AICPA

The State of Sustainability Assurance and Related Advisory Services in the U.S.:

Two Market Assessments

June 2015

Published by the AICPA Assurance Services Executive Committee Sustainability Task Force

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I. INTRODUCTION

A. The Current State of Sustainability

In its progress report on *Corporate Sustainability: A progress report*, KPMG defines sustainability as "adopting business strategies that meet the needs of the enterprise and its stakeholders today while sustaining the resources, both human and natural, that will be needed in the future."

There is clearly a growing interest in the concept of corporate sustainability, its implementation and the reporting and assurance of the related information. A total of 72 percent of S&P companies published a sustainability or corporate responsibility report in 2013, based on research by the Governance and Accountability Institute. That was up from 52 percent who did in 2012 and only 20 percent in 2011.

In addition to any other reasons for this activity, there is clearly a growing profit motive involved. In 2013, there was a 23 percent jump over the previous year in the percentage of companies reporting a profit from their sustainability efforts, according to a global study by the MIT Sloan Management Review and the Boston Consulting Group. In conjunction with its "The Innovation Bottom Line" study, *MIT Sloan Management Review* noted that these efforts involve "incorporating sustainability thinking into all its areas of discipline — supply chain, marketing, finance and product development — as well as devising new business models and strategy grounded in sustainability."

According to a McKinsey survey on "Sustainability's Strategic Worth," executives say that "sustainability is becoming a more strategic and integral part of their businesses." While in past surveys they most often said cost cutting or reputation management drove their interest in sustainability, 43 percent of executives in a recent study said they sought "to align sustainability with their overall business goals, mission, or values — up from 30 percent who said so in 2012."

The KPMG report found that about two-thirds of companies have a corporate sustainability strategy, up from roughly one-half in 2008, even though the economic downturn had compelled many organizations to "focus on goals with immediate impact." Only 5 percent had no plans to develop a strategy and the remainder were in the process of creating one.

Looking at specific policies, "about two-thirds of S&P Global 1200 companies have an energy efficiency policy, 43 percent disclose their total greenhouse gas emissions and 37 percent disclose total waste generated," according to data published by The Conference Board in collaboration with Bloomberg and the Global Reporting Initiative.

Companies are also more likely to measure and report their sustainability efforts, the KPMG report revealed. KPMG said challenges in this area include "generating relevant data and establishing relevant benchmarks."

B. Accounting for Sustainability

Given the growing interest in sustainability, CPAs are well positioned to offer expertise that organizations can use to implement, track, and verify their sustainability efforts. What areas might CPA services in this area encompass? According to the AICPA, CPAs have a role to play in helping companies' link sustainability initiatives to company strategy, in evaluating risks and opportunities, and providing measurement, accounting, and performance management skills to ensure that sustainability is embedded into the day-to-day operations of the company. Furthermore, in response to expanding stakeholder expectations, more companies are reporting on their corporate, social and environmental performance, spurring growing demand for assurance on this information and the systems and processes used to generate it.

The AICPA actively monitors developments in this area to determine what they mean for CPAs. To track and anticipate market demand in the U.S. for sustainability services, in particular, sustainability assurance and related advisory services, the AICPA sponsored two research efforts designed to offer CPAs the latest and most customized insights into why companies are focusing on sustainability, what is driving adoption of sustainability efforts, and what impact they are having on CPAs in public accounting and in business, industry, and government. One study was conducted by Verdantix, an independent research firm, and the other, a sustainability survey of AICPA members, was conducted by the Institute. This paper presents an overview of the findings of both studies for CPAs in public accounting who may be providing or planning to offer sustainability assurance or related advisory services and to CPAs in business and industry whose organizations may have an interest in this area. It serves as an introduction to the existing and potential market for these services and the opportunities available to CPAs and the organizations with which they work.

II. VERDANTIX FINDINGS

A. A Forecast Model

In 2014, the AICPA engaged Verdantix, an independent research firm, to produce a market size and forecast model for 2013 to 2017 covering sustainability assurance and related advisory services in the U.S. Market size was determined from a bottom up analysis based on data provided to Verdantix by assurance providers for its research and validated by interviews. The growth forecast was derived from observed market growth in Verdantix surveys of decision-makers. (The models are based on the assumption that sustainability reporting will not become mandatory by 2017.) The report also looked ahead to potential developments in 2018 to 2022.

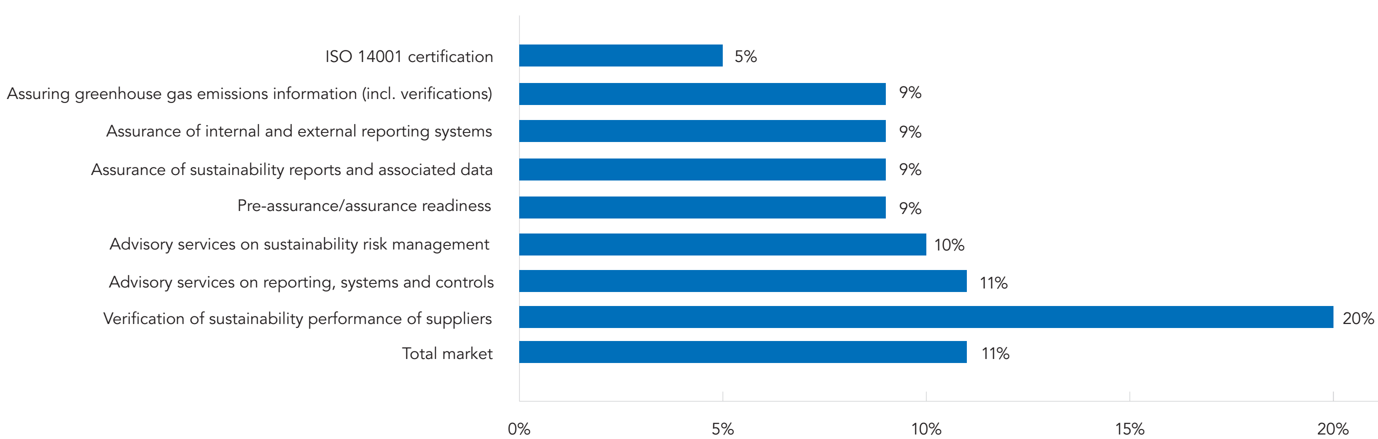
It should be noted that there are challenges in measuring this market due to inconsistencies in what exactly is meant by "sustainability assurance and related advisory services." The inconsistent use of terminology can make it difficult to capture all the relevant services or to categorize them (when, for example, information that has been verified is referred to as having been assured). The presence of a variety of service providers, including both CPAs and non-CPAs (and ranging from academics, to engineering firms to CPAs to boutique consulting firms) contributes to further inconsistencies in terminology and adds to the difficulty in tracking services. In addition, some major potential drivers (including the introduction of mandatory reporting rules; the impact of investors, or major companies that influence their supply chains, requesting audited sustainability data; multiple natural disasters suddenly shifting attitudes) not only are not reflected in the model but also have the potential to have a high impact if they were to materialize.

Highlights of the findings for 2013 to 2017 include:

- The total market size for sustainability assurance and related advisory services in 2013 was $171 million. That is expected to grow to $258 million in 2017, reflecting an 11 percent compound annual growth rate. The growth is expected to come from a variety of voluntary steps taken by businesses and the need to comply with a relatively small number of mandatory disclosure rules. A spending growth rate of higher than 11 percent is not expected in the absence of mandatory disclosures — and an effective enforcement program — which appear possible but unlikely.
- Forecasts for growth in demand for various market segments range from 5 percent expected increases for work related to ISO 14001 certification (certification that an organization's Environmental Management System (EMS) meets the criteria set out in ISO Standard 14001) to 20 percent for sustainable supply chain audits (see Exhibit 1).

Exhibit 1

Forecast Growth in U.S. Corporate Spending by Service Offering 2013–17

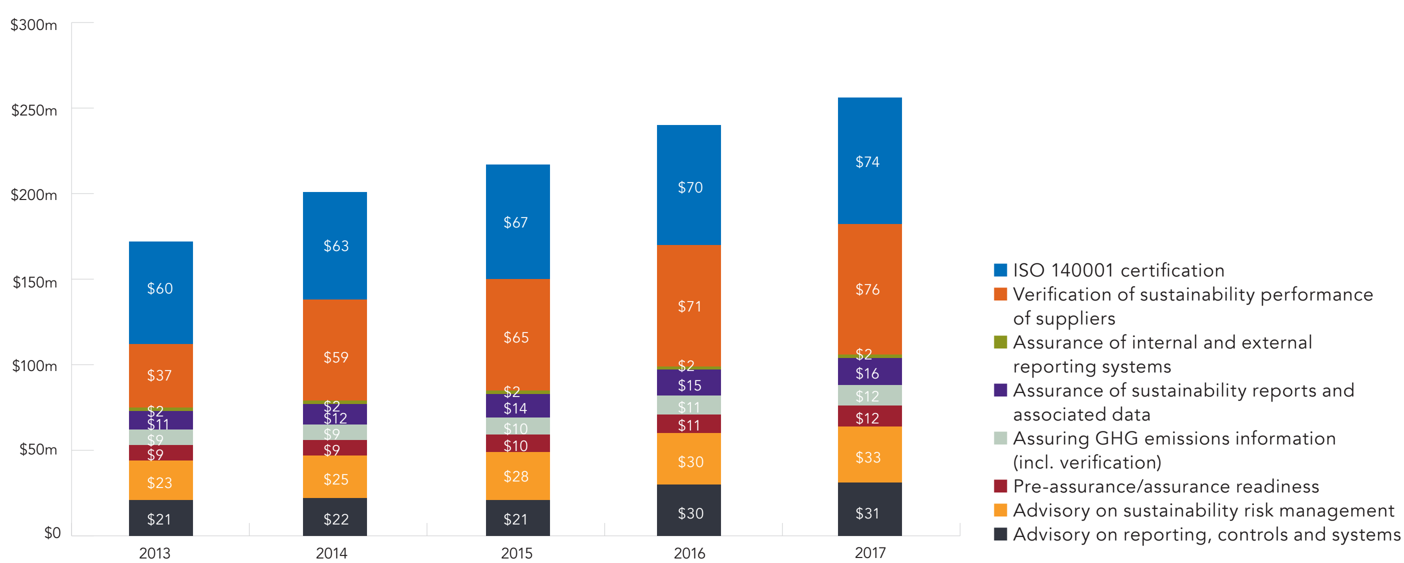


- ▶ The market for sustainable supply chain audits is foreseen as the largest in this segment by 2017, when it is expected to total $76 million, followed by ISO 14001 certifications at $74 million (see Exhibit 2).
- ▶ The study concluded that the primary drivers of growth would be:
  - Competitive pressures when the largest companies in an industry segment step up investment in their corporate sustainability strategies. Market or investor demands for sustainability initiatives or reporting could compel other companies to do the same.
  - Specific compliance requirements, such as the Securities and Exchange Commission (SEC) conflict minerals rule, the Environmental Protection Agency mandatory greenhouse gas reporting rule and European Union REACH updates.
  - Growing executive and investor awareness of the value of nonfinancial reporting, through stock exchange rules and the actions of the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB).
  - Nongovernmental organization campaigns targeting a lack of transparency or failure to follow best practices on environmental, social and human rights issues by prominent companies.
- ▶ The market forecast model does not include the potential impact of the following events, which were considered to have a high impact but low probability of occurring:
  - The introduction of mandatory reporting rules (by federal government, stock exchanges, or the SEC)
  - Investors, or major companies that influence their supply chains, requesting audited sustainability data and
  - Multiple natural disasters suddenly shifting attitudes

Outside the United States, several key events are intended to hold governments more accountable, a development that also could dramatically increase expectations for greater corporate reporting on accountability. They include a set of Sustainable Development Goals proposed by a working group of the United Nations General Assembly and the Conference of Parties, which monitors implementation of the U.N.

Exhibit 2

Forecast U.S. Corporate Spending on Eight Sustainability Assurance and Advisory Offerings 2013–17



Framework on Climate Change, and which will have its 21st meeting this year (COP21).

Given the expected growth in the market and the drivers assumed, resulting outcomes could include:

- Rapid growth in the use of the GRI sustainability reporting framework by U.S. firms
- Significant corporate use of the SASB framework for nonfinancial reporting
- Higher spending on sustainability assurance and related advisory services in the range of 9 percent to 20 percent compound annual growth, depending on the service offering.

B. Longer-Term Expectations

Looking further into the future, between 2018 and 2022, companies are expected to be affected by "hard enforcement," which will involve requirements for a minimal level of nonfinancial (sustainability) reporting by stock exchanges, investors, and regulators. Because of the related compliance risks, a meaningful increase in sustainability assurance and related advisory services is expected. At the same time, "soft enforcement" drivers, such as campaigns by nongovernmental organizations, competitive dynamics, and narrow regulations "will give way to mandatory frameworks with broad applicability" across companies' U.S. and global operations. International companies also will increase their sustainability assurance needs as regions such as the European Union, South Africa, Japan and Australia apply new regulations. The expected result is a 20 percent to 40 percent compound annual growth in spending on sustainability assurance and related advisory services over the period.

Resulting outcomes could include:

- Thousands of companies that had not previously made environmental, social and governance disclosures a priority being obliged to do so by federal, state and stock exchange regulations.
- The breadth of disclosures being increased and penalties for nondisclosure driving greater attention to the topic.

C. What Will Drive Demand?

During the next 10 years, the Verdantix study found that the *direct drivers* for sustainability reporting and assurance would include:

Regulations from sources such as the Environmental Protection Agency, executive orders, federal and state regulations and foreign regulations (coming particularly from the EU). For example:

- One of the most significant recent regulatory developments is the SEC conflict minerals rule. According to a *Journal of Accountancy* article, the conflict minerals rule requires issuers to try to determine "whether the gold, tantalum, tin and tungsten used in their products originated in mines operated by warlords in the Democratic Republic of the Congo (DRC) or its neighboring countries. Issuers also are required to report on their efforts to determine the origin of the minerals." Related independent private sector audits must be performed in accordance with generally accepted government auditing standards (the "Yellow Book") and can consist of either an examination attestation engagement or a performance audit.
- Environmental Protection Agency requirements include a Greenhouse Gas Reporting Rule, which requires reporting of greenhouse gas (GHG) data and other relevant information from large sources and suppliers in the United States.

- Examples of state regulations include a Regional Greenhouse Gas Initiative that encompasses New England and some mid-Atlantic states; the California Cap and Trade Program; and Wisconsin Air Containment Emission Inventory Reporting Requirements.

- On the international level, the European Union's Directive 2014/95/EU on disclosure of nonfinancial and diversity information by certain large undertakings and groups requires management report disclosures on policies, risks and outcomes related to "environmental matters, social and employee aspects, respect for human rights, anticorruption and bribery issues, and diversity in their board of directors." The Directive will not only affect European firms, several U.S. companies listed on EU regulated exchanges also will be required to begin reporting under the Directive.

Stock Exchanges. Various stock exchange activities (both in the U.S. and globally) have the potential to result in new reporting requirements for listed companies, for example:

- The Sustainable Stock Exchanges (SSE) initiative is designed as "a peer-to-peer learning platform for exploring how exchanges, in collaboration with investors, regulators, and companies, can enhance corporate transparency — and ultimately performance — on environmental, social and corporate governance issues and encourage sustainable investment." Both the New York Stock Exchange and NASDAQ are partner exchanges.

- In March 2014, the World Federation of Exchanges, a trade association of 64 publicly regulated stock, futures, and options exchanges, formed a Sustainability Working Group. The working group is made up of representatives from a diverse array of global stock exchanges (including the New York Stock Exchange and NASDAQ), and its mission is to build consensus on the purpose, practicality, and materiality of environmental, social and governance data. According to the United Nations Conference on Trade and Development publication, *Best Practice Guidance for Policymakers and Stock Exchanges on Sustainability Reporting Initiatives*, "The stock exchanges in Brazil and South Africa, for instance, have become leading examples of promoting corporate sustainability reporting — examples that even exchanges in more developed countries look to for lessons. Government regulators from France to India, from Sweden to China, have begun introducing new rules requiring corporate sustainability reporting."

Federal Procurement.

- In response to Executive Order 13514 on Federal Leadership in Environmental Energy and Economic Performance, Federal agencies developed and published Strategic Sustainability Performance Plans. Under this, the GSA, (which sources amounts equivalent to 14 percent of Federal government expenditure), follows a sustainable acquisition plan, which is currently largely based on product ecolabels such as EPEAT and ENERGY STAR. In addition to using product ecolabels to fulfill its sustainable acquisition plan, it is expected and considered highly likely that the GSA will build upon this to incorporate sustainability as an evaluation factor in Requests for Proposals.

Business-to-Business Requests for Information.

- Verdantix cited Walmart as the principal example of a retailer driving a sustainability program in its supply chain through a Sustainability Index and an Ethical Sourcing audit program, which verifies compliance with its supplier requirements. In addition to Walmart's plans to expand its efforts to cover 70 percent of products by 2017, from just 100 product categories in 2012, other large retailers and product companies such as Costco and Target have introduced similar initiatives and the trend of requiring greater information from suppliers is expected to accelerate in the coming years.

Indirect drivers would include a variety of sustainability risks and opportunities, such as:

- **Black swan events —** (i.e., events that are unexpected and have a major impact). A *Harvard Business Review* article cites climate change itself as a black swan event, given that so many people doubt it and resist efforts to respond to it, which means fewer steps are taken to prepare for its ultimate impact. When action is finally taken, the changes in the way the world works will be so significant that it will be "nearly unrecognizable," including the impact on energy supplies, transportation systems, and products. According to Verdantix, the occurrence of such an event has the potential to trigger momentary political consensus necessary to pass demanding new sustainability-related legislation.

- **Investor attitudes —** Verdantix envisions that investor-focused reporting frameworks (such as SASB), mandatory initiatives to broaden the number of companies publishing financial data, and stock exchanges' growing interest in non-financial data could drive further sustainability reporting over the next decade. Further, it is believed that disclosures that respond to investor requests are more likely to attract audits.

- **New markets —** As a Global Reporting Initiative paper notes, "Companies seen as leaders and innovators can be in a stronger bargaining position when it comes to attracting investment, initiating new activities, entering new markets, and negotiating contracts." This may compel businesses to adopt sustainability reporting.

- **Business improvement —** With the trend of companies leveraging sustainability themes as part of operational excellence, product marketing, corporate brand, supply chain resilience, and product differentiation strategies expected to continue, it is believed that underlying investments in data collection and analysis and systems and processes will be required to support the integration of sustainability into business processes.

- **Consumer attitudes —** According to Verdantix, a significant minority of consumers who take sustainability issues into account in their buying decisions has motivated high brand-equity companies to invest in product and process innovations to support their positions as trusted brands.

- **Environmental degradation —** Although it may be hard to identify the business response to pollution and CO^2 concentrations, Verdantix notes that the Arctic economy has attracted $30 billion in investments in infrastructure and resources extraction.

These indirect drivers can result in higher spending on services by influencing companies' response and budget availability.

Overall, both sets of drivers are expected to lead to demand for new reporting systems, processes, and advice and demand for pre-assurance, assurance and advisory services.

III. AICPA SUSTAINABILITY ASSURANCE SURVEY

A. The Survey

The AICPA Sustainability Assurance survey evaluated the sustainability functions of companies (CPAs in business, industry, and government (BIG)) and sustainability services offered to clients by CPAs in public accounting (PA), as well as CPAs' involvement in these activities. It examined not only current activities but also looked at the past and future expectations.

CPAs in both BIG and PA were asked what they believed would be the primary drivers of organizations' increased focus on sustainability over the next five to 10 years (see Table 1). Both groups picked the same top three drivers:

1. Meeting new legislative or regulatory requirements.
2. Enhancing or managing their organization's reputation.
3. Meeting customer expectations.

Reducing or managing costs was also seen as a meaningful driver, especially for BIG respondents. Conversely, more of those in PA believed that improving risk management would be a driver than did those in BIG.

Table 1: What Will Be the Primary Drivers of Organizations' Increased Focus on Sustainability?

	BIG*	PA*
Meet new legislative or regulatory requirements	65%	67%
Enhance/manage the organization's reputation	58%	61%
Meet customer expectations	57%	57%
Manage/reduce costs	57%	46%
Improve risk management	39%	51%
Enhance the company's existing culture of sustainability	36%	41%
Take advantage of new markets and grow revenue	25%	38%
Meet employee expectations and assist in recruiting efforts	23%	34%
Meet investor expectations	22%	41%
Meet supply chain requirements	21%	30%
Meet new stock exchange reporting requirements	7%	18%

* Respondents were asked to select all that apply.

B. Business, Industry and Government

Among those in business, industry and government (who accounted for 28 percent of survey respondents), sustainability functions are relatively new but clearly growing. While 12 percent had a sustainability function or someone responsible for sustainability a decade ago, that number has essentially tripled today. Among those with a sustainability function (i.e., 35 percent of BIG respondents), it was a standalone department for 31 percent and part of accounting a finance for 21 percent.

Sustainability concerns were getting oversight from the top echelons of the organizations. The board of directors was the highest level involved in sustainability-related activities or initiatives at 48 percent of respondents, and it was the C-suite for 25 percent.

The most commonly cited size of the team working on sustainability (either cross-functionally or as the sole responsibility) was between two and five people.

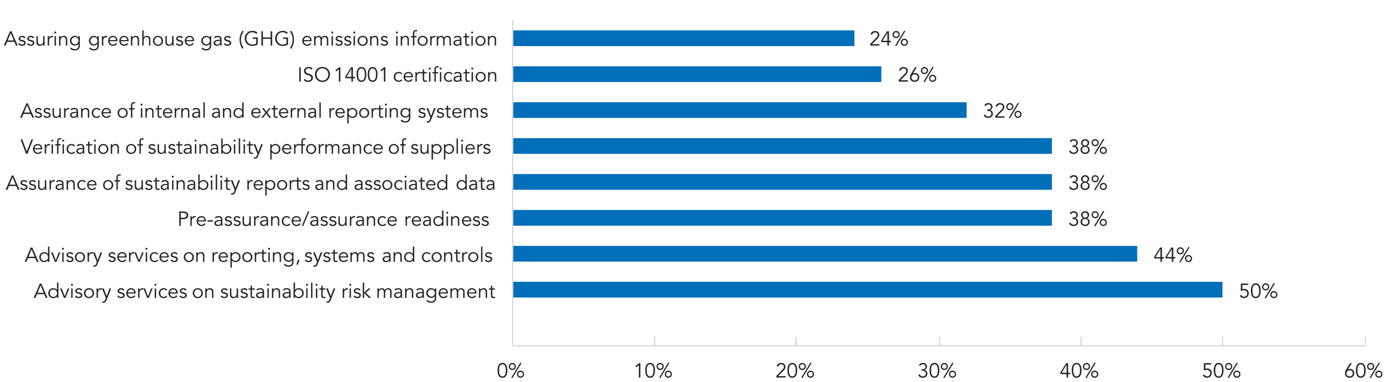
Sustainability is not yet apparently a consistent factor in purchasing. Forty-five percent said that it was not considered when making purchases and 29 percent were not sure. However, 67 percent believed it would be integrated into purchasing decisions in the future.

A total of 18 percent said their organization had a sustainability report, and 4 percent of those who didn't expected they would in the next five years, while another 53 percent were not sure whether they would prepare a sustainability report in the next five years. Among the 18 percent of organizations that produced a report, the teams involved included internal audit (57 percent) and accounting and finance (56 percent of respondents that prepare sustainability reports indicated that their accounting and finance team participated in review of the sustainability report, while 38 percent indicated that the accounting and finance team participated in the preparation of the sustainability report). A total of 38 percent of the sustainability reports prepared were externally assured and in half of the cases the provider was an accounting firm.

Organizations did appear to be aware that they would need to invest money and human capital in sustainability efforts. A total of 20 percent believed spending on sustainability would rise in the next five years and 59 percent thought that focus on those efforts would increase. Spending on sustainability-related services provided by professional services firms over the next five years is expected to grow between 1 percent and 10 percent, with an emphasis on advisory services on sustainability risk management (50 percent) and advisory services on reporting, systems, and controls (44 percent). Exhibit 3 shows the types of services that BIG respondents expected to have the greatest need for.

Exhibit 3

For Which Type of Services Do You Anticipate Having the Greatest Need? (Select all that apply)



C. Public Accounting

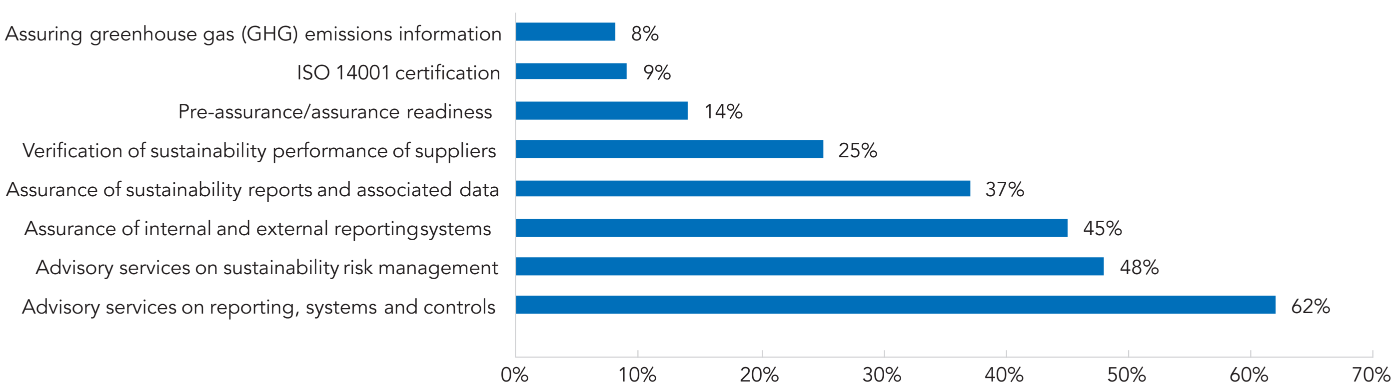
The level of sustainability services offered by public accounting firms has nearly doubled during the last decade (from 13 percent to 24 percent), but it remains relatively low. Of those firms that provide sustainability services, 43 percent of them saw between 1 percent and 15 percent growth over the period, while another 12 percent saw between 16 percent and 30 percent growth. A further 28 percent were not sure about the rate of growth they had experienced.

In public accounting, 50 percent thought that U.S.-based corporations would spend more on these services in the next five years, while 57 percent anticipated an increase over the next 10 years. About one-third think this spending will rise by between 1 percent and 10 percent. Exhibit 4 below reveals CPAs' answers on the services clients were most likely to need in the coming decade.

It's interesting to note how well PA respondents' answers match with those of their potential clients in BIG (shown in Exhibit 3, on page 10.) The BIG group picked advisory services on risk management as their top expected service choice, and services on reporting, systems, and controls came in second, showing that potential corporate users of these services, and the professional service firms that might supply them, are generally on the same page. However, the BIG group placed preassurance/assurance readiness ahead of assurance of internal and external reporting systems on their list of priorities.

Exhibit 4

For Which Type of Services Do You Anticipate Clients Having the Greatest Need? (Select all that apply)



WHO RESPONDED TO THE AICPA SURVEY?

Who Responded to the AICPA Survey?

More than 600 people responded to the survey and among them, 72 percent were in public accounting and 28 percent in business, industry and government. A total of 69 percent of respondents were male and the largest age group was between 50 and 69 (52 percent).

Business, Industry and Government

- 65 percent worked in finance and accounting with some representation from management accountants (11 percent), internal audit/ compliance (10 percent) and others (14 percent) (ERM, strategic planning and other)
- The majority of respondents were mid- to senior-level executives. More than half (51 percent) were in middle management (e.g., controller, vice president, director or manager). Another 27 percent were senior management (e.g., C-suite).
- 34 percent worked at a private company
- 28 percent worked at a public company
- 38 percent worked in some form of government

Public Accounting

- 39 percent provided tax services
- 28 percent provided audit and assurance services
- Almost two-thirds (62 percent) were partners/principals, directors or owners
- 80 percent worked at firms with between one and 100 CPAs, and 4 percent worked at one of the Big Four firms

CPAs: Uniquely Suited to Provide Services

There are many characteristics that can set CPAs apart from other potential providers of sustainability information and assurance:

- Their rigorous education, extensive experience, specialized training, and strict adherence to accountancy laws and a professional code of conduct.
- Their understanding of the business as a whole and its segments, the industry, various market forces, and the value of sustainability metrics financially and from a risk perspective.
- Expertise in evaluating and improving internal processes for collecting, analyzing and reporting information.
- Risk management expertise.
- Proven experience incorporating the necessary specialists into assurance engagements to deliver seamless services.

For companies, having CPAs assure sustainability information results in improved systems and processes surrounding collection of sustainability data and ultimately more reliable information. Producing reliable sustainability information in turn results in increased stakeholder confidence in the information, improved decision-making by the organization, and other competitive benefits like higher rankings among leading sustainability raters and rankers like CDP (formerly, the Carbon Disclosure Project) and Dow Jones Sustainability Indices (DJSI).

IV. SUSTAINABILITY AND SMALLER COMPANIES: A SEGMENT NOT TO BE OVERLOOKED

While larger companies are seen as the key users of sustainability measures, it should not be assumed that these measures are not being embraced by smaller businesses or that they would not appeal to them if their CPA introduced the topic. In 2010, the AICPA, CIMA and CICA surveyed more than 2,000 organizational leaders and interviewed sustainability executives to determine the state of corporate sustainability practices and the level of finance function involvement in corporate sustainability initiatives. More than 1,300 of the responses were from small or medium-sized companies with less than 1,000 employees. The survey found that one-third of smaller companies had a defined sustainability strategy and that roughly another one-quarter had planned to develop one in the following two years. Their reasons varied, but, according to a report on the study, "the core message is that sustainability is good for business." Reasons cited included that sustainability measures:

- Appeal to customers' changing values.
- May strengthen relationships with suppliers.
- Can have a huge impact on the positioning of the brand as a good corporate citizen that operates in harmony with local communities and the environment.
- Can reduce the variable costs of running a business and, therefore, drive profitability.

A. Perry's: A Case in Point

One example is Perry's Ice Cream, a fourth-generation family-owned business located in the Village of Akron, NY, outside of Buffalo. One of the two largest ice cream manufacturing plants in New York state with more than 300 associates, Perry's makes about 500 ice cream items totaling about 12 million gallons per year. It produces and distributes its own Perry's brand as well as ice cream products that it private labels for dairy industry giants and nationally recognized retail grocery companies.

Perry's sustainability program, which it considers a strategic asset, was formalized and became a top business priority in 2011. Gayle Perry Denning, director of sustainability and a corporate director, officer and shareholder, established a Sustainability Cross Functional Team, which includes leaders from every department and is intended to engage all of Perry's workforce to achieve complete integration of sustainability both strategically and operationally companywide. The company believes that being a small,

Perry's Ice Cream Sustainability Program — Facts and Figures

- *Water savings: more than 4 percent (2 million gallons) since 2010*
- *Solid waste reduction: 400 tons and trending higher in 2014*
- *Currently experiencing a 70 percent reduction in waste to landfill, 2014 over 2013*
- *Perry's recycles seven times more material today than it did in 2010*
- *40 percent of electricity comes from renewable sources*
- *Box reuse program: 120 tons avoiding landfill*
- *Logged 2 million miles with only 1.5 percent out of route*
- *100 percent of all ice cream novelties are packaged in fully recyclable materials*
- *Upgraded 80 percent of the facilities lighting with 50 percent more efficient fixtures and bulbs*

private company is an asset in its sustainability effort because it:

- Allows for prompt decision-making and implementation.
- Makes it easier to create awareness across the organization and to respond to employee sustainability ideas than it would be at a larger company with operations in widely dispersed locations.

Although the effort has resulted in substantial benefits for the company, its employees, shareholders, customers and the local community, Denning does acknowledge the challenges along the way. They include inspiring busy leaders and subject-matter experts to dedicate time and attention to another company initiative while simultaneously dealing with extensive and frequently changing food industry regulations and compliance demands. However, given the program's significant early successes and consistently higher levels of performance, each year becomes more of a (good) challenge to improve the prior one.

For More Information…

- *Perry's Ice Cream, Akron, NY: Case Study in Sustainability*
- Perry's annual comprehensive Sustainability Report can be found on the company's website on its corporate responsibility page that was established as part of the sustainability program. perrysicecream.com/corporate-responsibility

V. CONCLUSION: SUSTAINABILITY IN PRACTICE

Both the Verdantix and AICPA findings indicate growing interest and focus on corporate sustainability in the years to come, and with numerous ongoing activities and developments at many levels (from stock exchanges to supply chain requirements to investor interest) there is potential for significantly greater uptake than that reflected in current estimates. Even small companies are implementing sustainability initiatives. Ultimately, there are many opportunities for CPAs to offer sustainability assurance and related advisory services or to enhance a company's focus on sustainability. Part of the effort will involve identifying those opportunities and understanding specific clients' current and anticipated needs. To that end, here are some examples of sustainability in practice.

- A jewelry wholesaler is a member of the Responsible Jewelry Council, which has a code of practices addressing responsible business practices for diamonds, gold and platinum group metals and eliminating conflict gems and metals from supply chains. The wholesaler requires independent assurance related to chain of custody protocols. The assurance is structured as an extension of the independent financial statement audit.

- The brand and products of an active and sportswear company are closely associated with a love of the environment and extreme outdoor adventure activities. It chose to perform a risk assessment of its supply chain as part of its compliance with the California Transparency in Supply Chains Act. The engagement was awarded to a CPA firm supplying outsourced risk management/internal audit services.

- A large public company was a member of the Greenhouse Gas Protocol (a joint venture of the World Resources Initiative and World Business Council for Sustainable Development). It sought independent verification of its greenhouse gas emissions relative to required reporting protocols. Its CPA audit firm was selected over an industrial compliance consulting firm because of the use of an accepted assurance standard (AT101).

Other member sources of opportunity include:

- Supply chain vendor code of conduct compliance reporting and verification, such as what's required by Costco, Walmart and Nestlé.

- Trade associations' product certification programs requiring verification.

- Assessing an organization's compliance with the:
  - Global Reporting Initiative (GRI)
  - Fair Labor Association's code of conduct
  - Standards of the Forest Stewardship Council
  - Code of practices of the Responsible Jewelry Council
  - Better Cotton Initiative
  - U.S. Department of Agriculture Organic Certification
  - Protected Harvest
  - Sustainable Furnishings Council
  - Healthier Hospitals Initiative

Seize the Opportunities: Valuable Resources for CPAs

CPAs who want to explore options in this area can turn to *The CPA's Role in Sustainability Assurance*. This brochure outlines the options and features of sustainability assurance services, highlights its benefits, and details the education, experience, and expertise that CPAs bring to the table. CPAs can use it as a resource to introduce clients to the internal and external benefits of obtaining assurance as well as the value of using a CPA for those services.

For more information on sustainability reporting and assurance, turn to the AICPA site.

CPAs and Sustainability: A Long History

- Accountants assured Royal Dutch Shell's first sustainability report, *Profits and Principles — Does There Have To Be A Choice*, more than 15 years ago.
- CPAs have been founding members of many of the world's most acclaimed sustainability think tanks and corporate reporting organizations that take a broader perspective on value creation, including the United Nations Global Compact, World Business Council for Sustainable Development, Global Reporting Initiative, International Integrated Reporting Council and Sustainability Accounting Standards Board.

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