

# Report: Assurance of Sustainability Reporting - A Comparative Analysis

**Prepared by:** [Fadeke Ayoola/NET Africa] **Date:** May 2023 **Subject:** Analysis of Assurance Standards for Sustainability Reporting Concerning the Mauritian Code of Corporate Governance, EU Directive 2022/2464, Deloitte Insights, and King IV.

## Introduction:

This report provides an initial review of the assurance of sustainability reporting, focusing on the discussion points highlighted in the provided materials, particularly in the context of the Mauritian Code of Corporate Governance review. The analysis will compare and contrast different standards and codes related to assurance, including the EU's Corporate Sustainability Reporting Directive (CSRD), Deloitte's insights, and King IV.

## Key Observations and Analysis:

### 1. EU Directive 2022/2464 (CSRD):

- The directive mandates assurance opinions for sustainability reports to enhance quality and reliability. This aligns with the global trend towards increased scrutiny of non-financial disclosures.
- It emphasizes the need for common sustainability reporting standards to facilitate assurance and digitalization. This highlights the importance of standardization for comparability and effective enforcement.
- The directive acknowledges the challenge of establishing a uniform standard for reasonable assurance, particularly regarding forward-looking and qualitative information. This points to the need for developing robust methodologies and guidelines.
- The directive sets a timeline of 1 October 2028, for assurance standards, showing that this is an evolving area.

### 2. Deloitte Insights:

- Deloitte's perspective emphasizes the broad scope of sustainability assurance, encompassing sustainability strategy, risk management, stakeholder engagement, governance, metrics, and training.
- It extends assurance beyond sustainability reports to include climate change reporting, pay gap reporting, and streamlined energy and carbon reporting. This reflects the growing demand for transparency across various ESG (Environmental, Social, and Governance) domains.
- Deloitte highlights the need for validation and verification to provide confidence in the reliability of sustainability reports.

### 3. King IV:

- King IV advocates for a comprehensive assurance model that supports the integrity of information for internal decision-making.
- It recommends periodic independent assurance on risk management, technology and information, and compliance management.
- It stresses the importance of aligning the assurance model with the organization's significant risks.
- King IV approach is a broad governance approach designed to strengthen the internal controls and, therefore, the integrity of all reports, including sustainability.

### 4. Mauritian Code of Corporate Governance Context:

- The ongoing review of the Mauritian Code of Corporate Governance should consider the evolving global landscape of sustainability reporting and assurance.
- Integrating principles from the CSRD, Deloitte's insights, and King IV can enhance the credibility and effectiveness of sustainability disclosures in Mauritius.
- Specifically, the code should address:
  - The need for independent assurance of sustainability reports.
  - The scope of assurance, encompassing key ESG factors and related disclosures.
  - The development of guidelines for assurance providers, considering the challenges of qualitative and forward-looking information.
  - The importance of robust internal controls, and risk management systems that support the integrity of sustainability reporting.
  - The importance of the governing body to take responsibility for the assurance process.

### Comparative Analysis:

- The CSRD focuses on mandatory assurance driven by regulatory requirements, while King IV promotes a broader, principles-based approach to assurance.
- Deloitte's insights provide practical guidance on the scope and process of sustainability assurance, aligning with the evolving expectations of stakeholders.
- All three sources highlight the importance of independent assurance to enhance the credibility of sustainability information.

- The CSRD and Deloitte are focused on external reporting, while King IV is focused on internal and external reporting.
- All three sources show the importance of risk management in the assurance process.

#### **Recommendations:**

1. **Adopt a phased approach:** The Mauritian Code of Corporate Governance should adopt a phased approach to implementing sustainability assurance, starting with key ESG factors and gradually expanding the scope.
2. **Develop national guidelines:** Develop national guidelines for sustainability assurance, drawing on international best practices and adapting them to the Mauritian context.
3. **Promote capacity building:** Invest in training and education for assurance providers and companies on sustainability reporting and assurance.
4. **Encourage stakeholder engagement:** Engage with stakeholders, including investors, civil society, and regulators, to ensure the relevance and effectiveness of sustainability assurance.
5. **Focus on material risks:** Ensure that assurance efforts are focused on the organization's material risks and impacts, as identified through robust materiality assessments.
6. **Strengthen internal controls:** Encourage companies to strengthen their internal controls and risk management systems to support the integrity of sustainability reporting.

#### **Conclusion:**

The assurance of sustainability reporting is a critical component of corporate governance and transparency. By incorporating best practices from international standards and codes, the Mauritian Code of Corporate Governance can enhance the credibility and reliability of sustainability disclosures, contributing to sustainable development and responsible business practices.