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Defining Best Practice Assurance for Sustainability and Carbon Reporting

A research study by Smart Sustainability

Introduction

With responsible investment expected to grow to \$26.5 trillion in the next 5 years, credible sustainability reporting has never been more important. Investors are increasingly using sustainability and carbon emissions data to make investment decisions or market predictions. This has placed greater attention on external assurance as a mark of credible CSR disclosure. Currently over 60% of FTSE100 sustainability reports, including carbon data, have been assured by a third party. By making external assurance part of their criteria, sustainability indices such as FTSE4Good and the Carbon Disclosure Project (CDP) have helped drive this increase in assurance.

As sustainability assurance becomes the norm, the past five years have seen a proliferation of assurance models. Currently, companies are choosing from or combining different models, including independent third-party verification, stakeholder panels, internal audit statements and celebrity endorsements. At present, there is no generally accepted standard for assessing the credibility of different forms of assurance. This lack of standardisation has led to confusion among stakeholders and investors about what is best practice.

“SAP believe that this research project is an important and necessary step toward broader value chain stakeholder collaboration & accountability to customers, suppliers & investors.”

James Farrar, Sustainability Principal, SAP

To address this deficit, Smart Sustainability is currently working on a study of assurance practices with the goal of creating benchmarks for credibility. This research, to be published in Spring 2010, seeks to establish clear criteria for credible assurance engagements. The challenge is to both identify existing best practices and drive future increases in transparency and credibility. Our goal is to create a straightforward ranking system that highlights leaders in the field. To this end, we have assembled a panel of assurance experts to develop benchmarking criteria and convened this workshop to gather input and feedback from the investment community.

Why this workshop?

Investors will need to better understand the credibility of sustainability and carbon risk data as their reliance on this information increases. The goal of this workshop is to raise awareness in the investment community about current sustainability assurance practices as well as to have a lively discussion about the value of different assurance approaches. At this workshop, we will address

questions such as: How can the sustainability assurance process be made more credible? How can we encourage companies to produce more reliable assurance data? We will also test our current research criteria.

Research project goals

In undertaking its assurance credibility research project, Smart Sustainability aims to:

- Identify best practices in assurance
- Provide a guide to reporters about the most credible assurance approaches
- Identify companies who are leaders in the field

Research methodology

To identify and drive best practices in assurance, Smart Sustainability and its partners have designed the following research methodology:

- First, Smart Sustainability have brought together an advisory panel, including experts from AccountAbility, FTSE, Sustainability Strategies and SAM, to draft a set of criteria for identifying best practice assurance
- We have invited key stakeholders to today's workshop to critique and refine these best practice criteria and gather general input. These stakeholders represent the investment community, reporting organisations (i.e. businesses who have voluntarily reported on sustainability and carbon) as well as academic and professional bodies.
- Next, researchers at Smart Sustainability will score and rank the sustainability and carbon assurance statements of all FTSE350 companies against the best practice criteria
- This research will be published in Spring 2010; launch event to be announced soon

“The CII is sponsoring Carbon Smart’s research to highlight the fundamental importance of robust and credible information in the investment community. Considering that investors and insurance providers need to integrate climate change risks into their investment decisions, there is an urgent need for investors to work with data that is accurate and reliable.”

Ana Catalano,
Policy and Research Manager,
Chartered Insurance Institute

Sponsors and collaborating organisations

Smart Sustainability’s assurance research project is jointly funded by BAT, Barclays, BP, DEFRA, SAP, the Chartered Insurance Institute and Reed Smith. In addition, we are collaborating with FTSE, AccountAbility, SAM and the UNPRI.

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