Assurance for zero

A variety of sustainability benchmarks, standards, and regulations reward assurance of sustainability data. Some either require it already, or plan to do so in the future. A selection is included below:

California Senate Bill No. 253

The recent bill, passed into law in 2023, will result in regulations requiring large companies doing business in California to publicly disclose their GHG emissions.

Assurance:

The regulations will require assurance of Scope 1 and 2 emissions, at a limited assurance level, beginning in 2026 - and at a reasonable assurance level beginning in 2030.

There are plans to review the trends in assurance requirements for Scope 3 emissions in 2026, and the requirement for limited assurance may be extended to Scope 3 emissions from 2030 onwards.

CDP

The Carbon Disclosure Project

An international non-profit organisation that provides a public disclosure system for companies, cities, states, regions and public authorities to score and communicate their environmental impact.

Assurance:

If a participating entity wants to receive a top score, it must obtain third-party verification of its environmental data. CDP requires that verification is completed by an independent third-party organisation accredited and competent to perform GHG verification. The verification must be conducted according to one of a predefined list of recognised standards.

EU CSRD

The EU's Corporate Sustainability Reporting Directive

Came into force in early 2023, and will require mandatory – and wide-ranging – ESG disclosures from a large number of companies that fall under its scope. The regulation is extra-territorial and includes not only EU-based companies, but also foreign companies operating in the EU. Companies subject to the CSRD will have to report according to European Sustainability Reporting Standards (ESRS) and some are required to start disclosures as early as 2025.

Assurance:

CSRD is ambitious: it requires limited assurance over all reported sustainability information, not just GHG emissions data, from the first year of reporting.

Its ambition does not end with limited assurance - the European Commission (EC) intends to perform an assessment to determine whether a move from limited to reasonable assurance is feasible for both auditors and companies. Once this is complete, the EC will adopt assurance standards for

(1) limited assurance by no later than 2026

(2) reasonable assurance by 2028 (depending on feasibility).

GRESB

The Global Real Estate Sustainability Benchmark

An independent organisation providing validated ESG performance data and peer benchmarks to real estate market participants and their investors. It collects, validates, scores and benchmarks ESG data in an annual questionnaire which is increasingly popular with companies worldwide.

Assurance:

GRESB awards points for obtaining a third-party review of the disclosed data and reporting outputs in several parts of its assessments. It does not currently differentiate between limited and reasonable assurance, although it does award fewer points for a less structured third-party check of the data which doesn't qualify as assurance.

GRI

The Global Reporting Initiative

An international independent standards organisation producing widely used voluntary sustainability reporting standards on a wide range of topics.

Assurance:

It advises organisations to use external assurance to increase the confidence of decision-makers in the accuracy and reliability of the reported information. While the use of external assurance is recommended, it is not required for making a claim that a report has been prepared in accordance with the GRI Standards. However, any organisation reporting in accordance with the standards must disclose its policy and current practice around seeking external assurance, as well as whether its sustainability reporting has been assured.

IFRS S1 &S2

The International Financial Reporting Standard

IFRS S2 on Climate-related Disclosures is a voluntary standard published in 2023 by the International Sustainability Standards Board (ISSB). An entity applying the standard must disclose information about climate-related risks and opportunities that could be expected to affect its prospects (cash flow, access to finance, or cost of capital). It also sets a few cross-industry metrics mandatory for all users, which include Scope 1, Scope 2 and Scope 3 GHG emissions. An accompanying standard S1 is the overarching framework standard which must be used alongside S2.

Assurance:

While neither S1 nor S2 have inbuilt requirements for assurance, ISSB has stated that it expects that as the standards are incorporated into national regulatory and legal frameworks, jurisdictional regulators around the world will set their own assurance requirements. It has also said that the standards are designed to make the reported information assurable.

S2 also mandates that its users, given the choice, use Scope 3 GHG emissions data that is verified, either internally or externally (as opposed to less reliable data sources which may be cheaper). It allows for a variety of verification methods, including on-site checking, reviewing calculations, or cross-checking of data against other sources, as long as this can be done without undue cost or effort. Such verification may not meet the full requirements of formal assurance.

US SEC climate rules

United States Securities Exchange Commission

The final US SEC rules on climate disclosure, as published in March 2024, require SEC-registered domestic or foreign companies of certain type to include climate-related information in registration statements and periodic reports such as 10-K annual reports.

Assurance:

The rules require registrants to file an attestation report at the limited assurance level covering their Scope 1 and 2 GHG emission figures. This requirement applies from the third year of disclosing GHG emissions. From the seventh year of disclosing onwards, large registrants (as defined in the regulation) are required to attain a reasonable assurance level over these disclosures.

EU SFDR

The Sustainable Finance Disclosure Regulation

A mandatory disclosure framework put in place by the EU to help direct the flow of private funding towards companies and projects supporting sustainability objectives. It applies to financial market participants (FMPs) established in the EU, and financial products marketed in the EU, regardless of the marketing entity's location.

Assurance:

For financial products claiming to promote environmental characteristics by investing into environmentally sustainable economic activities, the SFDR requires the inclusion of a few types of information on the investments concerned, so that the user of the disclosure can ascertain this. While broader assurance is not required, the entity must disclose whether any assurance or third-party review has been (or will be) conducted of the investments' compliance with the regulation's Article 3 requirements. This information needs to be included in pre-contractual disclosures, and in periodic reports alongside other required information.

The SFDR consultation, active at the time of writing, considers assurance too: question 4.2.2 asks respondents whether assurance of product alignment with possible product label categories should be mandatory. For more on the SFDR consultation, read more here.