ESG drivers & evolving strategies

INTRODUCTION

The global business community is on the verge of momentous change in how companies address and report on environmental, social and governance (ESG) issues. Interest in this area is reaching a tipping point, and accounting and finance professionals are well suited to provide the information and advice that organizations and stakeholders need. As part of a trusted profession dedicated to serving the public interest, CPAs and CGMAs have a significant opportunity to build on their foundation of skills, knowledge and expertise to promote transparency and trust in this area.

The growing focus on ESG is being accelerated in part by proposed regulations and guidelines that call for more information and greater transparency regarding ESG concerns. It is also the result of investor demand for more accuracy, comparability and reliability in ESG reporting. Assurance supports this need for more reliable ESG reporting. While reporting regulations will generally affect larger public organizations, companies of all sizes – both public and private – are certainly not immune to stakeholder pressures triggered by customers, employees, lenders, insurers and sureties to account for and act on ESG matters.

"There are some pretty strong forces in the marketplace driving ESG adoption," said CPA.com president and CEO Erik Asgeirsson, at the AICPA and CPA.com ESG Symposium in May, the first gathering of its kind. "It's important for practitioners to be informed and start thinking about their ESG strategy to support evolving client needs." The symposium brought together a diverse group of representatives from companies, investors, firms, lenders, attorneys, consultants, standard setters and cutting-edge startups that are deeply involved in the ESG space.

At the moment, climate issues are garnering a large share of the attention, due in particular to the U.S. Securities and Exchange Commission's climate disclosure proposal. However, related ESG concerns also include racial and gender balance and equity in leadership positions within the workforce, an organization's effect on the communities in which it works or does business, the impact of supply chain, and numerous others. Since

"Integrated reporting, which includes ESG, is perhaps the most significant expansion of business information globally since audited financial statements became the rule. Our profession is well equipped to serve employers and clients in this area, including providing trusted assurance to instill confidence and integrity into the controls, measurement and reporting of this expanded information. We can and should own this space."

- **Susan S. Coffey,** CPA, CGMA, CEO of public accounting, **AICPA & CIMA**

these are all strategically critical factors in an organization's ongoing success, a greater focus on ESG enables companies to manage related risks and benefit from the opportunities. This focus can also clarify why the accounting and finance profession is well positioned to become the main provider of ESG reporting and assurance to support transparency and reliability.

CPA firm members who participated in the forum reported they are already seeing growing interest and demand from clients for ESG advice and services. The clients span the maturity spectrum, from those who have no knowledge of ESG considerations to those who want to advance existing efforts. It's important to remember, too, that every company that takes any steps on an ESG journey creates a wider impact. The stakeholders and business partners in its ecosystem or supply chain are also impacted by a company's changing attitudes regarding ESG issues. Those stakeholders will then turn to their service providers for information about their ESG activities. Organizations may have to meet new expectations not only on establishing ESG policies, but also on the disclosure and reliability of information on those policies and their impacts on the company and the markets and communities in which they do business.

WHAT'S DRIVING ESG REPORTING

There are many factors that should place ESG issues top of mind.

Proposed regulations and standards frameworks.

Up until now, voluntary disclosure has meant that organizations could pick and choose from a large variety of frameworks or guidelines. In this confusing sea of options and reporting methods, it has been difficult for companies and investors to compare one organization's actions against others. Executives cited the lack of global reporting standards and their complexity as a top barrier to ESG effectiveness in a **PwC survey**.

However, in the last year there have been important regulatory and standard-setting developments that are impossible to ignore. They promise to bring greater clarity and comparability on how to address ESG reporting. They include:

The U.S. Securities and Exchange Commission's proposed climate rule.

A significant development in the United States and sure to have an impact on the global stage, this proposal would require public companies to disclose climate-related information in their registration statements and periodic reports. (See the AICPA's **summary** of the proposed rule and the AICPA **comment letter** on the proposal.) Among other things, companies would have to report details on their direct greenhouse gas (GHG) emissions (Scope 1) and on indirect emissions from purchased electricity or other forms of energy (Scope 2). In some cases, companies would also need to disclose GHG emissions related to their supply and value chain emissions (Scope 3). (See box on page 4 for more details.) The SEC also proposes timelines for obtaining assurance over those disclosures from an independent third party in some cases.

The SEC noted that the proposed disclosures are similar to those called for by existing broadly accepted ESG disclosure frameworks, which may potentially ease adoption for those familiar with or already using those frameworks. The SEC proposed disclosure rule is a strong step in a shift toward mandatory climate-related reporting affecting U.S. companies. The prescriptive amendments to Regulation S-X would require a new footnote to the financial statements, which would in turn be subject to internal controls over financial reporting and the financial statement audit. The SEC is also developing proposals for board diversity and human capital management.

Placement and integration of ESG information would also change under the SEC proposal. The **Center for Audit Quality** found that 95% of S&P 500 companies made detailed ESG information available, primarily in a standalone ESG, sustainability, corporate responsibility or similar report. The rest was published on their web sites. With the new SEC mandate, ESG information is moving into the SEC filing.

Creation of the International Sustainability Standards Board.

The International Sustainability Standards Board (ISSB) brings together a number of existing bodies in an effort to form a cohesive structure under the auspices of a financial standard-setting organization. This organization was formed by the IFRS Foundation, which consolidated the Climate Disclosure Standards Board and the Value Reporting Foundation, a body that incorporates the Integrated Reporting Framework and the SASB Standards. The AICPA & CIMA took a leadership role in advocating for creation of the ISSB, in part because this consolidation cuts down on the existing jumble of frameworks. "There was a multitude of standards," said Barry Melancon, CPA, CGMA, CEO of the Association of International Certified Professional Accountants, representing the AICPA & CIMA. For guidance to have meaningful value, "there had to be rationalization."

The ISSB is intended to provide "high quality, globally comparable sustainability information that can be used by jurisdictions on a standalone basis or incorporated into requirements to meet broader, multi-stakeholder or public policy needs," according to the IFRS Foundation. Finance ministers and central bank governors from more than 40 jurisdictions welcomed the announcement of the ISSB, the IFRS Foundation said.

The ISSB has already issued consultation on its first two draft proposals:

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 Climate-related Disclosures

Both draft standards are predicated on the concept of enterprise value and aim to provide the primary users (investors, lenders and other creditors) of financial reports with the information they require to assess how an organization's response to sustainability-related risks and opportunities is creating or eroding enterprise value. Each draft incorporates the SASB industry-based standards, which have been adapted for international application. This approach is likely to be replicated in the ISSB's future draft standards on other sustainability-related issues and will help accelerate the work of the ISSB, since more than 2,000 companies already disclose information to investors using the SASB standards — 60% of which are domiciled outside the U.S., including two-thirds of the S&P Global 1200.

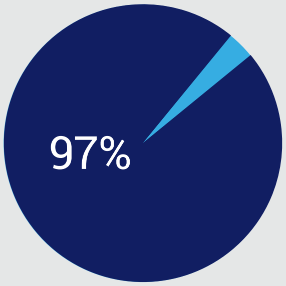
(For more insights, go to the AICPA joint webcast with the Center for Audit Quality and the Value Reporting Foundation, **Current Developments in Sustainability Standard-Setting and Rulemaking**. In addition, see the AICPA & CIMA's **comment letter** on the ISSB proposals.)

Going forward, alignment of SEC and ISSB requirements could allow non-U.S. companies that follow ISSB rules to comply with SEC requirements, according to symposium participant David Madon, director of sustainability, public policy and regulatory affairs at the International Federation

> The SEC proposed disclosure rule is a strong step in a shift toward mandatory climate-related reporting affecting U.S. companies.

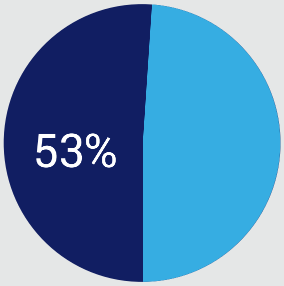
ESG Risk

According to a **Coupa Software survey**



97% of businesses said it was important to have accurate information from suppliers to understand related ESG risk.

53% of businesses reported the supply chain information was not sufficiently available.



of Accountants. "If we can see that sort of equivalency, that's a huge step toward building out a global baseline across jurisdictions," he said. He noted that future alignment would be possible if the SEC encourages U.S. companies to follow future ISSB standards for voluntary reporting, even if there is no similar SEC requirement.

Developments in other jurisdictions. Among notable events, the European Union has issued 13 **exposure drafts** of European Sustainability Reporting Standards for companies located in EU member states. Aimed at listed and large companies, they propose new disclosure requirements (See the AICPA & CIMA's comment letter on the draft **European Sustainability Reporting Standards**.). The United Kingdom has also proposed new **Sustainability Disclosure Requirements**.

What private companies need to know about ESG regulation

The proposed SEC climate-related disclosure regulations magnify why it's important for private companies to monitor and understand rules that technically don't appear to apply to them. The proposal "is ultimately much deeper and wider than just public companies in the United States, primarily through rules that will impact supply chain participants" said Melancon.

Although the SEC proposal is directed at public companies, one type of GHG emissions disclosure may still have serious implications for private companies.

The types of emissions covered in the proposal include:

- Scope 1 emissions are direct GHG emissions from sources that are controlled or owned by an organization, such as those from its own furnaces, plants or vehicles.
- Scope 2 emissions are indirect GHG emissions that are consumed by an organization, such as electricity, steam, heat or cooling generated by another company.
- Scope 3 emissions are those that are generated upstream and downstream in the supply chain. They can include emissions related to products, material or equipment that an organization buys from another business, and emissions associated with the way an organization's products and services are sent to market or disposed of.

Because the proposed rule includes Scope 3 emissions, public companies will be asking their business partners at all points in their supply chains to provide emissions data. As a result, the owners and finance teams at private companies and the CPA firms that work with them should be aware of the potential need to track and compile GHG emissions data for reporting to any public company business partners. Depending on the percentage of its business that a private company does with public companies and the extent of the private company's involvement in a public company's value chain, this may be a complex and expensive process.

Meeting Investors' Needs

Investor expectations have been a strong factor in spotlighting ESG considerations. Many investors and other stakeholders have long lobbied for information on ESG risks and opportunities that has a meaningful connection to what is reported in the financial statements. In particular, they are interested in information that illuminates how companies create value and in material issues related to ESG concerns. Corporate adoption of the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) has spurred more robust and insightful communications to investors about how an organization's governance, strategy, risk management, and metrics and targets are responding to the risks and opportunities associated with climate change. More than 2,600 organizations in 89 countries and jurisdictions – and across all sectors – adopted the TCFD recommendations through to October 2021. This same structure – governance, strategy, risk management, metrics and targets – is also applied in the ISSB's first two draft standards for general sustainability-related risks and opportunities (IFRS S1) and climate-related risks and opportunities (IFRS S2). High-quality reporting and disclosure make it possible to perform independent assurance, which can further enhance confidence in those disclosures.

In his 2022 letter to CEOs, BlackRock chairman and CEO Larry Fink said, "We focus on sustainability not because we're environmentalists, but because we are capitalists and fiduciaries to our clients." In other words, investors are concerned that organizations face meaningful risks if they ignore challenges related to climate, social justice and other issues driven by changing attitudes on corporate responsibility.

The urgency that businesses feel to adopt and demonstrate strong ESG practices to remain successful can be seen in the rapid acceleration of funding being funneled into ESG technologies and solutions across all industries and professions. In the climate technology sector alone, investments reached $23.2 billion in 2021, more than double the amount invested the year prior, according to PitchBook Data Inc.

A total of 90% of institutional investors say they are paying more attention to companies' ESG performance when making investment decisions, based on an **EY survey**. While they concede they have been slow to take action in response to that performance, 74% said they were more likely to divest from companies with poor ESG performance records than they were before the COVID-19 pandemic.

Other Stakeholder Expectations

Beyond investors, there are also other stakeholders who seek sustainability-related information.

Creating transparency for customers and employees.

A total of 76% of consumers said they would "discontinue my relationship with companies that treat the environment, employees, or the community in which they operate poorly," in **a PwC survey**. This number is likely to grow as younger generations join the workforce. As a result, providing transparency can reassure consumers about a company's values and how they live them.

Addressing supply chain considerations.

Driven by factors such as concern about the impact of climate change and pressure from investors and regulators, companies are requiring suppliers to meet environmental and social commitments.

- GM, for example, has asked suppliers to **sign a pledge** on global climate action and human rights.
- **Walmart's Project Gigaton** calls for suppliers to engage in climate action to reduce or avoid one billion metric tons (a gigaton) of GHG from the global value chain by 2030.
- **Chipotle's Real Foodprint** gathers information from Chipotle's suppliers and other sources to evaluate the impact of its ingredients on the environment and animal welfare.

Customers and business partners aren't the only supply chain partners seeking deeper ESG reporting. At Lucas County Children's Services, donors appreciate receiving the organization's sustainability information so that they can include it in their own ESG reporting, according to symposium participant Ebonie Jackson, the organization's CFO.

ACTIONS & OPPORTUNITIES FOR COMPANIES

In many ways, the impact of ESG issues and requirements can be compared to the effects of the passage of the Sarbanes-Oxley Act (SOX) in 2002. Both are the kinds of significant developments that have a pervasive effect on companies and the firms that serve them. As was the case with SOX, emerging ESG guidelines require a strong focus on identifying and mitigating risks.

For companies, the far-reaching nature of ESG will mean more robust data gathering processes, and new requirements will necessitate enhanced internal controls. In February, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) launched an effort to develop guidance and insights to supplement its 2013 Internal Control – Integrated Framework in the areas of sustainability and ESG.

Many organizations likely lack complete confidence in their ability to identify, measure and report on even a few of the many concerns that fall into the ESG space. To comply with SEC or other requirements, companies will need investor-grade information that will satisfy boards, investors and other stakeholders. That will mean developing processes and controls that make it possible to capture accurate and reliable data from across an organization and along its supply chain. It will not only require buy-in from board and management, but also their enthusiastic support for potentially significant changes to the business model driven by the information identified and disclosed. At the very least, it will mean training for employees and, potentially, hiring additional people in a variety of levels and functions, including additional specialists with specific ESG competencies.

At the leadership level, management and the board will have to adopt a new mindset about ESG information and how to put it to best use. Instead of seeing ESG as a compliance exercise or as another silo of detail separate from the financial statements, they will have to understand new short and long term risk management considerations and strategic planning imperatives. Leaders will

Key Actions for Establishing Effective Governance over ESG Reporting

According to a report by the AICPA & CIMA and the Center for Audit Quality (CAQ), the steps that can help organizations to achieve effective governance and enhance their efforts over time are:

1. Conduct a materiality or risk assessment to determine which ESG topics are important or "material" to the organization, its investors and other stakeholders.
2. Implement appropriate board oversight of material ESG matters.
3. Integrate/align material ESG topics into the enterprise risk management process.
4. Integrate ESG matters into the overall company strategy.

Source: **Key Actions for Establishing Effective Governance over ESG Reporting**, AICPA and CAQ.

have to elevate their own expertise and, depending on their current competencies, may need to bring in professionals with ESG experience at the C-suite level and on the board. Ultimately, the most important question for companies will be how to benefit from the information they are gathering and the opportunities they identify, recast their business model, rethink their opportunities and burnish their brand.

Companies should also research the enormous number of general or industry specific programs and incentives to benefit future-forward companies, according to Jon Schulhof, CEO, and co-founder, with actor Robert Downey Jr., of FootPrint Coalition, an investment and media group focused on ESG concerns.

According to Schulhof, those programs may involve carbon reduction incentives, tax incentives or capital available to borrow from federal, state or local programs. CPAs and CGMAs can provide great value by helping clients or employers understand what questions they should be asking and which ESG opportunities are available to them. “This is an area that’s now becoming mainstream. Companies need to get a rapid education,” he said. “To be able to advise companies on which way the wind is blowing is going to be very important.”

Significant leadership opportunities for finance

For organizations, ESG is much more than just reporting – it has significant implications for enterprise value over the short and long term. ESG and sustainability factors fundamentally impact how stakeholders define value and how the enterprise deploys resources to create value. Therefore, decision making around resource allocation needs to take into account factors such as de-carbonization. This presents an opportunity for CPAs and CGMAs within the finance team to apply their skills and expertise to incorporate sustainability implications in the business model and guide the enterprise in its business model transformation around how the enterprise creates, delivers and captures value.

At the moment, responsibility for ESG may rest with a sustainability department or officer, or within an operations, legal, marketing, investor relations or other team. Because finance is not yet generally in charge of ESG measurement and reporting, organizations often lack reliable and robust data-driven measures. However, as reporting and assurance requirements and expectations tighten, companies’ goal should be to move to quantitative data.

The SEC proposed rule also elevates the importance of finance in meeting regulatory requirements. The team has the necessary expertise to develop metrics and report on them to stakeholders and shareholders. In addition, their holistic understanding of the organization and its key players is a valuable asset. ESG considerations are pervasive, and finance already collaborates with teams throughout the organization, including sales, operations and supply chain management.

“These are defining times for the accounting and finance profession” said Ash Noah, VP and managing director of Management Accounting at the AICPA & CIMA. “I see the recent developments in sustainability standards and proposed reporting requirements as a once-in-a-lifetime opportunity for the profession to leverage its unique competencies in business and finance and to earn the position of architects of sustainable value creation.”

That said, some extent of shared leadership of ESG may be the best answer in many companies. It may be necessary to pull together a cross-functional working group to evaluate where the organization stands and to recommend and implement significant changes in policies, processes and controls. Finance teams can partner with other experts within the organization to identify needed financial and sustainability-related data and integrate it into their reporting to gain a holistic view. A partnership led by the finance team that includes an internal sustainability expert may be the answer. Finance’s role would be to help advise on corporate strategy and to oversee reporting, investment, controls and processes, and risk management and identification. At Yelp, for example, symposium participant James Miln, senior vice president of finance and investor relations, is on a management committee that includes the CFO, diversity officer and general counsel.

FIRM OPPORTUNITIES

As organizations begin to consider ESG matters, they will seek advice on short- and long-term strategies. In taking on their role as the main provider of ESG-related services, CPAs and CGMAs may come up against competition from other professions. Based on AICPA & CIMA research with the International Federation of Accountants, in the U.S., about 16% of companies which obtained assurance over some of their sustainability information engaged an audit firm. The remaining 84% of companies which obtained assurance engaged an engineering or consulting firm ("other provider") that was not a CPA firm.

However, organizations are turning to CPAs more and more, according to the symposium participants. While a non-CPA consultant may have valid expertise, they may lack familiarity with financial reporting and with a governance mindset. CPAs are equipped to meet marketplace demands with the skills, experience and systems to assure the performance of quality services and core values of independence, integrity and competency. CPA firms also have a particular advantage among startups, where strong and independent assurance may be especially important as the companies prepare for eventual sale or initial public offering.

Clients' steps on the road to ESG awareness

There are a variety of reasons that clients may come to their CPAs for help on their ESG journeys. Inquiries firms receive today relate to:

- Understanding ESG considerations. Clients who've not yet addressed ESG considerations in detail are wondering why and how they are important to the organization.
- Reacting to customer mandates. Clients who provide services to other companies may need to sharpen their ESG focus in a hurry to comply with the new standards and maintain their business.
- Tracking, collecting and reporting on GHG emissions data.
- Preparing for attestation. As clients who already report on ESG information consider attestation as a next step, they may have questions about what an ESG attestation typically covers, length of process, examples of what it looks like and if it involves limited or reasonable assurance.

While the first two are the most common, questions across all areas will continue to rise with the growing focus on and demand for ESG practices.

Launching an ESG service line

Factors to consider in determining the best way to create a new ESG service line include:

- The value proposition. What benefit will it bring to the firm?
- Alignment. How well does it fit with or leverage existing client needs and services?
- Specialization. Does the firm have the necessary in-house expertise?
- Speed to market. How much urgency is there to begin delivering the service to make the most of current opportunities?

The answers to those questions can help firms decide whether it is best to launch the service in one of three ways:

- Build. This means repurposing existing internal resources to create a new service line and team and bring it to market or hiring an expert to lead the project. It may be a good solution if timeliness is not an issue and if there is a strong value proposition.

- Buy. Acquiring another firm that has the requisite expertise and resources can jump start an effort if speed is important.
- Partnering. Working with another firm whose competencies complement your own can be a quick and cost-effective solution. This can be especially appealing if the value proposition is low or unclear, since the investment of time and money is also low.

CPAs are equipped to meet marketplace demands with the innate skills, experience and systems to assure the performance of quality services and core values of independence, integrity and competency.

CHALLENGES FOR ORGANIZATIONS & FIRMS

Launching an ESG practice area or addressing these concerns in a finance department do not come without their own challenges. Organizations and firms should be prepared to gather sustainability-related information and potentially incorporate it into the financial statements. At Yelp, for example, the organization first reported on sustainability in 2021, using SASB standards. As an online company, climate considerations are less of a priority, but issues such as diversity and health and safety are key, said Miln. At Lucas County Children's Services, the organization reports on, among other things, the disproportionality of African-American children in the system, Jackson said.

In addition, while most companies today don't make 10-year revenue or profit forecasts, ESG does often require long-term targets or projections, which companies are unaccustomed to making and which raise questions about legal liability when placed alongside the financial statements. In addition, multinational or U.S. companies with international business interests may need to adjust to working within and outside the SEC requirements.

As noted, it may also mean hiring and managing professionals with degrees in environmental science and other ESG-related fields to enhance understanding of these elements. The good news is that, in the midst of a talent shortage, firms at the symposium reported that they received tremendous response when they sought to recruit internally or at campus events for ESG teams. "It's a remarkable time to be in the profession," said Ruth Tang, CPA, partner, KPMG, at the symposium. "Everybody wants to have a purpose to what they do."

Cultural change should also be a major priority. As noted, companies will miss strategic growth opportunities — and their basic compliance efforts may be more difficult — if they don't take a comprehensive, organization-wide approach to ESG. By having an aligned understanding from the top down, companies can better identify and respond to risks. It can also ensure that companies benefit from the cost savings, efficiencies and opportunities that ESG considerations can offer. Rather than seeing ESG as a checklist activity, they should regard it as a chance to rethink and reenergize the organization, and that attitude should be shared by everyone from board members to new staff.

The importance of upskilling

The SEC proposal calls for measuring climate-related metrics and other measurements related to managing climate-related financial risk. For most finance teams and CPA firm members, those will be new challenges. Symposium participant Mike Gullette, senior vice president, tax and accounting, at the American Bankers Association, noted that if climate risk discussions and greenhouse gas emissions will be critical parts of financial reports, there will be a high need for new training, beginning at the college level and reaching up through state CPA licensing. "We're in the very early stages of what could be a long and costly process," he said. Going forward, as practitioners do more and more attest engagements on GHG emissions measurement, for example, they are breaking new ground. To comply with the SEC proposal, for example, they will need to develop an understanding of the measurement of GHG emissions, and then how it should relate to net income and other climate risk management metrics. "It will likely take years before these competencies exist." Gullette said.

While training on new reporting standards and disclosure metrics will be necessary, firms at the symposium had found that CPAs' many existing skills can make them successful on new ESG teams. Auditors, for example, are accustomed to engaging and working with specialists, which can include those with extensive experience in areas that might fall within or outside traditional financial statements, noted symposium participant Desiré Carroll, CPA, director, professional practice at the CAQ. "No matter the subject matter, auditors apply the same rigorous mindset used to evaluate financial statements to the evaluation of ESG information," she said. **AICPA sustainability resources** include an attestation guide, among other tools. The CAQ's **ESG hub** offers additional resource for auditors. In addition, standardization of requirements and the emergence of mandates can lead to more coherent core expectations that facilitate curriculum and training.

"Sustainability information is here to stay."

- David Madon, director of sustainability, public policy & regulatory affairs, International Federation of Accountants

The profession in general has done this before when the need arose. After the 2008 financial crisis, accountants were called upon to perform a wide range of forensic and valuation work on complex investment vehicles on the financial statements of financial institutions, and they rose to the challenge.

As may be the case in client organizations, firms as well may need to create a cross functional team that includes not only CPAs but also professionals with experience in ESG areas. While regulations may vary based on jurisdiction, the skills required for addressing ESG issues are typically universal. As a result, some firms recruit from Europe, where professionals may have more advanced skills. The initial aim should be to identify and focus on the services that clients consider most valuable.

Tackling technology

Technology will play a critical role in how well companies measure, report and disclose ESG information. However, many organizations may not have adequate technology resources. A total of 92% of finance, accounting, sustainability and legal executives were concerned that organizations lack sufficient technology to facilitate ESG disclosure requirements, according to a **Deloitte survey**.

The opportunities have inspired new companies to create innovative technology solutions. The AICPA and CPA.com are promoting that effort through their **Startup Accelerator** program, which supports the growth of early-stage technology companies throughout the accounting and finance ecosystem and enables AICPA and CPA.com to monitor disruptive trends in emerging technologies that are transforming the profession. "We thought it was critical to work with the solution providers," Asgeirsson said. "On behalf of the profession, it's important that AICPA and CPA.com monitor disruptive trends in emerging technologies and support leading-edge companies to help drive the transformation of accounting services in key areas

2022 ESG SYMPOSIUM

such as blockchain, assurance, ESG and automation."

The Accelerator program added an ESG cohort in 2022. Some of the companies chosen include:

- Caesar Sustainability, which offers a comprehensive data collection and management platform to centralize workflows and data storage for ESG reporting.
- ESG Trust, whose integrated data management solution identifies ESG risk opportunities, measures standards, and maps stakeholders to the value chain, streamlining ESG information gathering and collaboration.
- GoodLab, whose performance management and compliance software enables organizations to transform their ESG data reporting engine to deliver actionable insights and data to management, investors and customers.
- Standard Carbon, which leverages AI to deliver transparent carbon offset assurance statements.
- Sustain.Life, a software-as-a-service (SaaS) platform that enables organizations to measure — by way of reduction efforts — and report their carbon emissions with rigor.

"Companies can begin by using a prioritization matrix to understand what's most important to their ESG journey and can start measuring on day one. And when it comes time to share results, our audit-grade reports are ready for all stakeholders involved," said symposium participant Alyssa Rade, chief sustainability officer at Sustain.Life.

One critical first step is acknowledging not only the importance of ESG considerations to stakeholders, but also to the decision making of the overall reporting organization. "Sustainability information is here to stay," Madon said. Investors have made their case and sustainability information is being used in capital allocation decisions. "It's now the job of the profession to take high-quality standards and use them to produce high-quality, decision-useful information and, ultimately, assurance on that information," he said.

BUILDING MOMENTUM

Ernest Hemingway talked about an event happening gradually, then suddenly. That's true for ESG reporting. After being on the back burner for many years, it has suddenly moved to the forefront for businesses of all sizes.

"This is a period of great opportunity for organizations that make full strategic use of ESG data and for the CPA firms that work with or for them," said Asgeirsson. The AICPA and CPA.com are mobilized to enable CPAs to benefit fully. Pointing to the energy at the symposium, he said, "We look forward to continuing to build on this momentum to provide leadership across the entire ESG ecosystem."

On the advocacy side, as noted, the AICPA & CIMA, continues to take a leadership position in promoting the consolidation and alignment of global standards. The inaugural AICPA and CPA.com ESG Symposium is another example of its work to help members advance their knowledge in this area. The AICPA & CIMA also promotes the adoption of ESG courses in university accounting curricula.

CPAs and CGMAs also need the right resources to work effectively in this area. The AICPA & CIMA has created a wide range of tools and information available on its Sustainability/ESG resource page at **www.aicpa.org/esg**. They cover the environment; ESG strategy and risk management; governance; people, planet and prosperity; social concerns; and sustainability assurance and reporting. Tools include webcasts, CPE and other learning opportunities, a practice aid on considerations of ESG-related matters in an audit of financial statements, an Attestation Engagements on Sustainability Guide, and thought leadership on sustainability-related matters. The AICPA & CIMA also collaborated with IFAC on an **update** of an earlier benchmarking study on trends in sustainability reporting and assurance. A variety of committees and task forces are tackling ESG considerations in key topic areas.

- Global benchmarking study – State of Play in Sustainability Assurance
- ESG Update from AICPA Town Hall
- Webcast: New Developments in Sustainability Standard Setting and SEC Rulemaking
- ESG Assurance: CPAs are the Preferred Choice
- ESG Practice Aid – Considerations of ESG in an Audit
- Sustainability Attestation Guide *– update to be released by early 2023*
- Sustainability Assurance online course
- CGMA Environmental Issues Brief: Accounting for Carbon
- CGMA Putting the E in ESG
- CGMA Putting the S in ESG
- CGMA Putting the G in ESG

> *"We look forward to continuing to build on this momentum to provide leadership across the entire ESG ecosystem."*
>
> **- Erik Asgeirsson,**
> president & CEO, **CPA.com**

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