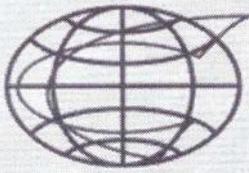


Guidance on ESG Audit



INTOSAI Working Group on SDGs
and Key Sustainable Development Indicators

2024



INTOSAI

Goal Chairs
Collaboration
PSC – CBC – KSC

Quality Assurance Certificate of the Chair of the Working Group on SDGs and Key Sustainable Development Indicators

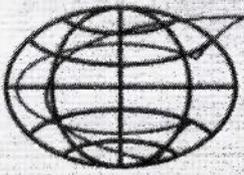
This is to certify that **Guidance on ESG Audit** which is placed at level **QA 3** of Quality Assurance as defined in the paper on “Quality Assurance on Public goods developed outside Due Process” approved by the INTOSAI Governing Board in November 2017 has been developed by following the Quality Assurance processes as detailed below:

- (i) exposure draft was circulated to all the members of the Working Group for comments in June 2023;
- (ii) comments of the Working Group members were considered by the Secretariat and the updated version of the draft Guidance were sent to the members of the Working Group in December 2023;
- (iii) draft Guidance has been tested by SAI Russia during the audit of public measures for the implementation of the principles of responsible business conduct and sustainable financing in the Russian Federation in 2023 – 2024;
- (iv) draft Guidance was approved by the Working group members at the Fifth meeting of the Working Group in April 2024.

The Guidance developed is consistent with relevant INTOSAI Principles and Standards. The structure of the Guidance is in line with the drafting convention of non-IFPP documents.

Guidance’s expiration date has not been set. The Guidance can be reviewed and updated by the decision of the Working Group if necessary.

Dmitry Zaitsev
Chair of the Working Group on SDGs
and Key Sustainable Development Indicators



INTOSAI

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Quality Assurance Certificate of the Goal Chair

Based on the assurance provided by the **INTOSAI Working Group on Sustainable Development Goals and Key Sustainable Development Indicators (WGSDG KSDI)** and the assessment by the Goal Chair, it is certified that the *"Guidance on ESG Audit"*, which is placed at **level 3 (three)** of Quality Assurance as defined in the paper on "Quality Assurance on Public goods developed outside Due Process" approved by the INTOSAI Governing Board in November 2017, has been developed by following the Quality Assurance processes as detailed in the Quality Assurance Certificate given by the Working Group Chair.

Guidance's expiration date has not been set. The Guidance can be reviewed and updated by the decision of the Working Group if necessary.

Girish Chandra Murmu
Chair of INTOSAI Knowledge Sharing and
Knowledge Services Committee

ABOUT THE GUIDANCE

The Guidance defines ESG¹ audit as a compliance and/or performance audit that focuses on achieving stated goals pertaining to the implementation of environmental, social and governance principles ([ESG principles](#)) at the level of the country or an organization. In the case of audits of international organizations, an audit of measures aimed at achieving [Sustainable Development Goals](#) (SDGs) and global principles of environmental, social and governance responsibility (ESG principles) is carried out.

Guidance on ESG Audit includes practical recommendations and aims to support supreme audit institutions (SAIs) in conducting high-quality ESG audits based on international standards. This is another tool SAIs can use to assess progress in achieving the current goals and objectives of sustainable development.

The Guidance is based on five principles:

1. Recognizing the diversity of SAIs.
2. Audit based on the INTOSAI standards.
3. Inclusiveness as applicability to any maturity level (within [the maturity model](#)).
4. Variability as applicability both at the national level and at the level of an organization.
5. Ensuring practicality.

Recognizing the diversity of SAIs in terms of their mandates, capabilities, size and operating conditions, the Guidance attempts to provide all SAIs in the INTOSAI community with a flexible audit model and practical advice.

¹ ESG (Environmental, Social, Governance) refers to environmental impact, social responsibility and responsible corporate governance

The Guidance defines a high-quality ESG audit as an audit that meets the requirements of the relevant INTOSAI professional pronouncements as well as the needs of its intended users.

The Guidance gives due regard to the needs of SAIs with different capabilities. Many SAIs are still in the process of building capacity for performance audit and compliance audit and have recently begun to use risk-based and whole-of-government approaches.

The Guidance also provide practical benefit to SAIs, regardless of the level of maturity of the national environmental, social and governance (ESG) framework and SDG implementation.

The Guidance consists of ten main chapters, a glossary and appendices.

Chapters 1 to 6 describe the context and importance of the ESG audit, its objectives, core principles and areas of application.

Chapters 7 to 10 describe “how” to conduct the ESG audit at each stage of the audit. This includes recommendations on how to develop an audit design, conduct the audit, report on the results of the ESG audit and follow-up.

Prototypes of the ESG audit design matrix, maturity model for implementing of the environmental, social and governance responsibility principles (ESG principles) at the national level and the level of an organization, and list of ESG indicators are provided in the appendices to the Guidance. In the future, it is also planned to establish a Knowledge base on best practices to facilitate the implementation of the environmental, social and governance responsibility principles (ESG principles).

The glossary contains a number of commonly used terms that may be replaced when using the Guidance in accordance with the accepted terminology at the national level.

The ESG terminology may vary from country to country depending on government regulations. Concepts such as [responsible business conduct](#), social capital of

business, social and environmental responsibility, corporate social responsibility and etc. may be used.

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GLOSSARY

ESG Agenda means objectives and directions of development in environmental, social and governance spheres, identified at a country or organization levels and taking into account institutional characteristics and development goals.

ESG Framework of an organization means a document, a set of policies, guidelines and/or principles of an organization, pertaining to environmental, social and governance fields and promoting sustainable development.

ESG Impact means the effect (negative or positive) that is or could potentially be exerted on sustainable development including the society, environment, economy. Impacts may be actual or potential, negative or positive, short-term or long-term, intended or unintentional, reversible or irreversible.

ESG Indicators mean qualitative and quantitative measures that can be used by organizations or policy makers to set objectives, monitor progress and evaluate goals attainment in environmental, social and governance spheres.

ESG Materiality Factors mean factors associated with the environment (including ecological factors and factors related to climate change), society (social factors) and corporate governance, which are considered as significant at the same time by internal (management, employees, etc.) and external stakeholders (clients, partners).

ESG Principles² mean operating principles based on environmental protection, creating favorable social conditions and protecting the interests of the society and proper quality governance. An important aspect of implementing the environmental, social and governance responsibility principles is giving due regard to both global and national, regional and sectoral priorities and goals.

ESG Rating is an integral assessments of activities in environmental, social and governance spheres that is carried out on a regular basis. Ratings are usually compiled by rating agencies or academies.

² For the purpose of this Guidance the meaning of ESG principles is used as it was formulated by UN Secretary-General Kofi Annan back in 2004 <https://documents1.worldbank.org/curated/en/280911488968799581/pdf/113237-WP-WhoCaresWins-2004.pdf>

ESG Reporting means public disclosure of information on the progress in the field of sustainable development, containing non-financial information, including factors related to the environment, society and corporate governance, as well as the impact on the achievement of international and national development goals.

Double Materiality Concept³ means an approach in which the management of an organization when determining the materiality of the information intended for disclosure, considers two interrelated aspects. The first aspect characterizes the impact of an organization on the environment, society and economy, that is, on the outside world. This impact indirectly affects the creation of value through its perception by other stakeholders, who are more interested in how the activities of an organization contribute to achieving sustainable development goals. The second one pertains to how an organization manages ESG risks and seizes ESG opportunities. Since the corresponding actions are directly transformed into the results of financial and economic activities, this aspect is of a “financial” nature and directly affects the creation of value of the organization. Investors primarily pay attention to this aspect.

Material Topics mean topics that reflect significant economic, environmental and social impacts of an organization; and/or which materially influence assumptions and decisions of stakeholders.

Maturity Model means a hierarchical structure in which the measurement of efficiency and assessment of the achieved effects are carried out according to individual maturity levels.

Outcome means a set of significant changes that are achieved as a result of obtaining output.

Output means specific products resulting from auditees activities on the use of public and other resources. Outputs include products of all types of auditees activities on the use of public and other resources, including tangible assets (infrastructure facilities, services provided, etc.) and intangible assets (products of law-making activities, intellectual property rights, etc.), other products.

³ <https://www.ifrs.org/content/dam/ifrs/meetings/2023/march/gpf/ap6-issb-update-gpf-march-2023.pdf>

Responsible Business Conduct means management practices and activities of an organization in the field of sustainable development, corporate responsibility and transparency including ESG principles implementation and regular disclosure of non-financial information.

Sociological Research means a way of collecting, processing and analyzing data about the phenomenon or process being studied for the subsequent use thereof. Sociological research within the framework of the ESG audit may be carried out, inter alia, in the form of in-depth interviews, polls or surveys of stakeholders using questionnaires.

Stakeholders mean public authorities, businesses, representatives of civil society and expert community, shareholders (if applicable), local communities residing in the territory of presence, financial institutions, etc. who may be interested in the results of activities and/or may have a significant impact on environmental, social and governance activities or decision-making.

There are two main groups of stakeholders:

- affected stakeholders and
- users of sustainability statements, i.e. existing and potential investors, lenders and lending institutions, insurance companies, business partners, trade unions and social partners, civil society and non-governmental organizations, governments, analysts and academics.

Typically, organization stakeholders include groups such as business partners, civil society organizations, governmental and non-governmental organizations, consumers, customers, employees, local communities, shareholders, investors, suppliers, trade unions, vulnerable groups (for example, indigenous peoples residing in the areas where the organization operates).

Sustainable Development⁴ is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs. A three-dimensional conceptual development model, which provides for

⁴ In the Guidance we use the definition of Sustainable development as it was formulated in the Report of the World Commission on Environment and Development: Our Common Future (Brundtland Report) that was published in October 1987 <https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf>

simultaneous development of the world system in three key areas: economic, social and environmental.

UN Sustainable Development Goals are 17 Goals adopted by the UN Member States in 2015 (General Assembly resolution A/RES/70/1 of 25 September 2015) as part of the 2030 Agenda for Sustainable Development. The Sustainable Development Goals are integrated and indivisible and balance the three dimensions of sustainable development: the economic, social and environmental.

BACKGROUND

1. On September 25, 2015, the UN member states adopted the 2030 Agenda for Sustainable Development⁵ (the Agenda). Heads of states and governments agreed to be guided in their decision-making by 17 Sustainable Development Goals (SDGs) aimed at eradicating poverty, preserving the planet's resources and ensuring well-being of all, and to develop national programs with goals covering all aspects of the Agenda implementation, and take into account global objectives in national planning processes, efforts and strategies, having regard to national conditions.
2. Governments play a key role in promoting sustainable development. They determine the direction of development, set the line of conduct and coordinate the work. They promote national interests in international negotiations, which are essential for the economic development, social progress and protection of the environment. They enter into agreements, including for developing international programs on reducing greenhouse gas emissions and promoting sustainable development. They develop strategies to implement these programs.
3. Since the adoption of the Agenda in 2015 INTOSAI has discussed the importance of SAI's contribution to the implementation of the SDGs. In particular it's worth to mark the following discussions:
 - XXII INCOSAI in Abu Dhabi (2016)⁶;
 - XXIII INCOSAI in Moscow (2019)⁷;
 - UN-INTOSAI Symposia⁸.

⁵ General Assembly resolution A/RES/70/1 of 25 September 2015
https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_RES_70_1_E.pdf

⁶ Abu Dhabi Declaration
https://www.intosai.org/fileadmin/downloads/about_us/Organs/Congresses/2016_Abu_Dhabi_Declaration/EN_Abu_DhabiDeclaration.pdf

⁷ Moscow Declaration 2019 <https://incosai2019.ru/en/documents/46>

⁸ <https://www.intosai.org/news-centre/un/intosai-symposia.html>

4. Analysis of how national governments embed public policy measures encouraging sustainable solutions and practices across private and public sectors, assessment of the performance of organizations⁹ in environmental, social and governance areas, as well as auditing ESG approaches of international organizations seem to be important tasks in the framework of the sustainable development audit.
5. Many SAIs are already supporting national governments in tracking progress and identifying risks and opportunities. At the same time, some important aspects enabling the delivery of the SDGs require further development of approaches applied.
6. The practice of [responsible business conduct](#), including preparation and disclosure by organizations of non-financial information about their activities and contribution to sustainable development is widespread among public and private organizations. It plays a crucial role in ensuring that organizations provide necessary inputs to sustainable development implementation.
7. Full disclosure of information in the field of sustainable development and, in particular, the publication of the environmental, social and governance reporting ([ESG reporting](#)) of an organization, will provide countries with another tool to understand and assess progress against SDG.

Figure 1. ESG three dimensions



⁹ It's actual for countries where national obligations for organizations to provide ESG reporting exist

8. It is important to develop common principles and standards, exchange best practices and experience in the field of ESG auditing within the framework of regional associations and unions, taking into account the relevance of sustainable development issues for all countries being members of the international community.
9. The process of implementing [the ESG agenda](#) is unique for each country. It depends on an institutional framework, local traditions and practices as well as global trends.
10. The extent to which the environmental, social and governance responsibility principles (ESG principles) are integrated into national regulation varies greatly across countries. Not all principles, but only the most significant factors for the sustainable development of the country may be adopted at the legislative level.
11. With regard to the implementation of the environmental, social and governance responsibility principles (ESG principles) at the level of an organization, it is particularly important to give due regard to sectoral and regional (local) specifics. The implementation of the environmental, social and governance responsibility principles (ESG principles) should be analyzed taking into account the significance of the ESG factors within the framework of sectoral and regional (local) specifics.
12. With the growing role of sustainable development issues both for the international community as a whole and for individual countries, SAIs need to constantly focus on the development of ESG issues and increase their role in the implementation of national and global ESG agendas, actively promoting the ESG principles and the Agenda in SAIs, including regional divisions.

GUIDANCE GOALS

13. This document represents guidance providing methodological support for SAIs in conducting ESG audits, as well as facilitating the development of efficient

ESG audit mechanisms and building the capabilities of SAIs to conduct such audits.

14. This Guidance aims to contribute to the implementation of the Agenda and intended to:

- assist SAIs to nudge national governments to implement public policy measures that embed sustainable solutions and practices across private and public sectors and to ensure high-quality disclosure of non-financial information about activities and contribution of organizations to sustainable development and the implementation of environmental, social and governance responsibility principles (ESG principles).
- assist SAIs in conducting an audit of implementation of public policy measures taken by national governments with the aim to embed sustainable solutions and practices across private and public sectors and in helping the governments to review those measures or develop new ones based on the recommendations resulting from the ESG audit.
- assist SAIs in conducting an audit of activities of organizations¹⁰ in the environmental, social and governance areas and developing recommendations for improvement.
- assist SAIs in ESG auditing of international organizations in case if SAIs are external auditors.

¹⁰ In the Guidance organizations mean organizations within the auditing mandate of SAIs such as those with public ownership and organizations that receive government support (subsidies, benefits, loans, etc.)

INTERCONNECTONS WITH INTOSAI PROFESSIONAL PRONOUNCEMENTS AND OTHER DOCUMENTS

15. The process of organizing and conducting an ESG audit is based on general concepts and principles related to the public sector audit process, which are identified in the INTOSAI professional pronouncements:

ISSAI 100 “Fundamental Principles of Public-Sector Auditing”;

ISSAI 300 “Performance Audit Principles”;

ISSAI 400 “Compliance Audit Principles”;

ISSAI 3000 “Performance Audit Standard”;

ISSAI 4000 “Compliance Audit Standard”;

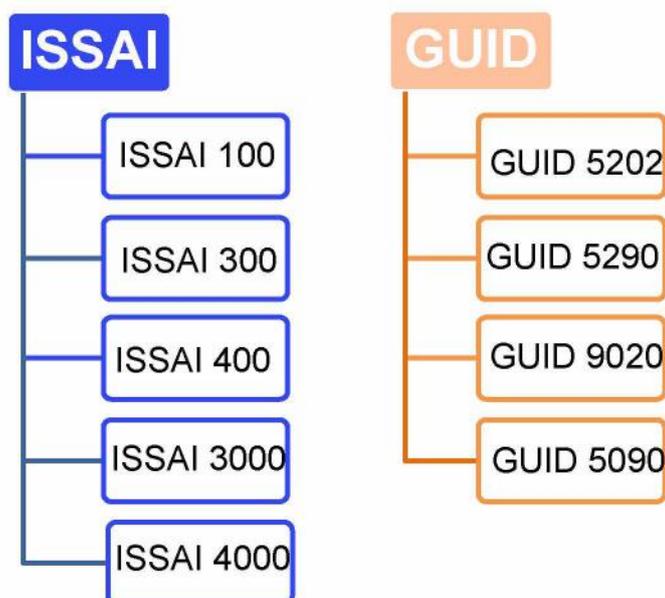
GUID 5202 “Sustainable Development: The Role of Supreme Audit Institutions”;

GUID 5290 “Guidance on Audit of the Development and Use of Key National Indicators”;

GUID 9020 “Evaluation of Public Policies”;

GUID 5090 “Audit of International Institutions”.

Figure 2. Interconnections with INTOSAI professional pronouncements



16. The ESG audit process also takes into account recommendations on the SDG audit as set out in the following documents:
- INTOSAI Development Initiative documents: Guidance on Auditing Preparedness for Implementation of Sustainable Development Goals and the IDI's SDGs Audit Model.
 - Documents of the INTOSAI Working Group on SDGs and Key Sustainable Development Indicators: Practical Guidance on Sustainable Development Goals Audit at the Regional Level.
17. Conducting audit and verification of the environmental, social and governance reports (ESG reports) by independent auditors is the widely spread best practice and increases the reliability of the data published in the report. Usually, such an audit is conducted on the basis of non-financial reporting assurance standards as International Standard on Assurance Engagements (ISAE 3000¹¹/3410¹²), the Accountability's Assurance Standard (AA1000AS¹³) and national standards for auditing and verification of non-financial information, if any.
18. During the audit of organizations, SAIs may include the assessment of environmental, social and governance aspects of organization's activities in the audit program if this is consistent with the SAI's mandate.
19. An audit of an organization's environmental, social and governance reporting (ESG reporting) includes an assessment of the compliance of disclosed information with the standards used for its preparation. These can be both national standards for the company's reporting on environmental, social and governance issues (ESG reporting standards), if any, and internationally accepted standards of such organizations as:
- Global Reporting Initiative (GRI)¹⁴;

¹¹ <https://www.iaasb.org/publications/international-standard-assurance-engagements-isa-3000-revised-assurance-engagements-other-audits-or>

¹² <https://www.iaasb.org/publications/glance-international-standard-assurance-engagements-isa-3410-assurance-engagements-greenhouse-gas>

¹³ <https://www.accountability.org/standards/>

¹⁴ <https://www.globalreporting.org/>

Sustainability Accounting Standards Board (SASB)¹⁵;
International Sustainability Standards Board (ISSB)¹⁶;
International Council on Mining and Metals (ICMM)¹⁷, etc.

20. When conducting the ESG audit, SAIs may also use international and national methodologies and the results [of ESG ratings](#), as well as ratings of organizations in terms of their reliability¹⁸, social and environmental responsibility in accordance with national or global agendas as additional sources of information and methodological support.

PRINCIPLES OF ESG AUDIT

21. An ESG audit is conducted in accordance with the following basic audit principles:

- relevance (compliance with the materiality factors identified by stakeholders, and national priorities and goals);
- transparency (for example, in terms of accessibility of documents to the general public);
- openness (practices of open dialogue with [stakeholders](#), other formats for active involvement and ensuring a balance of interests of all parties, reliance on real practices of organizations);

Figure 3. Basic ESG audit principles



¹⁵ <https://sasb.ifrs.org/>

¹⁶ <https://www.ifrs.org/news-and-events/news/2023/06/issb-issues-ifrs-s1-ifrs-s2/>

¹⁷ <https://www.icmm.com/>

¹⁸ Tax history, business reputation, social investment, financial stability, etc.

ESG AUDIT DEFINITION

22. ESG audit is used for the purposes of analysis, monitoring and assessment of:

- implemented government policies aimed at encouraging auditees to implement the environmental, social and governance responsibility principles (ESG principles) in their activities. The degree of systemic integration of the environmental, social and governance responsibility principles (ESG principles) into regulatory legal acts and other documents on the implementation of public policy measures is examined;
- activities of organizations/international organizations in the environmental, social and governance areas. The subject of assessment is the compliance of the information disclosed in the environmental, social and governance reporting (ESG reporting) of organizations/international organizations, the standards used for its preparation, as well as the data of the accounting (financial) statements for the same reporting period in order to establish completeness and reliability of the information on the implementation of the ESG principles;
- outputs and outcomes of the auditee's activities in terms of the implementation and/or compliance with the social, environmental and corporate responsibility principles.

SCOPE OF ESG AUDIT

23. ESG audit is applicable in auditing the activities of public authorities, organizations, as well as international organizations if the subject of the audit involves analyzing the implementation of the environmental, social and governance responsibility principles (ESG principles).

24. When conducting an ESG audit in relation to public authorities, the subject may cover issues of their activities in terms of ongoing public policy aimed at promoting the implementation of the environmental, social and governance

responsibility principles (ESG principles) at the national level (external impact assessment) and implementation of approaches to achieve national goals and SDGs.

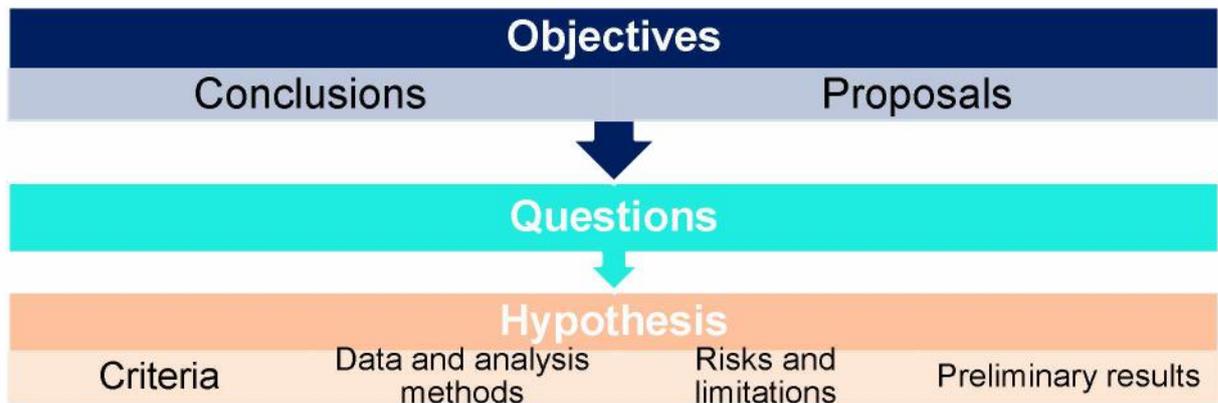
25. The analysis may be carried out in relation to public authorities responsible for the implementation of social and environmental policies, as well as policies in the field of promoting responsible business conduct.
26. Also, if there are requirements at the national level, an audit of the implementation of the environmental, social and governance responsibility principles (ESG principles) may be conducted in the internal activities of public authorities. In this case, it also implies that public authorities prepare environmental, social and governance reporting (ESG reporting). This audit may be conducted in accordance with criteria adopted at the national level and outlined within the framework of international standards.
27. When conducting an audit of an organization/international organization, the subject of the mentioned audit involves examining their activities from the perspective of implementing and assessing progress in implementing the environmental, social and governance responsibility principles (ESG principles) and SDG implementation.
28. When conducting an audit of an organization, the auditees may include, for example, companies founded by a public-law entity, joint-stock companies with public-law entity participation in the authorized capital, companies of other organizational and legal forms.
29. When conducting an audit of international organizations, the auditees may be, for example, specialized UN agencies, in the case where a SAI is authorized to conduct the audit in accordance with the approved procedures for selecting an external auditor of the organization.

ESG AUDIT DESIGN

30. SAIs may conduct ESG audits in accordance with the stages described for Performance audit (ISSAI 300) and Compliance audit (ISSAI 400).

31. At the ESG audit design stage, for convenience, SAIs may use an audit design matrix¹⁹, including audit objectives, questions, hypotheses, criteria, description of data, methods of data collection and analysis, risks, preliminary results, findings, conclusions and proposals (recommendations). All the elements of the design matrix should be logically connected.

Figure 4. Design matrix



ESG Audit Matrix template.							
Hypothesis	Criterion	Method	Risk	Preliminary conclusion	Preliminary recommendation	Conclusions	Proposals
OBJECTIVE 1. ...						Conclusion 1 ...	Proposal 1 ...
Question 1.1. ...							
Hypothesis 1 ...	Criterion 1 ...	Method 1 ...	Risk 1 ...	Preliminary conclusion 1 ...	Preliminary recommendation 1 ...		
...		
Hypothesis N ...	Criterion N ...	Method N ...	Risk N ...	Preliminary conclusion N ...	Preliminary recommendation N ...		
Question N ...							
...	Conclusion N ...	Proposal N ...
OBJECTIVE N. ...						Conclusion N ...	Proposal N ...

¹⁹ A prototype of the ESG audit design matrix is given in Appendix 1

32. Choice of ESG audit objectives and questions to be answered during the audit, along with the relevant audit criteria, determine the work to be done to gather sufficient and appropriate audit evidence.
33. Information about the subject of the ESG audit may be obtained by sending information requests to the auditees and other organizations, as well as from information and analytical systems used by SAIs. A survey or questionnaire of auditees and other organizations may also be conducted.
34. At this stage, interaction with stakeholders and experts is also being organized.

ESG AUDIT HYPOTHESES

35. In order to determine the most valuable information and available data on the audit subject, to understand the possible risks, and to define the required amount of audit procedures, it is recommended to create a list of hypotheses²⁰.
36. It is recommended to formulate hypotheses in the form of statements reflecting risks that could have a negative impact on the environmental, social and governance activities of auditees.
37. Depending on the subject of the audit, hypotheses within the framework of the ESG audit can be formulated taking into account the observed risks²¹.
38. Hypotheses are formulated taking into account objectives and questions of the ESG audit²².

ESG AUDIT OBJECTIVES AND QUESTIONS

39. When defining ESG audit objectives, it is recommended to follow the general principles for their preparation as stipulated in the INTOSAI Professional Pronouncements.

²⁰ Hypothesis is a possible audit conclusion, requiring proof of its veracity

²¹ Examples of risks are given in Appendix 1

²² Examples of hypotheses are given in Appendix 1

40. In order to fully address the most relevant and important components of the selected objectives, it is recommended that a set of logically structured and systematized audit questions be included for each of them²³.

AUDITEE AND SUBJECT OF ESG AUDIT

41. The subject of an ESG audit includes questions pertaining to

- the activities of responsible public authorities aimed at promoting the implementation of environmental, social and governance responsibility principles (ESG principles);
- the activities of an organization/international organization on implementing the environmental, social and governance responsibility principles (ESG principles), preparing and verifying the organization's environmental, social and governance reporting (ESG reporting), ensuring the quality of ESG data;
- assessment of individual elements of the public administration system aimed at implementing the ESG agenda;
- effective use of budgetary funds for the implementation of projects and efforts within the ESG agenda.

42. ESG auditees depending on the audit purpose and the SAIs' authorities may be:

- public authorities responsible for the development of public policy and regulatory framework pertaining to the environmental, social and governance responsibility principles (ESG principles);
- organizations;
- other public authorities and organizations that implement the environmental, social and governance responsibility principles (ESG principles) in their activities;
- international organizations.

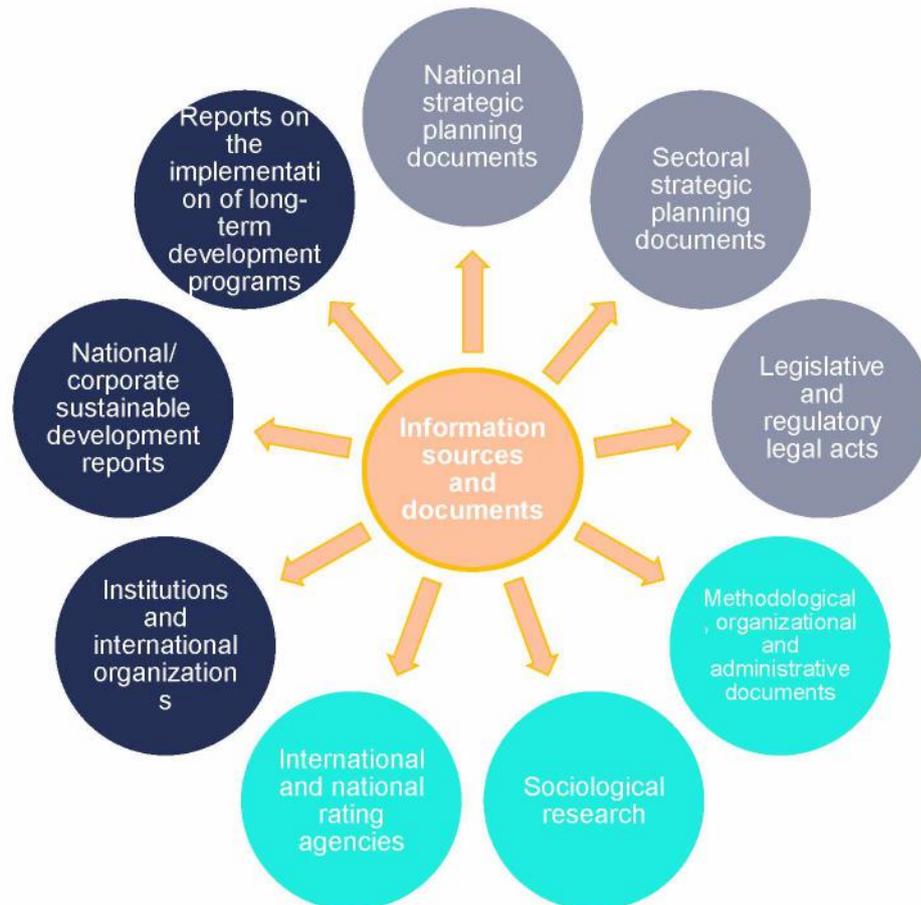
²³ Examples of audit objectives and questions are given in Appendix 1

LIST OF INFORMATION (DOCUMENTS)

43. The list of information (documents) to be analyzed when performing an ESG audit may include:

- High-level national strategic planning documents (Socio-Economic Development Strategy, Sustainable Development Strategy or Concept, etc.);
- Sectoral strategic planning documents;
- Legislative and regulatory legal acts in the field of environmental, social and governance responsibility;
- Methodological, organizational and administrative documents of the auditees designed for the purposes of the implementation of the environmental, social and governance responsibility principles (ESG principles) in their operations;
- Data from [sociological research](#);
- Data from international and national rating agencies offering ESG ratings and rankings;
- Materials developed by research institutions, international organizations and other supreme audit institutions;
- National/corporate sustainable development reports;
- Reports on the implementation of long-term development programs.

Figure 5. Information sources and documents



44. As part of an audit, SAIs may verify information available in the public domain, completeness and consistency of this information in comparison with the information provided by the organization during the audit.
45. SAIs may create and use their own information bases on ESG and sustainable development, inter alia, by region and sector.

ESG AUDIT CRITERIA

46. In order to understand what audit evidence is required, as well as the results, findings, conclusions and recommendations, it is recommended that audit criteria²⁴ be applied to each of the issues within the audit objective.
47. If the audit is aimed at analyzing government incentive measures for the implementation and compliance with the environmental, social and governance

²⁴ The list of possible audit criteria is given in Appendix 1

principles (ESG principles), the audit criteria may relate to institutional, socio-economic and environmental effects.

48. In the case where the audit is aimed at assessing the activities of an organization/international organization in the environmental, social and governance areas, the audit criteria may allow making a judgment about the organization's environmental, social and governance performance, as well as completeness and reliability of reporting, subject to the existing restrictions.
49. Despite the uniqueness and specificity of each ESG audit, it is useful for SAIs to develop a framework of general and specific criteria and indicators recommended for use when conducting ESG audits.
50. An auditor may interact with auditees and experts in determining the relevant audit criteria. Exchange of views may be an effective method for developing criteria and determining what is meaningful and subject to auditing.

INFORMATION REQUESTS

51. In ESG audits, information requests should be made:
 - to public authorities. In this case, information requests should include questions about government efforts aimed at encouraging the implementation of the environmental, social and governance responsibility principles (ESG principles);
 - to organizations. In this case, information requests should include questions regarding the implementation and assessment of progress in implementing the environmental, social and governance responsibility principles (ESG principles), specific ESG indicators as well as formation, presentation and verification of the organization's environmental, social and governance reporting (ESG reporting);
 - in the case of an audit of international organizations, information requests in the form of questionnaires may be sent to them.

52. SAIs shall adhere to standards of work with the preparation of requests and received information, including compliance with the principles of confidentiality and non-disclosure of proprietary information. SAI cyber protection systems shall be updated, and employees shall regularly improve their information security competencies.

METHODS IN ESG AUDIT

53. In order to collect and study actual data and information, in ESG audit both generally accepted methods of system and comparative analysis and specific methods can be applied.

54. As part of the audit of government efforts aimed at stimulating the implementation of the environmental, social and governance responsibility principles (ESG principles), for example, impact assessment methods used in the policies evaluation and sociological research methods, such as public surveys and in-depth interviews with representatives of a wide range of stakeholders, can be used.

55. When auditing the environmental, social and governance reporting (ESG reporting) of organizations/international organizations, standard methods for assessing completeness, quality and reliability of data and methods for assessing transparency of indicators may be used²⁵. In addition, the in-depth interview method may also be useful for identifying problems and risks in the environmental, social and governance reporting (ESG reporting) within an organization.

56. Various analysis methods may also be used, including methods of systematization and classification of big data, calculations of relative values, data visualization, method of event tree analysis and multi-criteria analysis, graph method, etc.

²⁵ GUID 5290 “Guidance on Audit of the Development and Use of Key National Indicators”

RISK-BASED APPROACH

57. The risk-based approach is applied at all stages of the ESG audit.
58. When designing the ESG audit, a risk-based approach is applied:
- to determine audit objectives and questions;
 - to choose the audit methods;
 - to estimate the resources required for conducting the audit.
59. To this end, the following should be examined:
- achieved and unachieved results of the activities of the ESG auditee;
 - [ESG indicators](#), including indicators of the national priorities and goals achievement;
 - factors, events and deficiencies of processes that affect the areas of risks;
 - previously identified risks related to the ESG auditee, violations and shortcomings in its activities, including those of systemic and systematic nature, and their causes;
 - consequences arising from the non-application of the established risk map to environmental, social and governance principles.
60. The ESG audit risk assessment procedure consists of the following stages:
- detection, identification of risks, making a risk register (risk map), with the indication of the name of a risk, its brief description, causes, risk factors, the consequences of risk events, risk.
 - risk analysis and assessment. Risk analysis is performed to determine the likelihood of risks and the potentially dangerous consequences of the risks identified at the previous stage;
 - prioritizing risks. Based on the risk assessment and assessment scales, a risk map may be created and risks may be prioritized.

Figure 6. Risk assessment procedure



WHOLE-OF-GOVERNMENT APPROACH

61. The whole-of-government approach may be applied when analyzing government measures aimed at promoting responsible business conduct.
62. The whole-of-government approach includes an assessment of horizontal and vertical policy (measures) coherence. Where horizontal coherence implies interdependence within areas and sectors, and vertical coherence implies consistency of approach at all levels of public administration.
63. The whole-of-government approach helps the auditor assess the extent to which ministries and agencies are coherent and coordinated in promoting responsible business conduct.
64. During an ESG audit, it is recommended to take into account the initiatives of public authorities, as well as the relationships, mechanisms of cooperation, coordination and communication between them.
65. SAIs may conduct a physical stocktake and prepare a list of government efforts taken at different levels, identify duplications and gaps in the regulatory system.
66. Using the whole-of-government approach allows systemic risks to be assessed and identified.

IDENTIFYING STAKEHOLDERS

67. When conducting an ESG audit, it is important to effectively organize interaction with stakeholders. When auditing government measures aimed at

promoting the implementation of environmental, social and governance responsibility principles (ESG principles) stakeholders may include federal and regional executive authorities, non-profit organizations, large, medium and small businesses and civil society. When auditing an organization/ international organization, stakeholders may include employees, suppliers/contractors, members of the organization, donors (in the case of an international organization), etc.

68. At the preliminary stage, a stakeholders' map may be drawn up.
69. The involvement of stakeholders in an ESG audit implies consultations with stakeholders, which will help to correctly identify the auditees and the subject of the audit, verify correctness of materiality factors as well as to correctly formulate audit objectives and questions.

DEVELOPING COMPETENCIES

70. SAIs should continually focus on training staff and sharing experience in sustainability and ESG spheres.
71. To conduct effective, regular and systemic ESG audits, it is important to develop specific competencies in the sustainable development and its many areas among the management and staff of SAIs.
72. It is important that the management and staff of SAIs understand the ESG principles, the essence of the Agenda for Sustainable Development and the SDGs, international and national law, and that this understanding further extends to regional (local) audit institutions.
73. The skills and competencies of SAIs' staff in the analysis of various sources and data arrays, including the environmental, social and corporate governance, is of great practical importance.
74. In order to coordinate the activities of SAIs in the field of ESG audit and development of staff competencies, a responsible person may be appointed and/or a separate unit with the relevant powers may be created.

75. In order to develop competencies, devise methodology and increase the efficiency of audits, a working group (advisory body) may be formed in a SAI, consisting of representatives of public authorities, the Central (National) Bank, organizations, expert, scientific and business communities.

ENGAGING SUBJECT MATTER EXPERTS

76. When planning the ESG audit, it is recommended to consider the need to engage subject matter experts. In this case, it is important to recognize that the interaction between ESG audit participants and subject matter experts should contribute to the development of competencies necessary to achieve the objectives of the audit. Subject matter experts shall have special knowledge, skills and experience in the area directly related to the subject of the ESG audit.

77. An Expert Board may be created to provide advisory support in preparing the audit plan, formulating questions, selecting methods for collecting and analyzing data, as well as developing audit findings, conclusions and recommendations. The Expert Board may also participate in assessing the quality of the analysis performed.

78. Subject matter experts may be involved both for the entire audit or to perform one or more expert tasks within it.

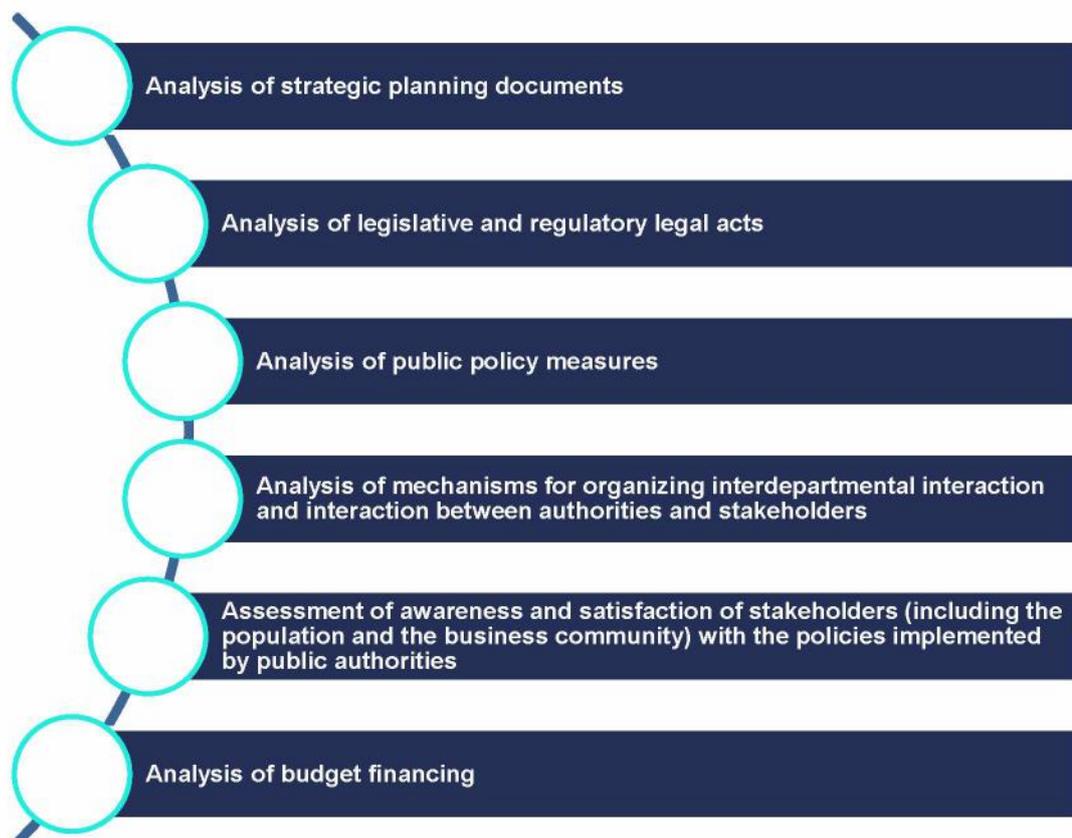
79. The interaction with subject matter experts may take the form of individual consultations, separate assignments, strategy sessions, surveys and interviews.

CONDUCTING THE AUDIT

80. At the main stage of the audit, the auditor chooses appropriate audit procedures (document review and analysis, interviews, etc.) to obtain sufficient and appropriate audit evidence.

81. The auditor may face certain challenges when trying to obtain sufficient and appropriate evidence. To avoid them, the auditor should efficiently collaborate with the auditee throughout the audit process.
82. The evidence gathered by the auditor must be sufficient to make conclusions in accordance with the audit objectives.
83. The main stage of the audit is carried out in accordance with the selected subject of the audit: audit of the activities of public authorities or the activities of organizations/international organizations on introducing and implementing the environmental, social and governance responsibility principles (ESG principles).
84. When auditing the measures of public authorities aimed at encouraging sustainable solutions and practices across private and public sectors and (or) discouraging unsustainable solutions and practice, the following activities may be carried out:

Figure 7. Audit of public authorities measures



- **Analysis of strategic planning documents for provisions that encourage sustainable solutions and practices across private and public sectors and (or) discouraging unsustainable solutions and practices.** It is recommended to analyze strategic planning documents in order to determine the availability of provisions aimed at the implementation of the environmental, social and governance responsibility principles (ESG principles) (including those related to responsible business conduct and sustainable financing). Based on the results of the assessment, it is recommended to note which environmental, social and governance responsibility principles (ESG principles) are most prominently reflected or not reflected at all in strategic planning documents and if it matches the ESG materiality factors they address.

When reviewing strategic planning documents, it is important to focus on target indicators for each objective, which will render the ESG audit more effective. It is also worth paying attention to cascading indicators from the strategic goal to the project implementation level.

- **Analysis of legislative and regulatory legal acts aimed at implementing the environmental, social and governance responsibility principles (ESG principles).** It is recommended to analyze legislative and normative legal acts to determine the availability of provisions that encourage sustainable solutions and practices across private and public sectors and (or) discouraging unsustainable solutions and practices (including those related to responsible business conduct, sustainable financing, etc.). In particular, it is recommended to analyze information on the instructions of the Head of State (President) and Government aimed at implementing the environmental, social and governance responsibility principles (ESG principles). Based on the results of the assessment, it is recommended to note which environmental, social and governance responsibility principles (ESG principles) are most prominently reflected or not reflected at all in legislative

and normative legal acts and if it matches the ESG materiality factors they address.

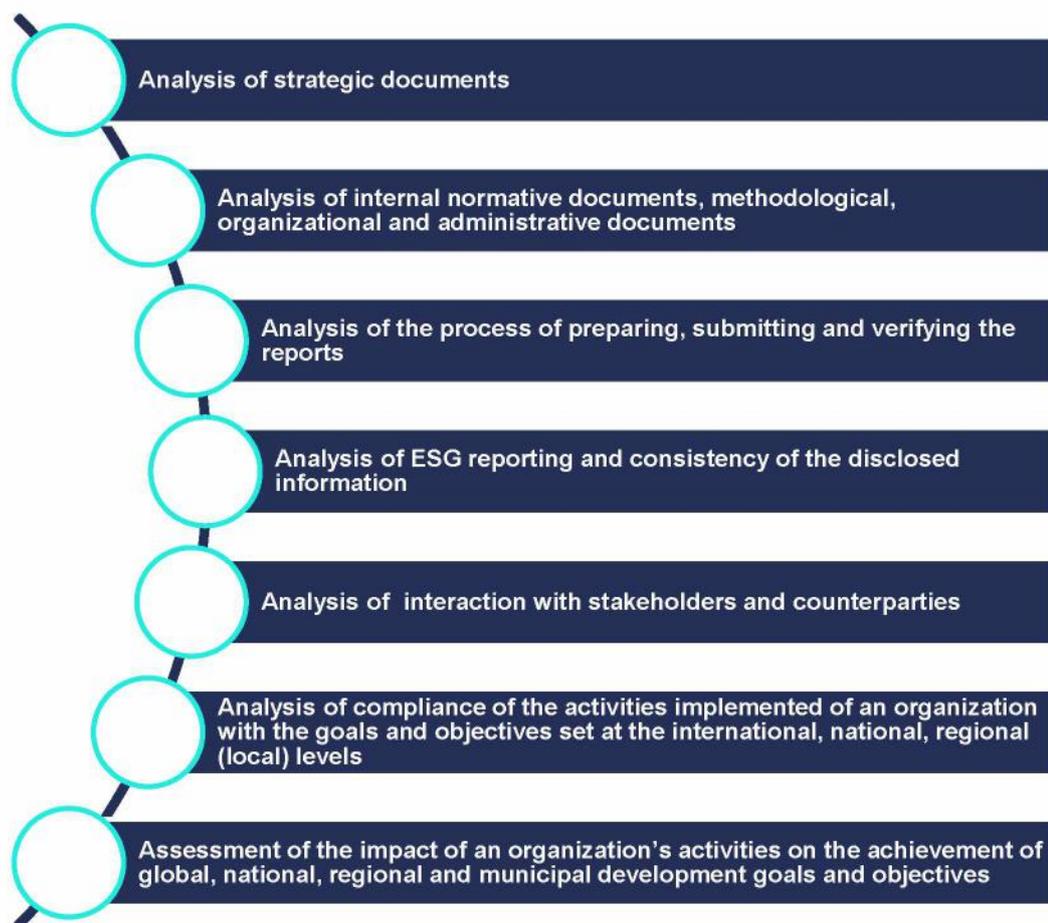
- **Analysis of public policy measures aimed at implementing the environmental, social and governance responsibility principles (ESG principles).** It is recommended to analyze information, including recommendations of central (national) banks, measures that encourage sustainable solutions and practices across private and public sectors and (or) discouraging unsustainable solutions and practices, including stimulating the formation, disclosure and verification of environmental, social and governance reporting (ESG reporting), measures to increase public awareness and stakeholders' engagement in the ESG framework implementation. At this stage, a map of implemented incentive measures may also be generated and their sufficiency, relevance and effectiveness/efficiency of the implemented measures may be assessed.
- **Analysis of mechanisms for organizing interdepartmental interaction and interaction between authorities and stakeholders on the implementation of the environmental, social and governance responsibility principles (ESG principles).** It is recommended to analyze the mandate of executive authorities to determine if they have (lack) the powers directly related to the implementation of the environmental, social and governance responsibility principles (ESG principles), as well as to identify cases of overlapping and duplication of powers. Mechanisms of interaction with stakeholders (business community, population, employees of the organization, etc.) may also be analyzed, and their relevance and efficiency may be evaluated.
- **Assessment of awareness and satisfaction of stakeholders (including the population and the business community) with the policies implemented by public authorities to encourage sustainable solutions and practices across private and public sectors and (or) discourage unsustainable solutions and practices.** For this purpose, it is recommended to use the

results of sociological research, in particular in-depth interviews. SAIs are encouraged to involve experts in sociological research when conducting interviews. The results of surveys that have already been conducted may also be initiated or used.

- **Analysis of budget financing of activities aimed at implementing the environmental, social and governance responsibility principles (ESG principles).** This implies analyzing the scope of public financing allocated for incentive measures aimed at encourage sustainable solutions and practices across private and public sectors and (or) discourage unsustainable solutions and practice. This may include an assessment of the shortfall in state budget revenues resulting from state support for the implementation of sustainable projects and support provided to responsible businesses.

85. When auditing the activities of organizations/international organizations on implementing the environmental, social and governance responsibility principles (ESG principles), preparing, presenting and verifying the organization's environmental, social and governance reporting (ESG reporting), the following activities may be carried out:

Figure 8. Audit of activities of organizations/international organizations



- **Analysis of strategic documents confirming (or not confirming) commitment of an organization/international organization to the environmental, social and governance responsibility principles (ESG principles).** It is recommended to analyze strategic documents and statements from the management of an organization/international organization in the context of the presence of individual documents or provisions aimed at implementing the environmental, social and governance responsibility principles (ESG principles).
- **Analysis of internal normative documents, methodological, organizational and administrative documents of an organization /international organization for the integration of the environmental, social and governance responsibility principles (ESG principles) and their compliance.** It is recommended to analyze the guidance and administrative documents of an organization/international organization for

the presence of provisions aimed at introducing and implementing the environmental, social and governance responsibility principles (ESG principles), as well as implementing the global and national priorities and goals. To determine their sufficiency, relevance and focus on current standards and best practices, as well as the degree of implementation and execution.

- **Analysis of the process of preparing, submitting and verifying the reports of an organization/international organization in the environmental, social and governance areas (ESG reporting).** It is recommended to analyze the policies and procedures adopted in an organization/international organization applied to organizing the process of preparing, submitting and verifying ESG reports, including the frequency, continuity, allocation of tasks and responsibilities regarding this issue.
- **Analysis of ESG reporting of an organization/international organization to identify material topics.** This analysis may be based on criteria stipulated by national (or regional) and international standards (GRI, SASB, ISSB, ICMM, WSA, AA1000, etc.). Representatives of key internal and external stakeholders shall be engaged in identifying the organization's [material topics](#) when preparing a report, for example through questionnaires. An organization/international organization may prepare a materiality matrix. The principles [of the dual materiality concept](#) can be taken into account when the importance of an issue is determined either from the point of view of impacts of an organization, or from the point of view of financial risks or ESG opportunities of an organization itself.
- **Analysis of the environmental, social and governance reporting (ESG reporting) of an organization/international organization for completeness, reliability and availability of information on the ESG factors.** This analysis may be based on criteria established by national (or regional/local) and international standards (GRI, SASB, ISSB, ICMM, WSA, AA1000, etc.). The disclosure of non-financial information should

provide a fair view about positive and negative environmental, social and governance aspects of an organization's operations and disclose information and indicators that are comparable for at least three years. It is also important to identify, assess, monitor and manage the risks associated with the ESG materiality factors.

- **Analysis of the arrangement of interaction between an organization/international organization and stakeholders on the ESG implementation.** At this stage, an analysis of interaction channels may be carried out, assessment of the availability of such channels, of the efficiency and quality of feedback on requests from stakeholders, as well as the assessment of the awareness and involvement of stakeholders. To assess the awareness and involvement, the results of sociological research (in-depth interviews and surveys) may be used. As part of an audit of an organization, such interviews and surveys may be conducted with representatives of authorities, local communities in the region of presence, etc. As part of an audit of international organizations – employees, suppliers, donors and others may be interviewed.
- **Analysis of compliance of the activities implemented in the reporting period (as well as efforts being implemented or planned to be implemented) of an organization with the goals and objectives set at the international, national, regional (local) levels.** The analysis of whether the formed and implemented policy of an organization is consistent with the established priorities for the development of the territory is carried out. Whether the activities implemented by the organization are aimed at solving problems that are of importance for the region or the sector. It is very important to take into account the needs, expectations and opinions of stakeholders during the assessment. This is necessary to analyze the measures in terms of relevance and efficiency, and to prioritize the goals and the results to be achieved.

- **Assessment of the impact of an organization's activities on the achievement of global, national, regional and municipal development goals and objectives.** At this stage, the information disclosed by the organization regarding its impact on the achievement of the SDGs and national, regional, municipal or sectoral goals may be reviewed for its completeness and reliability²⁶. In addition, a multiple factor analysis may be conducted in order to identify the relationship between the implementation of efforts within the ESG strategy of the organization and the dynamics of indicators characterizing the target effects.
- **Assessment of consistency of the information disclosed in environmental, social and governance reporting (ESG reporting) with similar data disclosed in the accounting (financial) statements of an organization/international organization.** As part of this issue, auditors assess the comparability and relationship of non-financial information concerning the activities of an organization/international organization, indicated in environmental, social and governance reporting (ESG reporting), with other disclosed information (in this case, financial statements). Non-financial information may supplement, but not contradict, the information disclosed in other documents. It is possible to use technological methods at all stages of assessment.
- **Assessment of interactions with counterparties (partners, suppliers, customers)** for the adoption of and compliance with the environmental, social and governance responsibility principles (ESG principles) in their activities.

86. During the main stage, it is also recommended to analyze international experience in order to identify best practices and (or) benchmarks in implementing the environmental, social and governance responsibility principles (ESG principles).

²⁶ The goals are determined on the basis of government documents (strategic planning documents, legislative and normative legal acts, budget planning documents, etc.).

87. When conducting an audit of the activities of public authorities, activities of an organization/international organization on introducing and implementing the environmental, social and governance responsibility principles (ESG principles), [a maturity model](#) may be used. The results of the analysis in this case are described in terms of individual levels. Each level has one or more specific features, which may be described using the relevant audit question or assessment²⁷.
88. The maturity model allows issues to be structured by focusing on what should be in accordance with laws, normative acts or objectives, how better conditions may be achieved, or what is expected according to reasonable principles, scientific knowledge and best practices²⁸.
89. When conducting the ESG audit, SAIs may assess data against a wide range of indicators²⁹, characterizing activities from the point of view of the environmental, social and governance responsibility principles (ESG principles).
90. During the analysis, individual or all of the aforementioned issues may be considered, taking into account the background, the mandate and the resources available to the SAI.
91. It is advisable to include the issues reviewed at this stage in the requests for information sent to the auditees.

REPORT PREPARATION

92. At this stage, the informative content of the report must be taken into account to achieve the purposes of communicative value, provide more transparency regarding the audit that was performed, and increase the professional

²⁷ A maturity model is given in Appendix 2

²⁸ The Knowledge base on best practices for implementing the ESG principles is given in Appendix 4

²⁹ A prototype of the list of ESG indicators is given in Appendix 3

appearance³⁰. ISSAI 2700 "Forming an Opinion and Reporting on Financial Statements"³¹ can be used to enhance consistency in the audit report.

93. The following principles should be followed when preparing the ESG audit report:

- simple language appropriate for the target audience and a coherent format;
- information should be presented in a way that is easy to understand, but is not simplistic;
- visual aids that make the text easier to understand should be used (i.e., tables, charts, diagrams, drawings);
- no tautology and/or redundancy of information;
- given the large scope of non-financial information that a SAI will encounter when conducting an ESG audit, a report should provide digitized outputs (“products”) that may be useful at subsequent stages and in other ESG audits on similar topics.

CONCLUSIONS AND RECOMMENDATIONS IN ESG AUDIT

94. It is advisable to formulate conclusions and recommendations³² in the report as a final statement, in a concise form expressing proven, reasoned, new and valuable knowledge, e.g. about the risks and consequences that the revealed facts or identified problems entailed or may entail.

95. Conclusions may be prioritized and supported by credible evidence. A finding may be based on a number of observations. It is recommended to include a brief summary with the main conclusions at the beginning of the report.

96. When formulating recommendations, attention should be paid to the following:

- the recommendations in the report should follow logically from the findings, take into account the ESG maturity level, be sufficient, implementable,

³⁰ As examples also can be used the standards issued by the International Federation of Accountants (IFAC) and the American Institute of Certified Public Accountants (AICPA) under No. 700, and its appendices

³¹ <https://www.issai.org/pronouncements/financial-audit-standards/>

³² Examples of conclusions and recommendations are given in the ESG Audit Design Matrix in Appendix 1

specific, concise and simple in form and content, relevant, aimed at taking specific measures to address the identified problems and address the causes and consequences of the identified deficiencies in the subject area, be targeted;

- among the recommendations, priority ones can be highlighted;
- recommended time frames should be set for each proposal (recommendation) to allow monitoring of their timely implementation;
- it is advisable to discuss the wording and time frames for recommendations at the stage of report preparation with auditees to ensure that the same are implementable.

97. Recommendations may be addressed to:

- the public authority responsible for developing public policy aimed at promoting the implementation of the environmental, social and governance responsibility principles (ESG principles);
- an organization/international organization on disclosure of information on the implementation of the environmental, social and governance responsibility principles (ESG principles), etc.

FOLLOW-UP AUDIT

98. The final stage of the ESG audit is a follow-up audit regarding the implementation of recommendations. SAIs organize the process for monitoring and effective implementation of audit recommendations.

99. The main goal of the follow-up audit is to ensure feedback from auditees, monitor (quarterly/semi-annually) the implementation of recommendations and evaluate the effect of their implementation.

100. Based on the analysis of information received from the auditees on the status of review and the level of the implementation of recommendations, on taken or envisaged measures and decisions, the following is recommended:

- to deem recommendations implemented fully or partially;

- to deem the proposals (recommendations) no longer relevant;
- to consider additional efforts, as appropriate, to clarify the reasons for non-implementation (non-consideration), delayed or partial implementation of recommendations.

101. In the follow-up process, it is also recommended to pay attention not only to the implementation of recommendations, but also to the outcomes of the incorporation and implementation of the environmental, social and governance responsibility principles (ESG principles) in the activities of public authorities and state-owned enterprises.

APPENDIX 1. ESG Audit Design Matrix

Below there are prototypes of the design matrix for the ESG audit of government incentives for implementing the environmental, social and governance responsibility principles (ESG principles) and the ESG audit of an organization/international organization. SAIs formulate audit objectives, questions, hypotheses and criteria, methods of data collection and analysis, preliminary results, conclusions and proposals (recommendations) depending on the subject of the audit. For convenience, these elements are systematized in a tabular ESG audit design matrix, which is included in the operational documents.

ESG Audit Matrix. Audit of public incentive measures for the implementation of ESG principles						
	Hypothesis	Criterion	Method	Risk	Preliminary conclusion	Preliminary recommendation
1.	OBJECTIVE 1. Analysis of public policy measures aimed at promoting the implementation of ESG principles					
2.	Question 1.1. Assess the integration of the ESG principles into strategic planning documents and the regulatory framework (including standards and requirements) of the country					
3.	Goals for the implementation of the ESG principles (including questions of responsible business conduct and sustainable financing) are not enshrined in national strategic planning documents.	Strategic planning documents define goals aimed at implementing the ESG principles. For each goal, targets and plans of achievement are defined.	System maturity assessment method Method of using multiple sources of information; Information request method; Methods of systematization and classification; Multicriteria analysis	Lack of goals and targets aimed at implementing the ESG principles	Strategic planning documents define goals aimed at implementing all ESG principles (in three areas). At the same time, target indicators and plans for their achievement are not defined.	Responsible authorities, in interaction with stakeholder agencies, need to develop targets for achieving the goals aimed at implementing the ESG principles (including responsible business conduct, sustainable financing).

			method; Logical structure analysis method.			and plans for achieving the same. Those responsible for achieving each indicator are to be identified.
4.	Not all ESG principles (including responsible business conduct and sustainable financing) are enshrined in the country's regulatory legal framework.	Normative legal acts contain a detailed description of provisions aimed at promoting and regulating the implementation of the ESG principles, as well as a description of the implementation mechanisms. Mandatory requirements for the implementation of the key ESG criteria are embedded in normative legal acts.	System maturity assessment method Method of using multiple sources of information; Information request method; Methods of systematization and classification; Multicriteria analysis method; Logical structure analysis method.	Lack of provisions aimed at promoting and regulating the implementation of the ESG principles	Normative legal acts contain a detailed description of provisions aimed at ensuring mandatory requirements for environmental and social responsibility of business, as well as responsible corporate governance. At the same time, the issues of preparation and disclosure of ESG business reporting are not covered in the normative legal acts. Normative legal regulation in public procurement does not contain requirements for suppliers regarding the ESG criteria.	Responsible authorities need to introduce initiatives to develop and finalize normative legal acts regulating the preparation and disclosure of the ESG reporting and ensuring responsible public procurement
5.	Question 1.2. Analyze the activities of authorities and other organizations responsible for the implementation of the ESG principles (including measures aimed at responsible business conduct and sustainable financing) for compliance with the provisions of strategic planning documents and normative legal acts					
6.	The activities of public authorities and other organizations responsible for the implementation of the ESG principles do not comply with the provisions of strategic planning	State regulation efforts initiated and/or implemented by responsible authorities and organizations comply with the provisions of strategic planning documents (indicating the list of	Information request; Comparative analysis of planned and implemented measures and resources; Assessment of compliance of the	Inaccessibility of information in open sources. Receiving incomplete information upon request.	The activities of public authorities and other organizations responsible for the implementation of the ESG principles do not fully comply with the provisions of strategic	Responsible authorities and organizations need to develop a set of efforts aimed at achieving the goals and objectives for the implementation and

	documents.	documents).	measures with the documents provisions.		planning documents.	development of the ESG principles defined in strategic planning documents.
7.	The activities of public authorities and other organizations responsible for the implementation of the ESG principles do not comply with the provisions of normative legal acts.	State regulation efforts initiated and implemented by responsible authorities and organizations comply with the provisions of normative legal acts (indicating the list of documents).	Information request; Comparative analysis of planned and implemented measures and resources; Assessment of compliance of the efforts with the documents provisions.	Inaccessibility of information in open sources. Receiving incomplete information upon request.	The activities of public authorities and other organizations responsible for the implementation of the ESG principles do not fully comply with the provisions of normative legal acts.	Public authorities and organizations taking efforts to implement and develop the ESG principles need to bring their activities into full compliance with the requirements of the respective normative legal acts. If it is impossible to bring the activities into compliance with the normative legal acts, reasonable changes to the normative legal acts are to be initiated.
8.	Question 1.3. Analyze the activities of authorities and other organizations responsible for the implementation of the ESG principles (including efforts aimed at responsible business conduct and sustainable financing) for compliance with best global practices.					
9.	National business ESG reporting practices do not comply with the most common international standards and disclosure requirements for suppliers, which creates barriers to foreign trade.	State regulation efforts in the environmental, social and governance areas (in terms of regulating the provision of ESG reporting by organizations), implemented by the authorities and organizations responsible for the efforts, comply with comparable national practices, international standards (including GRI,	Information request; Comparative analysis; Maturity assessment Survey using questionnaires; Expert interviews.	Lack of information about best foreign practices.	Many organizations prepare ESG reporting in accordance with international standards. At the same time, there is no requirement for the preparation of the ESG reporting by businesses and a unified ESG reporting standard. There is no process of collection and analysis of	National requirements and a national standard for ESG business reporting need to be developed with due regard to the best global practices.

		ISSB, etc.).			information on the contribution of business to the implementation of the ESG agenda, which does not facilitate foreign trade and does not allow such contribution to be taken into account in achieving national goals.	
10.	OBJECTIVE 2. Assessment of the realization of the public policy measures to implement the ESG principles.					
11.	Question 2.1. Assess whether planned outputs and outcomes of ESG principles implementation have been achieved					
12.	The planned values of the indicators/results that directly characterize the public policy measures taken to implement the ESG principles have not been fully achieved due to the low quality of planning, control and the lack of a transparent/direct relationship between indicators and results.	Indicators/results and planned values thereof defined in strategic planning documents, road maps, agreements and other normative acts, have been achieved in full and in a timely manner. Public authorities and organizations have built a system of monitoring and control over the implementation of the indicators and the results that directly characterize the implementation of the ESG principles.	Information request; Comparative analysis; Descriptive statistics.	Lack of reliable statistics.	The planned values of the indicators/results directly characterizing the public policy measures taken to implement the ESG principles have not been fully achieved due to the lack of a well-built system for the implementation monitoring and control.	A monitoring and control system needs to be put in place.
13.	Question 2.2. Assess the use of planned resources by authorities and other organizations responsible for measures to implement the ESG principles					
14.	The funds allocated for the measures to implement the ESG principles are not spent in full and the	The funds allocated for the measures to implement the ESG principles are spent in full.	Information request; Comparative analysis; Descriptive statistics.	Lack of reliable data.	With a fairly high level of cash administration of the funds for the efforts to implement the ESG	The quality of planning and control over the expenditure of the funds needs to be

	amount of the funds allocated is adjusted downward throughout the year.	The initially planned amount of the funds allocated for the efforts to implement the ESG principles does not decrease throughout the year.			principles, the planned volumes of the funds significantly decrease throughout the year.	improved. Awareness needs to be raised
15.	The decrease in the amount of the funds for the measures to implement the ESG principles during the year is due to the low level of demand for these measures from beneficiaries.	The planned amount of the funds allocated for the measures to implement the ESG principles is calculated taking into account the potential demand for these efforts and resources. The necessary efforts are being taken to raise the level of awareness of the beneficiaries about the measures to implement the ESG principles.	Information request; Comparative analysis; Descriptive statistics.	Lack of information about potential beneficiaries.	The low level of awareness of the beneficiaries about the presence of measures to implement the ESG principles leads to a decrease in the planned amounts of the funds and incomplete cash administration.	
16.	Question 2.3. Assess the effects of the public policy measures taken to implement the ESG principles					
17.	The outputs and the outcomes of the efforts to implement the ESG principles do not affect the achievement of national goals (or SDGs at the national level).	The outputs and the outcomes have a clear/transparent relationship with national goals (or SDGs at the national level). When calculating the achievement of the national goals (or the SDGs at the national level), the results of the efforts to implement the ESG principles are taken into account.	Information request; Comparative analysis; Descriptive statistics	Lack of methods to calculate the indicators	There is no opportunity to assess the effects of the public policy measures aimed at implementing the ESG principles since the results of the activities of public authorities and organizations do not have a transparent relationship with the national goals (or the SDGs at the national level).	The relationship between the goals and the results of the efforts to implement the ESG principles with the national goals (or the SDGs at the national level) is to be determined.

18.	Question 2.4. Assess the possibility of savings when using the resources planned to ensure the achievement of the outputs and the outcomes by public authorities and other organizations responsible for the measures to implement the ESG principles					
19.	The outputs and the outcomes of the measures to implement the ESG principles may be achieved using less funds.	The amount of the resources required to achieve the outputs and the outcomes is not overestimated.	Information request; Comparative analysis; Descriptive statistics.	It is impossible to calculate the market value of the result due to its uniqueness.	Significant savings of the funds allocated for achieving the outputs and the outcomes of the measures to implement the ESG principles are possible, if the planned values of these results are achieved.	The planned amounts of the funds provided for achieving the outputs and the outcomes of the measures to implement the ESG principles need to be reviewed.
20.	OBJECTIVE 3. Assessment of the interaction of authorities and other organizations responsible for the implementation of the ESG principles with stakeholders as part of implementing the ESG principles.					
21.	Question 3.1. Assess the arrangement of interaction between public authorities and other organizations responsible for the implementation of the ESG principles with stakeholders					
22.	The interaction of public authorities and other organizations responsible for the implementation of the ESG principles with stakeholders is not arranged.	Mechanisms for interaction with stakeholders (business community, population, employees of the organization, etc.) on the implementation of the ESG principles are in place and are being effectively implemented. Mechanisms for involving stakeholders have been developed.	Information request; Comparative analysis of planned and implemented efforts and resources; Expert interviews; Surveys and other related tools ³³ .	Insufficient resources to conduct qualitative research (surveys, interviews, etc.).	The interaction of authorities and other responsible organizations with stakeholders on the ESG issues is insufficient and requires efforts to increase stakeholders' awareness and involvement.	Public authorities and other responsible organizations need to take measures aimed at intensifying efforts to increase the involvement of all stakeholders in the implementation of the ESG principles. A plan for implementing the measures and a reporting system need to be developed.
23.	Question 3.2. Assess the awareness and satisfaction of stakeholders with the policies of public authorities and other organizations aimed at implementing the ESG principles.					

³³ For example, RACI (Responsible, Accountable, Consulted, and Informed) tool can help to determine the importance degree of the relevant stakeholders and related actors by specifying the roles and responsibilities of each of them and arranging them according to their priorities in relation to the audited subject

	<p>Public authorities and other responsible organizations do not take efforts to raise awareness of stakeholders about the public policies aimed at implementing the ESG principles.</p>	<p>Events, workshops, conferences, forums with the participation of representatives of all stakeholders have been organized. An assessment of the contribution of stakeholders to programs and initiatives pertaining to the implementation of the ESG principles is provided for. An information portal has been developed for all stakeholders to ensure access to the information related to the implementation of the ESG principles. Coverage of the ESG issues in the media and social networks has been ensured.</p>	<p>Information request; Comparative analysis of planned and implemented efforts and resources; Expert interviews; Surveys.</p>	<p>Insufficient resources to conduct qualitative research (surveys, interviews, etc.)</p>	<p>Public authorities and other responsible organizations do not take coordinated efforts to raise awareness of stakeholders about the public policies aimed at implementing the ESG principles. There are no plans or targets in this area. There is no assessment of stakeholders' input.</p>	<p>Public authorities and other responsible organizations need to take measures aimed at intensifying efforts to increase the stakeholders' awareness of the implementation of the ESG principles. A unified ESG information platform needs to be developed. An assessment of the contribution of the stakeholders to programs and initiatives pertaining to the implementation of the ESG principles is to be provided.</p>
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ESG Audit Matrix. Audit of an Organization/International Organization						
	Hypothesis	Criterion	Method	Risk	Preliminary conclusion	Preliminary recommendation
1.	OBJECTIVE 1. Analysis of organization's activities aimed at promoting the ESG principles implementation					
2.	Question 1.1. Assess the compliance of an organization's documents (strategic, internal normative, organizational and administrative ones) with the provisions of strategic planning documents, normative legal acts and other documents developed at the national level and regulating the ESG field (in the case of an international organization, the compliance of its activities with international requirements and standards)					
3.	There are no strategic documents, including management statements, aimed at implementing the ESG principles.	Those responsible for the implementation of the ESG principles in an organization, the goals and key indicators, as well as the plans for the implementation of the ESG principles (road maps) have been identified.	System maturity assessment method; Information request method; Methods of systematization and classification.	Inaccessibility of information in open sources. Receiving incomplete information upon request.	The strategic documents of an organization do not include provisions pertaining to the implementation of the ESG principles. There are no special normative legal acts on the implementation of the ESG principles in an organization.	Strategic documents need to be improved from the perspective of further integration of the ESG principles. The normative legal framework needs to be improved in terms of provisions aimed at implementing the ESG principles.
4.	There are no internal normative documents, methodological, organizational and administrative of an organization confirming its commitment to the ESG principles.	The documents of the organization contain a detailed description of provisions aimed at implementing the ESG principles, as well as a description of the implementation mechanisms.				
5.	The strategic and methodological documents of an organization do not indicate the relationship with regional (local), national or international priorities and	The policy of an organization outlined in the strategic and guidance documents is consistent with	Request for information; Systematization and classification; Multicriteria analysis.	The risk of difficulties for organizations in assessing the relationship of their	The organization does not assess the relationship of its activities with the implementation of	Recommendation for elaborating the issue of introducing approaches to the assessment of the

	objectives (in the case of an international organization – only with international priorities).	regional (local), national or international priorities and objectives (in the case of an international organization – only with international priorities). The actual and potential contribution of an organization is assessed.		activities with regional (local), national or international priorities and objectives (in the case of an international organization – only with international priorities) due to the lack of the relevant approaches and mechanisms.	regional (local), national or international priorities and objectives (in the case of an international organization – only with international priorities).	relationship between the policies of an organization and regional (local), national or international priorities and objectives (in the case of an international organization – only with international priorities)
6.	Question 1.2. Assess the compliance of an organization’s ESG practices with the relevant national requirements and international standards.					
7.	The ESG reporting of an organization does not identify material topics.	In the ESG reporting of an organization, material topics are identified with the involvement of stakeholders. An organization has prepared a materiality matrix.	System maturity assessment method; Information request method; Methods of systematization and classification; Multicriteria analysis method; Logical structure analysis method.	Inaccessibility of information in open sources. Receiving incomplete information upon request.	An organization does not disclose information on a number of material topics and does not justify the reasons for the lack thereof in the ESG reporting. An organization’s ESG report does not include trend or fluctuation analysis comparing current and prior years’ data.	The issue of ensuring disclosure of complete information (on all material topics) needs to be elaborated in an organization’s ESG reporting. The issue of involving stakeholders when preparing an organization’s ESG reporting needs to be elaborated.
8.	The ESG reporting of an organization discloses only positive aspects of its operations.	Information in the ESG reporting is disclosed in accordance with national requirements and international standards (for example, GRI, SASB,			An organization does not verify the ESG reporting.	Information needs to be disclosed in the ESG reporting in accordance with
9.	The ESG reporting does not disclose all aspects of organization’s activities (environmental, social and					

	governance ones).	ISSB, etc.) (in the case of an international organization – only in accordance with international standards).				national requirements and international standards (in the case of an international organization – only in accordance with international standards).
10.	Non-financial information about operations of an organization as specified in the ESG reporting is inconsistent with or contradicts financial statements of the organization.	The ESG reporting of an organization discloses the information and the indicators that are comparable for at least three years.				Information for each indicator presented over several years needs to be included to analyze changes in the performance of an organization.
11.	An organization does not have policies and procedures pertaining to the processes of preparation, submitting and verification of the ESG reporting.	The disclosed information is certified by auditors, impartiality and independence of the auditors being ensured. An organization has an internal audit function for the ESG reporting. The ESG reporting of an organization is publicly available. Non-financial information about organization's				The ESG reporting of an organization needs to be made publicly available. The ESG reporting needs to be verified to ensure reliability of the specified data.

		<p>activities disclosed in its ESG reporting is consistent with and complements the organization's financial statements.</p> <p>An organization has assigned responsibilities regarding preparation, submitting and verification of the ESG reporting.</p> <p>The ESG reporting is generated systematically, the reporting documentation is interconnected with the planned one and allows for feedback.</p>				
12.	OBJECTIVE 2. Performance audit of an organization's efforts aimed at implementing the ESG principles					
13.	Question 2.1. Assess an organization's achievement of the planned outputs and outcomes of the efforts aimed at implementing the ESG principles					
14.	The efforts aimed at implementing the ESG principles have not been taken (output).	The efforts aimed at implementing the ESG principles have been taken.	Request for information;	Lack of a formalized system of indicators,	Efforts aimed at implementing the ESG principles have been taken, but not all target ESG indicators have been achieved.	The action plan aimed at implementing the ESG principles needs to be updated taking into account previously unachieved goals.
15.	Efforts aimed at implementing the ESG principles have been taken (output), but the target ESG indicators of the efforts have been partially achieved or have not been	Target ESG indicators of the efforts have been achieved. The final effect on an	Comparative analysis of planned and implemented measures, plans and actual indicators, planned and actually used scope of	lack of planned indicators, lack of managerial reporting, errors and violations in accounting and data		

	achieved (outcome).	organization from the implemented efforts and/or achieved target ESG indicators of efforts is material and is ensured by planned efforts aimed at implementing the ESG principles.	resources; econometric analysis.	quality errors, impossibility of selecting a comparable control sample, impossibility of identifying resources due to the low level of accounting quality.		
16.	The final effect of the efforts taken and/or the target ESG indicators of the efforts achieved is insignificant/not achieved or may not be assessed.					
17.	Question 2.2. Assess an organization's use of planned resources as part of the efforts aimed at implementing the ESG principles					
18.	Efforts aimed at implementing the ESG principles have been taken, but the amount of the resources used exceeds that originally planned.	The amount of the resources used to take efforts in an organization, aimed at implementing the ESG principles is equal to or less than that originally planned.	Information request; Comparative analysis of the efforts planned and taken, the amount of resources planned and actually used.	Lack of a formalized system of indicators, lack of planned indicators, lack of governance reporting, errors and violations in accounting and data quality errors, impossibility of selecting a comparable control sample, impossibility of identifying resources due to the low level of accounting quality.	The amount of the resources used has exceeded the planned amount. For some of the resources, unintended use has been identified; the resources have not been allocated to the direct implementation of the outcome.	Efforts to improve the quality of control over the intended use of funds need to be taken. Identified resource allocation gaps need to be taken into account when planning future efforts.
19.	Question 2.3. Assess an organization's ability to achieve better outputs and outcomes through the resources used as part of the efforts aimed at implementing the ESG principles					
20.	Efforts aimed at implementing the ESG principles have been taken,	No more efforts may be taken within the	Information request; Comparative analysis	Lack of a formalized system of indicators,	It is possible to achieve better ESG targets and	Efforts need to be taken to improve the

	however more efforts may be taken while using the same amount of resources (output).	framework of the planned ones using the same amount of resources.	of planned and implemented efforts, plans and actual indicators, planned and actually used amount of resources;	lack of planned indicators, lack of managerial reporting, errors and violations in accounting and data quality errors, impossibility of selecting a comparable control sample, impossibility of identifying resources due to the low level of accounting quality.	more qualitative results when taking similar-scale efforts.	efficiency of planning future efforts aimed at implementing the ESG principles, as well as to improve the efficiency of the resource use.
21.	Efforts aimed at implementing the ESG principles have been taken, however better ESG targets and/or more qualitative results of the efforts may be achieved while using the same amount of resources (outcome).	It is impossible to achieve better ESG targets and/or more qualitative results of the efforts while using the same amount of resources.	econometric analysis; factor analysis; expert interviews; analysis of best practices.			
22.	Question 2.4. Assess the possibility of savings when using the resources planned to ensure the achievement of the outputs and the outcomes by an organization as part of the efforts aimed at implementing the ESG principles					

23.	Efforts have been taken, but there is a possibility of using fewer resources to achieve ESG targets and/or qualitative results of these efforts (outcome).	It is impossible to use fewer resources to take the planned efforts. It is impossible to use fewer resources to achieve the ESG targets and/or qualitative results of these efforts.	Information request; Comparative analysis of planned and implemented efforts, plans and actual indicators, planned and actually used amount of resources; econometric analysis; factor analysis; expert interviews; analysis of best practices.	Lack of a formalized system of indicators, lack of planned indicators, lack of governance reporting, errors and violations in accounting and data quality errors, impossibility of selecting a comparable control sample, impossibility of identifying resources due to the low level of accounting quality.	Fewer resources may be used to achieve the ESG targets based on historical analysis and comparative analysis of comparable practices.	Efforts need to be taken to improve the efficiency of the resource use as part of the efforts aimed at implementing the ESG principles.
24.	Question 2.5. Assess the impact of an organization's efforts on the achievement of planned outcomes and/or effects (global, national and/or regional development goals)³⁴ as part of the efforts aimed at implementing the ESG principles					
25.	The outcome and the final effect on the development goals are achieved not through the efforts taken	The final effect on achieving development goals from the efforts taken	Information request; Comparative analysis of planned and implemented efforts,	Lack of a formalized system of indicators, lack of planned indicators, lack of	The final effect on achieving development goals is material, but the organization does not	Regular assessment of the effect on achieving development goals

³⁴ Hereinafter, within the framework of Question 2.4, development goals shall refer to national, regional and/or municipal development goals in the case of an audit of an organization, and to global goals in the case of an audit of an international organization.

26.	The final effect on achieving development goals from the efforts taken is insignificant/not achieved or may not be assessed.	is material and is secured by the efforts taken.	plans and actual indicators, planned and actually used scope of resources; econometric analysis.	governance reporting, errors and violations in accounting and data quality errors, impossibility of selecting a comparable control sample, impossibility of identifying resources due to the low level of accounting quality.	assess the final effect of the efforts taken. The effect on achieving development goals is not reflected in the organization's ESG reporting, although the relationship between the efforts and the goals is indicated.	needs to be arranged and this information needs to be disclosed in the organization's ESG reporting.
27.	OBJECTIVE 3. Assessment of an organization's interaction with stakeholders as part of implementing the ESG principles					
28.	Question 3.1. Assess the arrangement of interaction between an organization and stakeholders					
29.	Mechanisms for arranging an organization's interaction with stakeholders have not been developed.	Mechanisms for arranging the organization's interaction with stakeholders have been developed.	Information request; Comparative analysis of planned and implemented efforts and resources; Expert interviews; Surveys.	Insufficient resources to conduct qualitative research (surveys, interviews, etc.)	The interaction of an organization with stakeholders on the ESG issues is insufficient and requires efforts to increase stakeholders' awareness and involvement.	Recommendation to consider taking efforts aimed at enhancing work to raise awareness and involvement of all stakeholders on the ESG issues.
30.	The organization does not interact with stakeholders on the ESG principles implementation issues.	Interaction with stakeholders is carried out regularly, promptly, and with feedback.				
31.	The organization does not monitor compliance of counterparties with the ESG principles in their activities.					

32.	An organization's cooperation with counterparties is not determined by their compliance with the ESG principles in their activities.	<p>High stakeholders' involvement and awareness have been ensured.</p> <p>An organization's documents reflect requirements for counterparties in terms of compliance with the ESG principles.</p> <p>An organization cooperates only with counterparties operating in compliance with the ESG principles.</p>				regarding compliance with the ESG principles in an organization's documents.
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APPENDIX 2. ESG Maturity Model

When conducting an ESG audit, a SAI may develop a maturity model taking into account the subject of the ESG audit and the specifics of the audit. Below there is a prototype of the maturity model for assessing performance of public authorities and organizations.

A certain maturity level may be assigned if all the requirements for that level, as well as lower levels, are met.

Generally, issues at a lower maturity level may be excluded from the scope of study during the planning stage of the audit or assessment as obvious. If at a certain stage the criteria for a certain level are not met, then issues corresponding to higher maturity levels may be omitted, as this will not affect the overall assessment.

As a rule, laws and normative legal acts provide criteria corresponding to lower levels of maturity. Issues regarding what might be in a better environment, in particular, taking into account the laws and normative legal acts used for other public activities, programs, policies, operations or initiatives, form middle levels of the maturity model, while clear principles, scientific knowledge and best practices provide criteria for the highest levels of maturity.

Maturity Model to Assess the Activity of Public Authorities

Domain	Maturity level	Criteria	Mark of compliance
Analysis of strategic planning documents for provisions that	0	The strategic planning documents lack provisions, goals and target indicators aimed at implementing the ESG principles	

stipulate for the implementation of the ESG principles.	1	The strategic planning documents address the implementation of the ESG principles	
	2	The strategic planning documents define goals and target indicators aimed at implementing the ESG principles. Separate strategic documents that are aimed at implementing the ESG principles including the regional (local) level have been developed.	
Analysis of legislative and normative legal acts aimed at implementing the ESG principles	0	The normative legal acts do not contain provisions aimed at promoting and regulating the implementation of the ESG principles	
	1	The normative legal acts contain only general provisions aimed at promoting and regulating the implementation of the ESG principles	
	2	Normative legal acts contain a detailed description of provisions aimed at promoting and regulating the implementation of the ESG principles, as well as a description of the implementation mechanisms (guidances, recommendations). The normative legal acts contain requirements/recommendations for the content of the ESG reporting (taking into account the provisions of current international standards), its publication and verification. The mandatory requirements to fulfill ESG principles are embedded in the normative legal acts	
Analysis of public policy measures aimed at implementing the ESG principles	0	There are no public policy measures aimed at promoting the implementation of the ESG principles	
	1	The public policy measures are being implemented but in a fragmented way	
	2	A system of public policy measures aimed at implementing the ESG principles has been formed Effective mechanisms for the implementation of the principles of responsible business conduct and the implementation of sustainable development projects have been formed The implementation of the measures is being monitored Public policy measures include measures to support businesses applying the ESG principles	
Analysis of mechanisms for arranging interdepartmental interaction and interaction between public authorities and stakeholders on the implementation of the ESG principles	0	There are no mechanisms of interdepartmental interaction and interaction with stakeholders on the implementation of the ESG principles	
	1	Interdepartmental interaction on the implementation of the ESG principles has been arranged. Interaction on the implementation of the ESG principles with stakeholders has been arranged fragmentary	
	2	Effective systemic interdepartmental interaction and interaction with stakeholders (business, expert community, population) on the implementation of the ESG principles is being executed	
Analysis of budget financing of the efforts aimed at implementing	0	There is no public funding allocated to the efforts to promote the implementation of the ESG principles	

the ESG principles	1	The public funding allocated to the efforts to promote the implementation of the ESG principles is carried out only in one field or only for a number of projects	
	2	The state is carrying out measures to support the implementation of sustainable development projects and responsible business conduct. Financial instruments have been developed and used to finance sustainable development projects.	

Maturity Model to Assess the Activity of Organizations

Domain	Maturity level	Criteria	Mark of compliance
Analysis of strategic documents confirming (or not confirming) the organization's commitment to the ESG principles (sustainable development and responsible business conduct)	0	There are no strategic documents aimed at implementing the ESG principles	
	1	A strategy has been developed for the implementation of the ESG principles of the organization and/or provisions regarding the implementation of the ESG principles are included in separate documents	
	2	Responsible persons for the implementation of the ESG principles in the organization, for the goals and key indicators, as well as plans for the implementation of the ESG principles (road maps) have been identified.	
Analysis of internal normative, methodological, organizational and administrative documents of an organization for the integration of the ESG principles (focus on environmental and social responsibility standards, as well as governance efficiency) and their compliance	0	There are no internal normative, methodological, organizational and administrative documents of an organization confirming its commitment to the ESG principles, or no document contains provisions aimed at implementing the ESG principles	
	1	The documents contain only general provisions aimed at implementing the ESG principles in organization's activities	
	2	Documents contain a detailed description of the provisions aimed at implementing the ESG principles, as well as a description of the implementation mechanisms. The documents are brought in line with national requirements and international standards (in the case of an international organization – only in line with international standards)	
Analysis of the process of preparing, submitting and	0	An organization does not have policies and procedures pertaining to the processes of preparation, submitting and verification of the ESG reporting	

verifying ESG reports by an organization	1	The reporting is not prepared regularly, there is no verification of an organization's ESG reporting	
	2	An organization has assigned responsibilities regarding preparation, submitting and verification of the ESG reporting. The ESG reporting is generated systematically, the reporting documentation is interconnected with the planned one and allows for feedback	
Analysis of the ESG reporting of an organization to identify material topics.	0	Material topics aren't identified in the ESG reporting of an organization	
	1	Material topics are identified in the ESG reporting of an organization without the stakeholders' input	
	2	Material topics are identified in the ESG reporting of an organization with the stakeholders' engagement. Information, if the list of material topics changes compared to the previous reporting period, is indicated in an organization's ESG reporting. A materiality matrix is prepared by an organization. The ESG reporting of the organization addresses ESG impacts of the organization.	
Analysis of an organization's ESG reporting for completeness and reliability of the information on the ESG factors	0	The ESG reporting of an organization discloses only positive aspects of its operations. The ESG reporting does not disclose all aspects of organization's activities (environmental, social and governance) Non-financial information about operations of an organization as specified in the ESG reporting is inconsistent with or contradicts the financial statements of an organization	
	1	The ESG reporting of an organization discloses the information about its impact on the environment, society and corporate governance, taking into account national requirements. The ESG reporting of an organization has not been verified	
	2	The information in the ESG reporting is disclosed in accordance with national requirements and international standards (for example, GRI, SASB, ISSB, etc.) (in the case of an international organization – in accordance with international standards) The ESG reporting of an organization discloses the information and the indicators that are comparable for at least three years. External audit is independent. The disclosed information is certified by auditors, impartiality and independence of the auditors being ensured. The organization has an internal audit function. The ESG reporting of an organization is publicly available. Non-financial information about organization's activities disclosed in its ESG reporting is consistent with and complements an organization's financial statements	

Analysis of an organization's interaction with stakeholders on the ESG principles implementation issues.	0	Mechanisms for arranging an organization's interaction with stakeholders have not been developed. An organization does not interact with stakeholders on the ESG principles implementation issues	
	1	Interaction with stakeholders on the ESG principles implementation issues is carried out on an irregular basis. Low stakeholders' involvement and awareness	
	2	Mechanisms for arranging an organization's interaction with stakeholders have been developed. The interaction with stakeholders is carried out regularly, promptly, and with feedback. High stakeholders' involvement and awareness have been ensured	
Analysis of compliance of efforts implemented in the reporting period (as well as efforts being implemented and planned to be implemented) of an organization with goals and objectives set at international, national, regional and/or local levels	0	The strategic and methodological documents of an organization do not indicate the relationship with regional (local), national or international priorities and objectives (in the case of an international organization – with international priorities)	
	1	The presence of a relationship between organization's activities and regional (local), national or international priorities and objectives (in the case of an international organization – with international priorities). The actual and potential contribution of an organization is not assessed	
	2	The organization policy outlined in strategic and guidance documents is consistent with regional (local), national or international priorities and objectives (in the case of an international organization – with international priorities) The actual and potential contribution of an organization is being assessed	
Assessment of the impact of an organization's operations on the achievement of global, national, regional and municipal development goals and objectives.	0	Negative impact of organization's activities on the achievement of national, regional and municipal goals in one of ESG areas (in the case of an international organization – global goals)	
	1	No negative impact of organization's activities, minor positive impact, or significant positive impact in at least one ESG area	
	2	Significant positive impact in all three ESG areas	
Assessing interaction with counterparties (partners, suppliers, customers)	0	An organization does not monitor compliance of counterparties with the ESG principles in their activities. An organization's cooperation with counterparties is not determined by their compliance with the ESG principles in their activities	
	1	An organization doesn't systematically monitor compliance by counterparties/ not by all counterparties with the ESG principles in their activities	
	2	Organization's documents reflect requirements for counterparties in terms of compliance with	

		the ESG principles. An organization cooperates only with counterparties that operate in compliance with the ESG principles	
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Overall maturity scale

General level of maturity	Domain	Domain	Domain	Domain	Domain
Very low	0	0	0	0	0
Low	0	0	0	1 or 2	1 or 2
Medium	0	1 or 2	1 or 2	1 or 2	1 or 2
High	1 or 2				
Very high	2	2	2	1 or 2	1 or 2

APPENDIX 3. List of ESG Indicators

Environment (E)

- Impact on the atmosphere
 - Specific emissions of sulfur oxides into the atmosphere;
 - Specific emissions of nitrogen oxides into the atmosphere;
 - Specific emissions of solid pollutants into the atmosphere;
 - Specific emissions of heavy metals into the atmosphere;
 - Specific emissions of other pollutants into the atmosphere;
 - Specific emissions of pollutants into the atmosphere;
 - Specific gross greenhouse gas emissions in CO2 equivalent;
 - Mass of emissions of pollutants into the atmospheric air from stationary sources;
 - Automation of the environmental monitoring and control system, including monitoring of greenhouse gas emissions;
 - Availability of policies to reduce greenhouse gas emissions;
 - Methods used to collect data.
- Water use efficiency:
 - Volume of circulating and repeatedly-consistent water supply;
 - Total volume of contaminated wastewater discharge, including without treatment;
 - Water consumption, including the volume of fresh water used from all water supply sources;
 - Pollution of reservoirs and groundwater during operational activities;
 - Disturbances of ecosystems during construction of linear facilities (power lines, water pipelines, etc.) Ecosystem disturbances during exploration and production;
 - Conducting operational activities in a region with a shortage of water resources;
 - Total discharge of contaminated wastewater into surface water bodies, including without treatment;
 - Lack of proper management of hydraulic structures.
- Waste management
 - Waste generation;
 - Presence in organization's operating activities of outdated technological processes that have a significant negative impact on the environment, or presence of toxic

- substances hazardous to human health in the emissions/discharges/waste produced by the organization;
 - Total hazard class 1–4 waste generated during the reporting period;
 - Share of hazard class 1–4 waste: disposed of, neutralized, buried, transferred to other persons (received from other persons);
 - Share of hazard class 5 waste sent for burial;
 - Share of waste sent for burial, without breakdown by hazard class;
 - The organization has technological processes in place, that ensure the secondary industrial use of most of the generated waste.
- Energy efficiency
 - Availability of a program to improve energy efficiency;
 - Share of energy resources produced using renewable energy sources in the total energy resources production;
 - Energy consumption;
 - Operation of “green” buildings, generation or consumption of a significant (more than 70%) share of energy from renewable sources;
 - Renewable energy share in the total final energy consumption
- Land use efficiency
 - Soil contamination during operational activities;
 - Availability of an environmental monitoring program for reclaimed lands.
- Availability of a Plan to Mitigate Negative Impacts on the Environment;
- Amount of expenses on implementation of projects related to environmental protection in general, including: protection of the atmospheric air and prevention of climate change; wastewater collection and treatment;
- The organization provides training to its suppliers on environmental, social and governance aspects;
- Presence over the past four years of facts of environmental violations, accidents or disasters that occurred through the fault of the organization and entailed significant adverse environmental consequences;
- Conflicts with the local population on environmental issues;
- Impact of operating activities on human health through electromagnetic, noise and vibration effects;
- Irrational use of resources;
- Biodiversity disruption;

- Lack of consideration of environmental factors when forming a supply chain;
- Oil spills and gas leaks;
- Proactive policy to prevent location of projects in specially protected natural areas, as well as internationally recognized areas of high biodiversity value;
- Description of the current and expected impacts associated with climate risk and opportunities on the organization's business model and value chain;
- Description of the location of climate-related risks and opportunities in the organization's business model and value chain (e.g., geographic areas, facilities, and asset types);
- Impact of climate-related risks and opportunities on the organization's strategy and decision-making, including information about its climate-related transition plan;
- How an organization assesses the nature, likelihood and magnitude of the consequences of climate risks (for example, whether the organization considers qualitative factors, quantitative thresholds or other criteria);
- Whether and how an organization prioritizes climate-related risks relative to other types of risks;
- How an organization monitors climate-related risks;
- Processes that an organization uses to identify, assess, prioritize and monitor climate-related opportunities, including whether the organization uses climate-related scenario analysis;
- To what extent and in what ways the processes for identifying, prioritizing and monitoring climate-related risks and opportunities are integrated into and underpinning the organization's overall risk management process.

Social (S)

- Society
 - Total expenses on participation in supporting social programs, including: charitable, in the housing sector, in the healthcare sector, in the education sector, to support individuals in need of social assistance;
 - Social investments and development of regions of presence;
 - Assets under management: socially significant projects and PPP projects;
 - Charity;
 - Corporate volunteering;
 - Policy on interaction with local communities with a traditional way of life;
 - Number of recorded cases of violations of rights of indigenous peoples;
 - Good practices regarding communication with citizens.

- Human capital
 - Average number of employees, including disabled people, total;
 - Availability of an occupational health and industrial safety system;
 - Expenses on health and safety efforts in total, including: per employee;
 - Expenses on organizing and conducting sports and recreational activities;
 - Fatal injury rate;
 - Severe injury rate;
 - Accident frequency rate;
 - Lost time injury frequency rate;
 - Minor injury indicators;
 - Number of victims of industrial accidents, including: with loss of ability to work for 1 working day or more; fatal;
 - Occupational diseases;
 - Terms of remuneration;
 - Process of determining remuneration (fees);
 - Total annual remuneration ratio;
 - Total labor costs, including: benefits and social payments;
 - Employee wages and benefits as a percentage of revenue by type of employment and gender;
 - Average wages;
 - Wage review system;
 - Availability of personnel development/employee training programs;
 - Proportion of employees having completed training;
 - Expenses for employee training in total, including: per employee;
 - Average number of training hours per employee;
 - Collective bargaining agreement;
 - Share of employees covered by collective bargaining agreements in the average number of employees;
 - Availability of programs to support employees' children and parenthood;
 - Availability of support/financial assistance programs;
 - Availability of a voluntary medical insurance program and other forms of medical care for employees;
 - Efforts to support employees in the field of housing;
 - Availability of corporate pension insurance programs.

- Human rights
 - Inclusiveness towards employees;
 - Gender balance: proportion of women in managerial positions;
 - Gender balance: ratio of men and women by employee categories;
 - Age balance: ratio of employees of different ages;
 - Counterparty requirements in the field of human rights/ethical business practices;
 - Number of satisfied appeals to court in connection with labor disputes.
- Clients
 - Quality and safety of products/services;
 - Availability and quality of financial services;
 - Inclusiveness towards clients;
 - Ensuring data security;
 - Financial literacy;
 - Sales ethics;
 - Responsible financing;
 - Loan portfolio: socially significant projects and PPP projects;
 - Assets under management: share of social bonds;
 - Financial management, assets and support structures;
 - Planning and effective use of assets, infrastructure, and administrative support services;
 - Investment portfolio: share of social bonds;
 - Availability of financial products with a social focus;
 - Raising “social” financing.
- Exposure to social risks
 - Policy on business ethics, corruption and human rights;
 - Availability of a feedback mechanism;
 - Availability of response mechanisms;
 - Staff turnover;
 - Employee engagement;
 - Human resources and training.

Governance (G)

- Composition of the Board of Directors;
- Ensuring the independence of the Board of Directors;
- Balanced composition of the Board of Directors;

- Availability of a department or director/top manager for sustainable development;
- Description of the management's role in assessing impacts, risks and opportunities and management thereof;
- Share of people holding positions with a high corruption risk having completed anti-corruption training;
- Cases of bribery, corruption, fraud among the top management of the organization;
- Total number of meetings of the Board of Directors (Supervisory Board), including meetings of the Board of Directors (Supervisory Board) on sustainable development issues;
- Availability of a code of corporate ethics and a report on compliance with its principles and recommendations;
- Availability of a sustainable development policy or other strategic document;
- Key performance indicators (KPIs);
- Availability of an internal control and audit system;
- ESG strategy/sustainable development policy;
- Description of the current and expected impact of sustainability-related risks and opportunities on the enterprise's business model and value chain;
- Description of where sustainability-related risks and opportunities are concentrated in the enterprise's business model and value chain;
- Impact of sustainability-related risks and opportunities on organizational strategy and decision-making;
- Impact of risks and opportunities associated with sustainability on the financial position, financial performance and cash flows of the organization for the reporting period (current financial consequences);
- Stakeholder identification;
- Organizational structure of the audited unit;
- Levels of interaction with stakeholders;
- Availability and efficiency of a risk management and internal control system (for non-financial organizations);
- An Indicator of quality control and reporting;
- Availability and efficiency of a risk management and internal control system (for financial organizations);
- Non-financial information:

- Compliance of the content of disclosed information with national and international requirements and best practices;
- Timeliness of disclosure and availability of information;
- Timeliness of publishing performance monitoring reports;
- Methodology for evaluating procurement systems and whether they were carried out in a sustainable manner or not;
- Internal governance and professional ethics index;
- Frequency of disclosure (reporting period and frequency of reporting in the field of sustainable development);
- External assurances.

APPENDIX 4. Knowledge Base on Best Practices for Promoting the Implementation of the ESG Principles

Current version of the Knowledge Base on Best Practices for Promoting the Implementation of the ESG Principles is published at WGSDG KSDI [website](#).



If you want to contribute to the Knowledge Base development, please send the information about best practices for promoting the implementation of the ESG principles to wgsdg_ksdi@ach.gov.ru.