sustainability information has come to be viewed by investors and capital providers as just as important as financial information.

That's why standard setters and regulators are acting swiftly, recognizing the investor need for high-quality, consistent and comparable sustainability disclosures. But why should CPAs care about sustainability?

CPAs HAVE A NATURAL ADVANTAGE

The objective of financial reporting and sustainability reporting is to provide investors with decision-making information about a business. Sustainability reporting and assurance are natural extensions of financial reporting.

CPAs' core competencies of risk assessment, professional skepticism, problem solving and decision making have placed CPAs in an invaluable position to support sustainability reporting and assurance with respect to:

- corporate governance and strategy
- identification, evaluation and management of risks and opportunities
- design and improving processes and systems of internal controls
- financial planning and forecasting information reporting

SUSTAINABILITY REPORTING AND ASSURANCE - GET READY, IT'S COMING FAST

Standard setters are moving at an unprecedented speed. The International Sustainability Standards Board (ISSB) issued International Financial Reporting Standards ([IFRS S1](#) and [IFRS S2](#), providing the world with a global baseline for reporting sustainability-related information. These standards were issued within 20 months of the ISSB's formation. Shortly after, the International Audit and Assurance Standards Board (IAASB) released a proposed standard for sustainability assurance engagements in August 2023 with the goal to publish it in the fall of 2024.

Governments and regulators are not waiting around either. In July 2023, the European Commission adopted the first set of sustainability reporting standards under the [Corporate Sustainability Reporting Directive](#) (CSRD), which will be mandatory along with limited assurance requirements for certain companies beginning in January 2024. In the United States, the state of California is not waiting for the Securities and Exchange Commission (SEC)'s final

climate-disclosure rule, passing a bill requiring companies to disclose their full value chain emissions.

Canada isn't waiting either. The Canadian Securities Administration is expected to release its updated climate-disclosure instrument soon, and it is widely expected that the requirement will align to the IFRS Sustainability Standards as issued by the ISSB. The Office of the Superintendent of Financial Institutions (OSFI) issued their first climate-related guideline, [Guideline B-15: Climate Risk Management](#), requiring disclosure of climate-related risks beginning in 2024.

Non-regulated businesses also need to adapt to the changing environment. For more information on this subject, read our article, "[Why Businesses Can't Ignore Sustainability](#)."

COMPANIES NEED CPAs TO DO THE HARD WORK OF SUSTAINABILITY

Leaders around the world recognize the need for capacity building in sustainability - to develop skills and competencies to do sustainability work. They are filling this gap by recruiting experts, upskilling their existing teams and engaging consultants.

For example, sustainability positions are being created in companies that did not exist before, like Chief Sustainability Officer, Sustainability Controller and Director of Sustainability. Companies are retraining their finance and internal audit resources for sustainability roles.

Companies will continue to work with consultants on their sustainability strategies, including the identification, measurement and disclosure of material sustainability-related information. And many companies will naturally turn to their financial statement auditors for any assurance engagements for sustainability.

CPA ONTARIO RESOURCES TO SUPPORT YOUR SUSTAINABILITY JOURNEY

No matter a CPA's role or where they are in their sustainability journey, CPA Ontario is here for support. We encourage CPAs to check out our [sustainability roadmap](#) for more information.