Assurance review of sustainability reporting start in 2024. Here's our practical guide.

A GLYNT GUIDE

What to Expect and How to Get Started with Sustainability Assurance

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The What and Why of Sustainability Assurance

What

Investors, regulators and customers around the globe now require a review of sustainability disclosures before they are reported externally. For many companies, mandatory assurance reviews start in 2024.

There are two forms of assurance reviews. Limited Assurance is similar to a review of financial statements, and is the lower level of review. Reasonable Assurance is similar to an audit of financial statements.

Many standards and regulations start with Limited Assurance and move to Reasonable Assurance requirements after a few years. We're seeing a lot of financial auditors add sustainability assurance as a new service offering.

The Bottom Line:
Limited Assurance is a great place to start but expect to move to a Reasonable Assurance level in the coming years – particularly if you have audited financial statements.

Why

Readers of a company's financial statements rely on rigorously prepared data as they are using the financial reports to make investment decisions, supplier selections and so on.

Today sustainability reports also impact investment decisions, supplier selection and financial reporting. Everyone wants the same rigor in sustainability data that is available for financial data. In particular, investors want to track companies against their pledges and make investment decisions by comparing companies in the same sector.

Audits and assurance reviews are a proven method in finance that contributes to rigorously prepared data and reliable reporting. Frankly, there's no substitute for an external reviewer taking a close look at your data preparation methods, and how you monitor for data health.

It's all about producing sustainability data that can be used with confidence.

What Do Assurance Reviews Look For?

The Focus is on the Method of Data Preparation

As the graphic above shows, the original data (e.g. Primary Data) comes from enterprise systems, is prepared, harmonized and structured, and then is delivered to other enterprise systems, including sustainability or carbon accounting software.

Assurance reviews focus on the data preparation method in this end-to-end flow. While the enterprise systems may already be assurance-ready, the data preparation method now must come up to this standard.

The Data Preparation Method Must Produce

Data that is:
- Accurate
- Complete
- In Context
- Validated
- With Defensible Reporting Boundaries
- With Materiality Tests

And provide documentation on:
- Data Lineage
- Chain of Custody of Primary Data
- User Access Controls
- Change Logs
- Method of Reporting Boundaries
- Method of Materiality Tests
- Preparation Method for Forward-Looking Statements
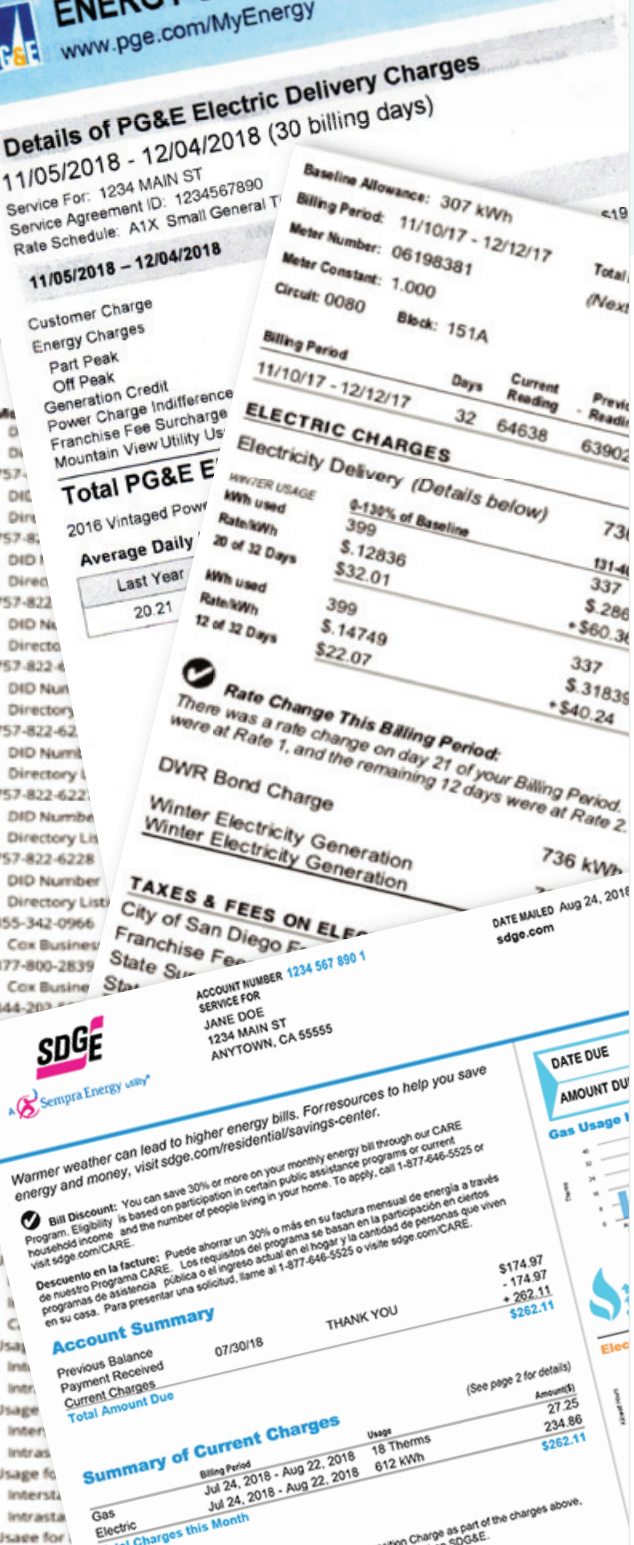
Getting Ready for Assurance

An assurance-ready data system produces a lot of data on itself. Yes, data on data prep!

Here are the key components in an assurance-ready data preparation system. This is a proven, systematic method that is used in financial statement reporting and data preparation systems for US public companies, e.g. Sarbanes-Oxley (SOX) compliance

Monitoring – This the foundational data stream on system performance. For example, if someone on your team uploads a spreadsheet each month. A monitoring log will track that transaction (who, what, when) and the outcome (success, failure, partial success).

Controls – Controls test of whether the monitored transaction was successful. If not successful, an alert for a human review is triggered. A data preparation system will need controls on data inputs (accuracy, completeness), data transformations, and data versions.

KPIs – At the dashboard level, Key Performance Indicators (KPIs) provide a quick view data and system health. For example, the dashboard may show the percent of spreadsheets successfully uploaded in the past month.

Validation – Validation scripts are frequently used in compliance to compare results against an external standard. Before sending data to another enterprise system, you'll need to verify that the data is accurate, complete and in context.

User Access and Control – As part of your assurance review, you'll need a log of which users touched the sustainability data during preparation and the changes they made. You may also need to segment access to your system, as sustainability data is a revealing view into company operations.

Limited vs Reasonable Assurance

Limited Assurance

- Test in areas where misstatements might arise due to fraud or omission
- Examine how data systems are tested ("the controls")
- Tests of how the controls are designed
- Examine how risk is identified and mitigated
- Tests of general IT controls
- Evaluate the potential for fraud or misstatement
- Evaluate suitability of analytical procedures
- Evaluate method of development for forward-looking statements
- Evaluate the process of reconciling data with underlying records

Reasonable Assurance

All of the items in Limited Assurance plus:

- Examine how the system of controls is monitored and tested
- The effectiveness of the system of controls
- Evaluate suitability of analytical procedures, including quantification of potential error or misstatement
- Evaluate method of development for forward-looking statements, including quantification of error ranges

As the list shows, even Limited Assurance can be a fairly extensive review of the method of data preparation

Governance

During the sustainability assurance review, the auditors will be communicating with management and board members who are charged with governance, e.g. those who play key roles in the operations and process of compliance, IT, data governance, security and privacy.

While there is no formal requirement for sustainability data governance, the inference is that there is an existing system of governance in place, and that it has been extended to include sustainability. For IT data governance, data is data and there will not be many surprises.

But for top management, the Board and audit Board committees, sustainability data and reporting can be entirely new. It may be hard to interpret trends or make strategic – and potentially expensive – decisions without deeper understanding of sustainability data.

For those reading this guide, the action items are:

- **Get in touch with your governance system for financial reporting and look to coordinate activities.** They'll want oversight into your assurance-readiness preparations. You'll need to do some educational sessions too.

- **Connect with the data governance team.** They will have required practices to follow for data security, data privacy, data integrity, user controls and more.

These two steps are significant, as they open the door to sustainability becoming part of everyday operations. That's when sustainability programs are most effective.

Options for Compliance

With very compressed timelines, businesses everywhere are evaluating their options for sustainability preparation & data compliance.
Here are three options:

1 DIY – Build a Financial-Grade System In-House

For businesses already reporting financial data, it may feel natural to extend that system to sustainability data stream. The challenge is time and resources for the initial deployment and willingness to constantly re-invest to keep up with changing standards. Remember how hard it was to do the first time?

2 Document the Current Method

For businesses processing data via spreadsheets, outsourcing and semi-automated workflows, it may seem natural to simply document the current method. Unfortunately, not only must the the many data touchpoints be recorded, but monitoring, controls and KPIs must be put in place to track method performance and data health. This a huge investment for a slow, error-prone data preparation system.

3 Use an Assurance-Ready Sustainability Data Provider

Most businesses are already months and months to round up their sustainability data. A data provider can speed that step through automation in an assurance-ready system. Solve the data prep and assurance challenge in one step!

Ask the provider for a Certificate of Attestation, which speaks to how the provider prepares the data and how it has been audited. And stay in compliance, as the data provider will constantly update to the latest data and assurance requirements.
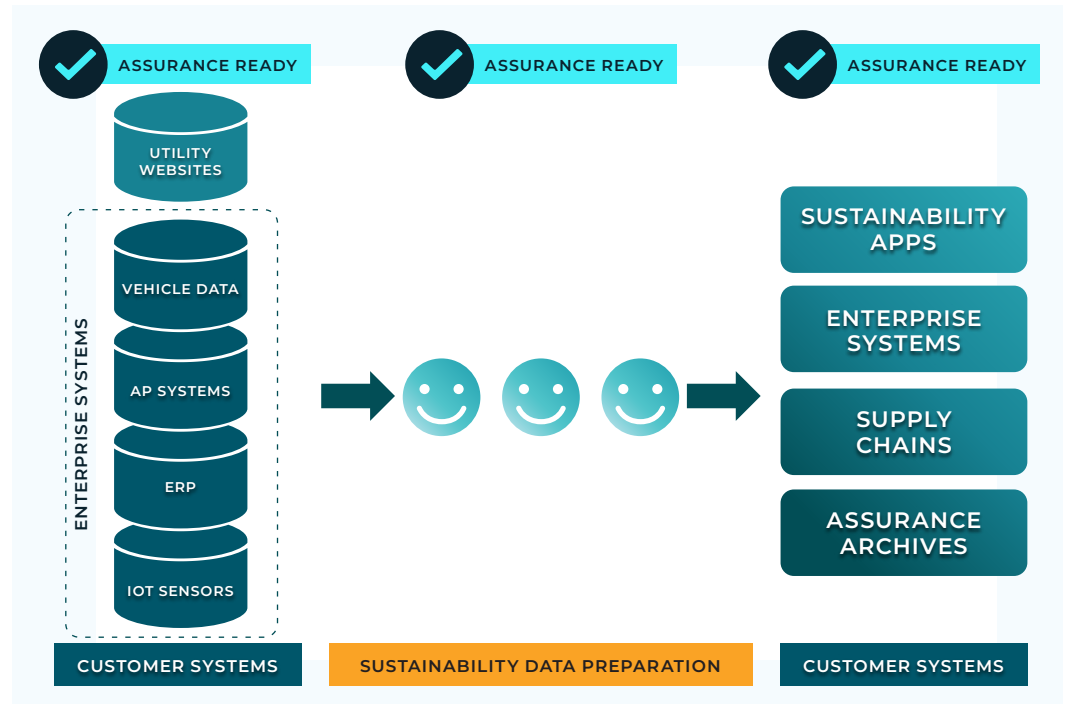
What Makes Sustainability Data Hard?

GLYNT speaks with dozens of companies every month. They struggle with sustainability data. Adding assurance requirements to their list of action items will be difficult. Four factors make sustainability data hard.

- **The Primary Data is scattered across enterprise systems.** "Where is my data?" is a common first question. For assurance you'll need to show a system of search that is methodical and complete. To operationalize, you'll need to get various Data Owners to share.

- **The Primary Data is hugely varied.** From junk hauler invoices, to water utility bills, to district steam services, there is huge variation in Primary Data. You'll need to develop a workflow for accurate and complete and data for each data source, at each site. For assurance, you'll need to document data lineage and the chain of custody for Primary Data.

The Goal:
Sustainability Data Preparation with End-to-End Compliance

- **Data harmonization is needed for insights and analytics.** Whether for visual displays in Tableau, Power BI or spreadsheets, or for uploads into sustainability or carbon accounting software, you'll need to harmonize your data to make it useful. With sites scattered across the U.S. or around the world, this is task requires study and codification for assurance, demonstrating that it is repeatable.

- **Once a year is not enough.** Requests for your sustainability data and reports come in throughout the year – from regulators, customers and investors. No one wants stale data or to wait 5 months to see last year's results. You'll need a system that updates every month, producing data on your system of data preparation for use in assurance.

GLYNT: The Sustainability Data Preparation Solution

Stop the struggle. Let GLYNT prepare your sustainability data so you can get on to other things, including analyzing your baselines, planning decarbonization pathways and finding your operational efficiencies. Many GLYNT customers find that accurate, actual data from GLYNT is a new lens on operations and the efficiencies they find more than pay for GLYNT's data services.

① 90 Days

GLYNT's proven Onboarding methods will automate your sustainability data within 90 days. You'll have a sample of your data, ready for use, within the first two weeks. GLYNT is a single solution for all types of data from around the globe. Foreign languages are no problem. Leverage our experience and expertise to get this key task done.

② Actual, Accurate, Granular, Complete, ROI-Ready, Assurance-Ready Data

As one customer said, "This is not ordinary data, this is Awesome Data." We know that you'll need accurate and complete data for assurance reviews, and for tracking performance. You'll need granular data to prepare the business case for decarbonization and energy reductions. You'll need an abundance of actual sustainability data to find the savings hot spots across your business. And your data must be ready for assurance reviews. Yes, you need Awesome Data.

③ Compliance is Included

For customers, GLYNT is a simple data service: "Primary Source Data In, Structured Sustainability Data Out." We do all the hard work in the middle. And we provide you documentation and certificates that verify that the GLYNT systems have gone through audits at the highest level of rigor. Now that the sustainability assurance standards have been released, GLYNT is preparing for a SOC 1 audit of our systems. We're at the same level of data integrity and rigor as payroll systems and companies reporting under Sarbanes-Oxley (SOX) rules. In sum, your experience is "Data In, Data Out, Plus Certification." It's that easy.

Resources

- **International Audits and Assurance Standards Body (IAASB)** – Sets the standards for financial audits. They used their proven methods and years of experience to set the standards for external sustainability reviews too.
- **International Financial Reporting Standards (IFRS)** – Sets the standards for financial reporting, including the inclusion of non-financial data such as sustainability. ISSB, SASB and CDP reporting is now harmonized under IFRS leadership. Requires sustainability assurance reviews.
- **Committee of Sponsoring Organizations (COSO)** – Developed the system of principles and methods that result in accurate, complete and reliable financial and non-financial data.
- **The European Commission (EU)** – Issued regulations that cover over 50,000 EU businesses and many EU importers, with reporting standards harmonized with standards of IASSB, IFRS and COSO. Requires sustainability assurance reviews.
- **The US Security and Exchange Commission (SEC)** – Issues regulations on climate disclosures that cover all public companies in the US. Requires sustainability assurance reviews.

Accelerate Sustainability with GLYNT

Get the accurate, actual, assurance-ready data you need from GLYNT. Contact us at info@glynt.ai. We'd love to hear your data story.

ABOUT GLYNT

GLYNT is The Sustainability Data Company, producing investor-grade data for businesses around the world. Our audit-ready sustainability data enables accurate reporting, operational efficiencies and access to financial capital. With a purpose-built machine learning system, GLYNT is the automated solution for all types of water, waste, energy and emissions data. Speed work, lower costs, and power ESG, carbon accounting and other business systems with accurate, actual data from GLYNT. Learn more at glynt.ai