



ASSET

Accounting for Sustainability,
Social and Environmental Transparency

Providing Assurance on Sustainability Reports

Case materials
Teaching Module 2
Sustainability Assurance

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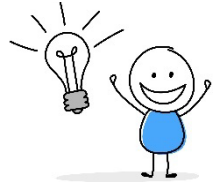
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LEARNING OBJECTIVES

After solving the case students should

- Know the most important terms in sustainability assurance
- Be able to identify ESG factors relevant to companies
- Be able to conduct preliminary assurance procedures on ESG information
- Be able to interpret information according to the EU-Taxonomy-Regulation
- Be able to prepare assurance reports in line with ISAE 3000
- Be able to distinguish between limited and reasonable assurance
- Be able to reflect on ISAE 3000 practices on sustainability assurance
- Be able to connect and connectedly interpret information from the financial and ESG reporting part
- Be able to comprehend and analyse processes applied in companies



ABOUT THIS DOCUMENT

This document **includes two cases**, whereas the background information on 4-Airline remains constant. (pp 5 to 8)

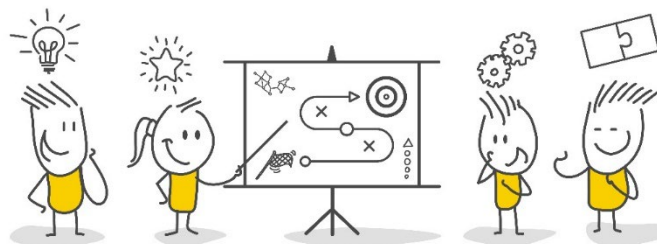
Case 1: The first case deals with double materiality and the assessment of topics to be reported as well as the recalculation of some EU-Taxonomy KPIs. This first case comprises the pages 9 to 17.

Case 2: The second case includes some findings of the assurance team and you have to conduct an analysis of the findings presented to you and suggest adjustments to 4-Airlines that enables you to provide a clean assurance report (unmodified conclusion). This case can be found on pages 18 to 27.

Preliminary readings: For a better understanding of the cases and its background two preliminary readings were developed – one dealing with the CSRD and sustainability assurance itself, the second document includes information on the EU-Taxonomy reporting requirements.

Supporting materials: Both parts of the cases have some supplementary material (e.g. Excel sheets, steps to take for assurance procedures).

These cases are designed to be solved in groups so please collaborate when solving the case and take advantage of all individual your knowledge, skills, experiences and perspectives.





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What to know about 4
Airlines and the assur-
ance firm/team?

INTRODUCTION TO THE CASE

The accounting firm Europestars and Unionstar LLP, is a medium-sized, national CPA firm. The partnership, formed in 1966, now has over 6,000 professionals on the payroll. The firm mainly provides auditing and tax services, but it has recently had success in providing consultancy services in building information systems for various companies. Additionally, they started engaging in sustainability assurance services.

It is mid-January 2024 and you are a recently promoted Senior Associate in an office of Europestars and Unionstar, located in Vienna. You have been a Junior Auditor for the past three years of your four years with Europestars and Unionstar.

The Audit Partner assigned you as mid-level experienced audit team member to the audit of the sustainability report of the company “4-Airlines”, as at 31 December 2023. The client’s sustainability report is prepared in accordance with Art. 8 of the EU-Taxonomy Regulation and the European Sustainability Reporting Standards (ESRS). The financial information is prepared according to IFRS and audited by an audit team of Europestars and Unionstar.

4-Airlines is a public company, listed on the Paris stock exchange. Various audit client of Europestars and Unionstar are in the air transport services sector, additionally, the company also has other clients in the transport sector.

The engagement partner – Mrs. Maria United required you to review the materiality and risk assessment of the company in terms of which information has to be reported in their sustainability report. Further, you are presented with some findings and are asked to assess them.

In order to assess the material topics you have to review the information given by the company. The audit engagement is performed with limited assurance according to the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board (IAASB). Some basic assurance steps of Europestars and Unionstar are included in the document “Assurance Steps_EU.pdf”, which is available as supporting document.

BACKGROUND OF THE COMPANY 4-AIRLINES

4-Airlines Inc operates mainly in the European airspace and was founded 20 years ago. The company’s turnover has constantly increased, except for 2010 and 2020, when it decreased.

4-Airlines aims to be an environmentally conscious firm and is concerned about the company’s impact on the planet’s future. As such, 4-Airlines is involved in a number of initiatives that promote sustainability (also referring to environmental, social and governance [ESG] activities). Five years ago, management began reporting the company’s sustainability efforts to its stakeholders via an annual sustainability report, presenting sustainable goals and progress toward these goals. This year, management is obtaining external assurance on its most recent sustainability report. It is the first year for assurance mission related sustainability report.

The unaudited financial statements of 4-Airlines as at 31 December 2023 disclose: total assets of 2,419 million euro, sales of 8,500 million euro and a net profit of 190 million euro. The opinion expressed by the predecessor auditors related to the financial statements was an unmodified one for 2022. During the 20 years since the company started operating, 4-Airlines has been audited by four audit firms; the final mandate of the previous auditor lasted 5 years. As a part of its strategy, the company intends to launch weekend flights to European cities with an attractive cultural and historical profile. To this purpose, a marketing research was initiated, meant to identify the first and most demanded destinations.

ENGAGEMENT DETAILS & YOUR POSITION

Regarding the engagement details, you are part of the assurance engagement team (mid-level experience) and you should for now, assist the engagement manager with the analysis of the determination process of topics to be reported. Particularly, you should work on the assessment of reasonability and credibility of the reported topics. For this task it is of high relevance to also assess how 4-Airlines determined its material topics.



The engagement itself is a limited assurance engagement conducted using ISAE 3000. *A summary of ISAE 3000 is included in the preliminary readings.*

4-Airlines also presents you various sustainability KPIs as well as narrative excerpts from their sustainability report.

4-AIRLINES SUSTAINABILITY MEASURES AT A GLANCE

Personnel data	2023	2022	Change
average number of employees during the year	78,820	80,550	-2.15%
Employees as of Dec 31	75,507	82,132	-8.07%
Staff cost (in million EUR)	4,153 m€	4,373 m€	-5.03%
Revenue/employee (in EUR)	112,572 €	93,143 €	20.86%
Staff costs/revenue	48.86%	57.16%	-14.52%
part time ratio men	20.61%	17.09%	20.60%
part time ratio women	51.23%	46.12%	11.08%
Proportion of women in management	26.90%	25.50%	5.49%
Traffic Data	2023	2022	Change
Flights	690,271	612,953	12.61%
Passengers	93,186,636	80,909,856	15.17%
Seat kilometers offered	210,694,984,637	185,607,208,767	13.52%
Passenger kilometers transported	177,054,608,939	149,683,232,877	18.29%
Environmental Data	2023	2022	Change
Resource consumption			
Fuel consumption (in thousand l)	6,338,555	5,463,438	16.02%

Fuel consumption (passenger transportation) l / 100 pkm ¹	3.58	3.65	-1.92%
Emissions	2023	2022	Change
Carbon dioxide emissions (passenger transportation) in tonnes	15,191,285	14,145,066	7.40%
Carbon dioxide per kg/100 pkm	8.58	9.45	-9.21%
Nitrogen oxide emissions (in tonnes)	71,175,953	60,771,393	17.12%
Nitrogen oxide emissions (passenger transportation g/100 pkm)	40.2	40.6	-0.99%
Carbon monoxide emissions (passenger transportations) in tonnes	13,102,041	11,974,659	9.41%
Carbon monoxide emission passenger transportation g/100 pkm	7.4	8	-7.50%

Table 1 - 4-Airlines Sustainability at a glance

FURTHER STRUCTURE OF THIS DOCUMENT

As stated above in more detail, this document contains information on two related sustainability assurance cases.

Case 1 – Assessment of materiality and risks of reported sustainability aspects



The next pages (9 to 17) include the case on the assessment of material reporting topics and risks inherent to these topics. This part of the document is referred to as “Case 1”. The first case consists of Part A to Part D, including several, numerated tasks to be conducted. Parts A and B (partially) refer to the assurance guide of Europestars and Unionstar, which is provided as supplementary material to this case. Part C requires the use of the EU-Taxonomy preliminary readings as well as an additional Excel sheet provided as supplementary material. Part D includes a list of final questions to be discussed in your group.

Case 2 – Preparing the Assurance report in accordance with ISAE 3000



Pages 18 to 27 include information on the case on the assessment of various findings of the assurance team and their meaning for preparing an assurance report in line with ISAE 3000. This part of the document is referred to as “Case 2”. Particularly, Case 2 is divided into two parts (A and B). Part A depicts various findings of the assurance team and asks you for your assessment of those findings. Part B includes some general questions on ISAE 3000 as well as on the implementation of an ESG committee. As supporting documents, you receive an Excel file with the numbers shown in the case study and, as for Case 1, also the preliminary reading on Sustainability Assurance in line with ISAE 3000 is of relevance for Case 2.

¹ pkm = passenger kilometers



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Case Study 1 Assess-
ment of materiality and
risks of reported sus-
tainability aspects

PART A: MATERIALITY ANALYSIS FORMS BASIS FOR DETERMINING MATERIAL ASPECTS

Continuous dialogue with stakeholders plays an important role in refining the sustainability strategy of 4-Airlines. 4-Airlines implements an annual analysis process in order to identify and validate its key sustainability topics. In the reporting year 2023, 4-Airlines conducted a wide-ranging survey aimed at learning more about its stakeholders’ view of the relevance of sustainability topics for 4-Airlines. In addition, this survey asked about potential effects of business activities on the human and natural environment as well as risks and opportunities for the Company. Over 3,000 representatives of all 4-Airlines external stakeholder groups, all employees and managers were invited to take part in the anonymous survey. The findings provided a major contribution to the materiality analysis, which was likewise conducted in 2023. From the management of 4-Airlines you receive the following information on the process to identify and report the most material sustainability topics.

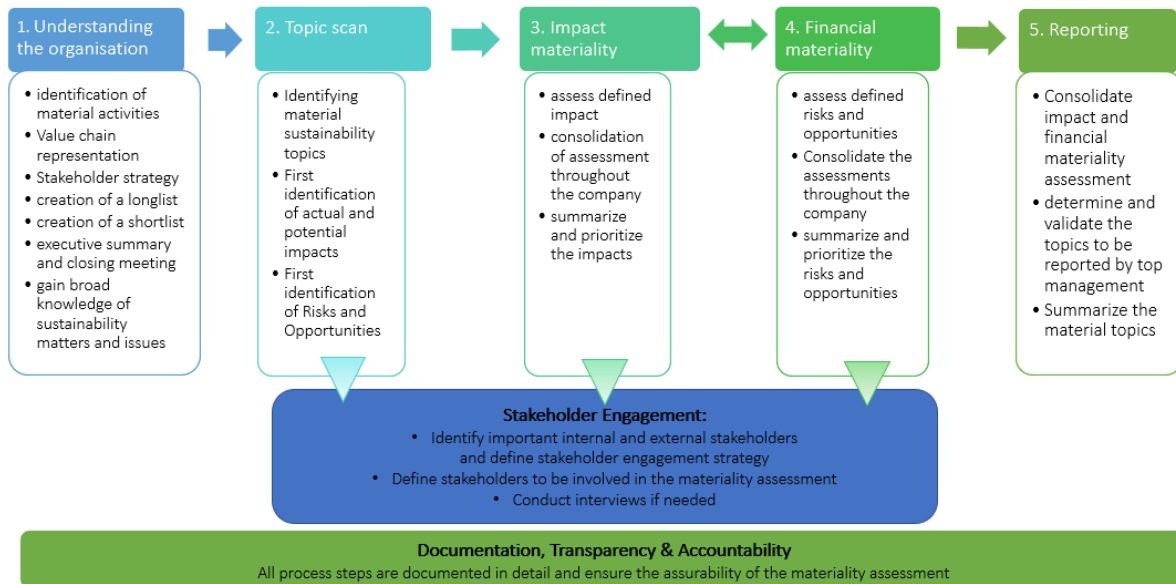


Figure 1 - Determination of material reporting topics

This approach was used the second time to identify the material topics to report. Regarding all steps documents are available that record each step taken, the persons involved and the decision-making process.

Generally, Environmental, Social and Governance (ESG) sustainability are of great relevance for 4-Airlines. The ESG-topics identified were analysed in line with a double materiality approach following the NFRD with regard to their relevance for business and the impact of 4-Airlines business activities. As a result, the topics which are material for 4-Airlines have not changed.

The results of the materiality analysis were noted and approved by the management in the reporting year 2023. They form the basis for selecting the aspects and circumstances described in this combined non-financial report. The material topics are depicted twofold: first, in a materiality matrix, connecting topics from the short and longlist and secondly, a tabular-

ised overview of areas of material interest, measures and targets is given. Additionally, narrative descriptions will be prepared, but these descriptions are currently “work-in-progress” by the company, and therefore, not yet available.

YOUR TASK: BUILDING EXPECTATIONS

For your preliminary assurance tasks, you receive some excerpts from the materiality decision (especially the longlists and the shortlists of material sustainability topics as well as the preliminary materiality matrix and the first draft of some descriptions from the sustainability report itself).

1. Usually, the first step when conducting an audit or an assurance engagement is to derive expectations. Therefore, determine what can be ESG factors of relevance in the air transportation industry. Name at least 5 factors each.
2. Arising from those factors, what can be risks and opportunities associated with those factors in terms of the air transportation industry? Conduct some research and compare the information given for 4-Airlines with other sources as e.g. the IATA, other European or international airlines.



Time frame: 15-20 minutes

YOUR TASK: ASSESSING THE DOUBLE MATERIALITY DETERMINATION

3. Within a sustainability assurance engagement assessing the materiality of the information given is of high relevance. How is “materiality” in the sustainability assurance process defined? Please elaborate on how materiality is defined from the company’s reporting perspective on sustainability matters.
4. Based on Europestars and Unionstar’s assurance steps, in your opinion and based on your professional judgement:
 - a. The process of how 4-Airlines is determining material sustainability topics information is described in Figure 1. How do you assess this process? *For this purpose, apply the assurance steps for auditing the double materiality assessment (extra document).*
 - b. **(OPTIONAL)** Which documents, data points and information might be of relevance for conducting the assurance engagement? Which types of assurance procedures are (based on your professional judgement) of relevance and needed for conducting an assurance engagement? Which documents would you require to conduct a more thorough review of the sustainability information?



Time frame: 20-25 minutes

PART B: SUSTAINABILITY MATRIX AND INITIAL REPORTING ON THESE TOPICS

The materiality matrix includes the longlist of 26 different ESG-topics and shows which of them are essential to the company, in term of their double materiality. The red line indicates which topics are assessed to be essential, whereas the green line divides immaterial and material topics.

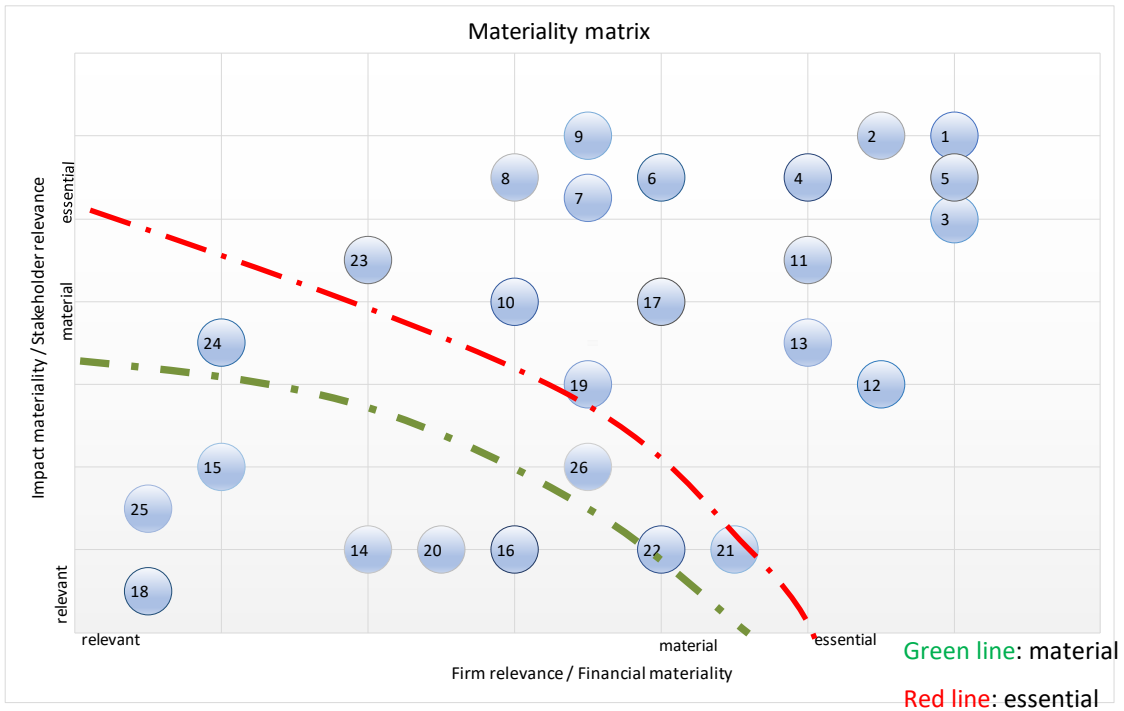


Figure 2 - 4-Airlines Materiality Matrix

1 Safety & Security	7 Protecting the interest of minorities	14 Business ethics and compliance	21 Use of palm oil in meals and snacks offered
2 Implementing an ESG committee	8 Sustainability of the supply chain	15 Waste management	22 Gender parity
3 CO2 emissions	9 Creating an inclusive work environment	16 Water management	23 Diversity of employees and management
4 Customer satisfaction	10 Noise management	17 Stakeholder dialogue	24 Supplier diversity
5 Sustainable aviation Fuel	11 Employee health & safety	18 Biodiversity	25 Data privacy
6 Reduction of fatalities	12 Climate change	19 Net Zero	26 Sustainable sourcing of kerosene
	13 Human rights	20 Responsible use of AI	

Based on that longlist, 4-Airlines derives a shortlist of material aspects, KPIs and the short-, mid- and long-term targets.

Aspects	Environmental sustainability	Social sustainability	Governance sustainability
Issues	CO2 emissions (3)	Safety & security (1)	Implementing an ESG committee (2)
KPIs	total CO2 emissions CO2 emissions per 100 passenger kilometers	number of training hours at FlightSafety International	topics discussed in the ESG committee number of meetings of the ESG committee and time spent on discussing ESG topics
Targets	reduction by 70%	fulfill the international flight safety rules for all our aircrafts and pilots	prioritizing ESG as part of the corporate strategy and in the oversight committee's activities increasing the time spent on ESG topics and activities
Issues	Sustainable aviation Fuel (5)	Customer satisfaction (4)	Sustainability of the supply chain (8)
KPI	% of SAF of total fuel used	customer satisfaction rate customer loyalty	share of sustainable suppliers throughout the supply chain
Targets	2% SAF in 2025 70% SAF in 2050	85% customer loyalty rate	establish and adapt the strategy on sustainability of the supply chain prioritize sustainable suppliers throughout the whole supply chain
Issues	Protecting the interest of minorities (7)	Reduction of fatalities (6)	Diversity of employees and management (23)
KPI	financial donation to NGOs involved into that topic in Europe	number of fatalities with/without people hurt and the financial indicators therefore	number of women as part of the workforce and management number of women in the supervisory board
Targets	fully comply to the European Framework Convention for the Protection of National Minorities	reducing the number of fatalities	increase the number of women in the workforce and management to 40% until 2025 and 50% until 2030
Issues	Noise management (10)	Creating an inclusive work environment (9)	
KPI	investments in noise reducing technologies and aircrafts dialogue results with residents near the airports	Diversity of the company as a whole compared to the community and the industry	
Targets	reduce the noise	promote inclusive policies and practices and adopt inclusive recruitment and hiring practices	
Issues	Climate change (12)	Employee health & safety (11)	
KPI	increase of global temperature	number of sick days	
Targets	increase of the global temperature by 1.5C° maximum	decrease the number of sick days by 25% until 2027	
Issues	Net Zero (19)	Human rights (13)	
KPI	CO2 used minus captured and stored GHG	donations to NGOs involved (e.g. Amnesty International, ISHR)	
Targets	Zero	promote democracy support more NGOs	
Issues	Use of palm oil in meals and snacks offered (21)	Stakeholder dialogue (17)	
KPI	number of products containing palm oil	number of stakeholders involved	
Targets	reducing the use of products with palm oil by 20%	increasing the number of stakeholders involved	

Table 2 - Sustainability Topics, KPIs and Targets

YOUR TASK: TESTING EXPECTATIONS

5. Within your first task you conducted some research on ESG topics and have built some expectations on topics being included in Sustainability reports. Given the information available for 4-Airlines, how appropriate/plausible or expectable/surprising would you assess the choice of topics? *If necessary, bear Europestars and Unionstar's assurance steps in mind.*
6. Regarding Table 2 - Sustainability Topics, KPIs and Targets how would you assess the KPIs chosen and targets set? For your assurance procedures you are asked to assess (1) the general fit and measurability of KPIs and (2) the clarity, concreteness and measurability of the targets. Please use a scale from 1 (unclear/vague/hard to measure) to 10 (very concrete/easy to measure) to assess concreteness and measurability.



Time frame: 60-75 minutes

PART C: REPORTING IN LINE WITH THE EU TAXONOMY REGULATION

Excerpts from EU-Taxonomy reporting requirements:

The economic activities of 4-Airlines were initially allocated to the relevant taxonomy activities according to the descriptions provided in the EU Taxonomy. Based on the allocation to the taxonomy activities, the taxonomy-eligible economic activities were identified and analysed. The reportable economic activities of 4-Airlines relate to environmental objective 1 (climate change mitigation). There are no significant economic activities for any of the other environmental goals.

The share of revenue, CapEx and OpEx accounted for by the identified economic activities in relation to the overall activities of 4-Airlines was determined in accordance with the requirements of the EU Taxonomy. Revenue is defined as net sales in accordance with IFRS (International Financial Reporting Standards), as shown in the consolidated income statement, and therefore only relates to fully consolidated entities. Accordingly, companies accounted for using the equity method and other equity investments have not been included.

CapEx is calculated on a gross basis, i.e. without including revaluations or depreciation, amortisation or impairment. CapEx comprises investments in non-current intangible or tangible assets, including goods purchased through asset or share deals, as presented in the consolidated statement of financial position. Taxonomy-eligible CapEx has been calculated while taking the underlying accounts into consideration and in combination with the asset classes.

OpEx includes non-capitalizable expenses recognised in the consolidated income statement, such as research and development, building renovation work, short-term leasing, maintenance and repairs and all other direct expenses resulting from the maintenance of property, plant and equipment to ensure the operational readiness of the taxonomy-eligible assets.

The EU Taxonomy Regulation and the delegated acts enacted for the purpose of this regulation include phrases and terms whose interpretation remains subject to considerable uncertainty. Clarifications have not yet been published for every case.

Besides that initial narrative information, you receive a summary of the information given, in line with Art. 8 of the EU-Taxonomy Regulation. 4-Airline reports the following KPIs:

Snapshot of eligible and aligned activities

In 2023 4-Airlines eligible and aligned KPIs were as follows. The full tables as required by the regulation are available as Excel sheet (4-Airlines KPIs.xlsx available as supporting material).

4-Airlines	<i>eligible</i>		<i>aligned</i>	
	absolute million EUR	percentage of the denominator	absolute million EUR	percentage of the denominator
Year to December 31, 2023				
Turnover	8,200 €	96.5%	0	0.0%
CapEx	139 €	50.4%	0	0.0%
OpEx	105 €	61.1%	0	0.0%

4-Airline highlights that their business activities cover EU-Taxonomy eligible business activities in terms of air transportation ground handling operations, low carbon airport infrastructure and passenger and freight air transport.

Particularly they describe their activities as follows: (as defined by the EU-Taxonomy)

Air transport ground handling operations

Ground handling vehicles' direct (tailpipe) CO₂ emissions are zero. The propulsion of all ground handling devices and equipment comes from a zero-emissions motor.

Low carbon airport infrastructure

1. The activity complies with one or more of the following criteria:
 - a. the infrastructure is dedicated to the operation of aircraft with zero tailpipe CO₂ emissions: electricity charging and hydrogen refuelling;
 - b. the infrastructure is dedicated to the provision of fixed electrical ground power and preconditioned air to stationary aircrafts;
 - c. the infrastructure is dedicated to the zero direct emissions performance of the airport's own operations: electric charging points, electricity grid connection upgrades, hydrogen refuelling stations;
 - d. the infrastructure and installations are dedicated to transshipping freight with rail and water transport: terminal infrastructure and superstructures for loading, unloading and transshipment of goods.
2. The infrastructure is not dedicated to the transport or storage of fossil fuels.

Passenger and freight air transport

The activity is performed using one of the following:

1. the aircraft with zero direct (tailpipe) CO₂ emissions;
2. until 31 December 2029, the aircraft acquired before 11 December 2023, complying with the technical screening criteria specified in Section 3.21., subsection 'Substantial contribution to climate change mitigation', points (b) or (c);
3. until 31 December 2029, the aircraft acquired after 11 December 2023, complying with the technical screening criteria specified in Section 3.21., subsection 'Substantial contribution to climate change mitigation', points (b) or (c), and with the commitment that another non-compliant aircraft in the fleet is either:
 - a. permanently withdrawn from use within 6 months of delivery of the compliant aircraft in which case, the replacement ratio does not apply; or
 - b. permanently withdrawn from the fleet within 6 months of delivery of the compliant aircraft in which case, the share of Taxonomy compliance of eligible aircraft is limited by the replacement ratio as set out in Section 3.21;
 - c. whereby the aircraft permanently withdrawn from use or from the fleet;
 - d. is non-compliant with the margins defined in Section 3.21., subsection 'Substantial contribution to climate change mitigation', point (b);
 - e. has at least 80 % of maximum take-off weight of the compliant aircraft;
 - f. has remained in the fleet within at least 12 months prior to its withdrawal;
 - g. has a proof of airworthiness dating back less than 6 months prior to the delivery of the compliant aircraft.
4. from 1 January 2030, the aircraft meeting technical screening criteria specified in points (b) or (c) above and operated with a minimum share of sustainable aviation fuels (SAF), corresponding to 15 % in 2030 and increased by 2 percentage points annually thereafter;
5. the aircraft operated with a minimum share of sustainable aviation fuels (SAF), corresponding to 5 % SAF in 2022, with the percentage of SAF increasing by 2 percentage points annually thereafter.

The audit documentation regarding revenues and expenses can be requested from the statutory audit team. Although the audit is not yet finished, you already receive the information, that the audit of revenues, for now, indicates that the following parts of the preliminary trial balance are reasonable, trustworthy and from the current perspective no material misstatements have been detected. The audit team can also give you more information on the audit of financial statements, if needed.

Regarding the amounts, 4-Airlines communicates that their internal processes led to the following amounts to be taxonomy-eligible:

Year to December 31, 2023	absolute million EUR
Turnover	8,200 €
CapEx	139 €
OpEx	105 €

The trial balance information relevant for you, can be found in the Excel sheet “List of accounts and balances_students”.

YOUR TASK: RECALCULATING KPIS, RISKS AND CHALLENGES

7. Regarding the assurance activities, you were asked to do recalculations of the KPIs given to you by the company. Please re-calculate the KPIs and indicate, how the EU-taxonomy rules can be audited/should be audited.
8. If you receive documents like the Excel sheet given to you, what might be risks for you as an assurance provider?
9. **(OPTIONAL)** What further documents be of interest for conducting an assurance engagement?
10. What might be challenges when preparing and auditing information on the EU Taxonomy’s reporting requirements?

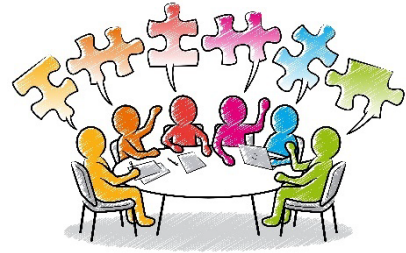


Time frame: 30-45 minutes

PART D: FINAL ASSESSMENT OF INFORMATION ANALYSED

Group discussion (up to 5 students) of the following questions and preparation of presentation slides for each question.

Please build “expert groups” for this task to answer the following general questions.



1. **(OPTIONAL)** In terms of assessing and assuring the given information, what differences exist between a limited assurance and reasonable assurance engagement?
2. **(OPTIONAL)** Regarding the independency of the firm conducting the sustainability assurance, please discuss which challenges may arise, if Europestars and Unionstar participate in the development of 4-Airlines ESG-system.
3. You are preparing for a meeting with 4-Airlines.
What are your preliminary conclusion regarding the credibility and quality of the information given by 4-Airlines? In terms of an assurance provider, what would be your key-takeaways of the prior assurance procedures? What are the most important questions you ask and what are the most important documents you require and next procedures you suggest?

Time frame: 25-30 minutes



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Case Study 2
Preparing the Sustaina-
bility Assurance Report
in accordance with ISAE
3000

STRUCTURE OF THIS CASE (CASE 2)

The structure of this case includes Part A and Part B. Part A includes a list and description of eight main findings of the assurance team and respective tasks for you. Part B includes a list of more general questions on auditors reporting requirements in line with ISAE 3000.

All tasks should be solved in your team and for each task something to document and present (ppt, word, excel, etc) your work should be prepared. At the end of this session, presentations will be held to share and compare your suggested solutions.



PART A: THE MAIN FINDINGS OF THE AUDIT TEAM

As stated above, you are part of the Sustainability Assurance team for 4-Airlines. You and your colleagues reviewed the current audit file, as well as the procedures and tests performed by the assurance team and noted several significant findings.

Against that background, you were asked to perform an analysis of each of the eight findings presented in the following section and show their impact upon the audit conclusion according to ISAE 3000, provided that the materiality and the tolerable error are kept at the level determined in the planning stage. Please present all the adjustments that the team is necessary to ask for to provide a clean report (unmodified conclusion). We assume that this part (Part A) of the second case will take about 90 minutes to be solved.

a) TRANSITION TO LOW CARBON BUSINESS

4-Airlines has ambitious climate protection goals. It aims to cut its net carbon emissions from flight operations by 50% until 2030, compared to 2019, and to achieve carbon neutrality by 2050. Following information on the fuel consumption of the company during the last five years is available:

Year	Fuel consumption (in tonnes)	Specific fuel consumption of passenger transport (in liters/100 passenger-kilometres) l/100 pkm	Specific CO ₂ emissions (in kilograms/100 passenger – kilometres) Kg/100 pkm	Reduced fossil CO ₂ volume through the use of sustainable aviation fuel (in tonnes)
2019	7,826,493	3.75	9.68	20,321
2020	2,630,596	4.25	11.04	7,871
2021	3,243,560	4.15	10.67	15,231
2022	5,463,438	3.65	9.45	31,545
2023	6,338,555	3.58	8.58	32,722

Table 3 - Fuel consumption (in tonnes) for the period 2019 – 2023

The team discovered some inconsistencies concerning the cut-off allocation of consumption and passenger kilometres, for the period December 2023 – January 2024. After some recalculations, the management of 4 Airlines intends to adjust the specific CO₂ emissions as presented for 2023, **from 8.58 Kg/100 pkm to 9.28 Kg/100 pkm.**

YOUR TASK: ANALYSING FUEL CONSUMPTION

Debate within your group whether this adjustment is justified, considering possible correlations between the data in Table 3.



Hint: For this assurance procedure you can use the CORREL function in Excel.

b) EQUAL OPPORTUNITIES

According to its social policies on equal opportunities, 4-Airlines decided that women should give at least 40% of the total number of employees. In this context, the gender-based structure of the company’s employees for the last five years is disclosed in Table 4 (included in the company’s sustainability report).

Year	Total number of employees as at December 31	Total number of female employees as at December 31
2019	103,764	47,731
2020	82,549	34,670
2021	78,967	33,956
2022	82,132	34,495
2023	75,507	29,448

Table 4 - Total number of employees and total number of female employees for the period 2019 – 2023

YOUR TASK: EQUAL OPPORTUNITIES

Prepare an audit work sheet in order to test the [management assertion](#) in this matter, based on data disclosed in Table 4

Considering the outcome of this task, as well as the fact that the management intends to disclose only absolute numbers (no relative numbers) regarding its employees in the sustainability report, determine the impact of this presentation on the audit opinion.



c) DIVERSITY

The success of 4-Airlines depends on the proper representation of women in management. The culture of the company is based on competent and constructive diversity, because it is targeting an efficient and innovative workforce. To this end, the share of female senior executives should be on a constant rise. The company’s target for 2025 is of at least 30% women representation in management. Following percentages were recorded from 2018 to 2023:

Year	Share of women in management (%)
2018	20.5
2019	21.5
2020	22.3
2021	23.8
2022	25.5
2023	26.9

Table 5 - Women representation in management, for the period 2018 - 2023

YOUR TASK: WOMEN IN MANAGEMENT

Analyse within your group how the women representation in management evolved during the period, in order to obtain an assurance on the company's assumed policy in this matter.



Make some observations regarding the chances that the company's target for 2025 is achieved. You should consider the fact that the next elections for the Board of Directors are planned for October 2024 (mandate 2024-2028).



Discuss the results taking into account the results from task b)

d) LITIGATIONS

The confirmation of the company's lawyers shows that the company is involved in several litigations. They are generally not material and were filed as a consequence of the company's current operations, except for a litigation with the European Environment Agency. The object of the litigation concerns the use of water in defrost procedures in winter time. As a consequence, some pollution incidents related to the chemical structure of residual waters were recorded and the company may need to pay penalties amounted to 100 million euro.

The company disclosed these matters in detail within the notes to the financial statements and classified them as contingent liabilities, according to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", but no presentation thereof was made in the Sustainability report on 2023.

YOUR TASK: LITIGATION

Describe the impact of this event and its omission from the Sustainability report on the Sustainability assurance report.



Make a proposal as to how it should be disclosed by the management. How does this event affect your audit opinion?



e) SUPPLY CHAIN

According to the business ethics policy of 4-Airlines on supporting domestic markets, the company should source at least 63% of the total value of its purchases from local suppliers. For the period 2019 – 2023, purchases were structured as follows:

Year	Total amount purchases for the year ended at December 31 (million euro)	Domestic purchases for the year ended at December 31 (million euro)
2019	892	564
2020	720	480
2021	831	536
2022	927	612
2023	1,148	717

Table 6 - Source-based structure of purchases for the period 2018 - 2023

Materials in total amount of 32.5 million euro were purchased according to DAP INCOTERMS conditions. The invoice is dated 12/29/2023 by a supplier located in Spain, while the goods were received in Vienna, as location indicated in the purchase documents, on 1/5/2024. The company presented this acquisition as related to the year 2023.

YOUR TASK: PURCHASES

Describe the impact of this information on the Sustainability assurance report and make a disclosure adjustment proposal for the management.



f) HEALTH, SAFETY, SECURITY

The company has implemented a system for the observance of labour rights, as well as the promotion of a safe and secure working environment for all employees. Following data can be retrieved from the system:

Occupational safety indicators	Unit	2023	2022	2021	2020	2019
Fatalities	number	0	0	0	0	1
Fatalities rate	per 100 mill. hours worked	0	0	0	0	0.66
Number of hours worked	million hours	208	165	158	164	151
Lost-time injury rate (LTIR)	per 1 mill. hours worked	0.30	0.28	0.25	0.22	0.35
High-consequence work – related injuries	number	2	3	1	1	3
High-consequence work – related injuries rate	per 1 mill. hours worked	0.100	0.081	0.600	0.600	0.200
Lost workday injuries	number	10	8	7	9	18
Lost work days (calendar days)	number	650	720	458	543	1,245
Total recordable injuries	number	14	15	9	12	33
Total recordable injury rate (TRIR)	per 1 mill. hours worked	0.7	0.9	0.6	0.7	0.2

Table 7 - Occupational safety – related data for the period 2019 – 2023

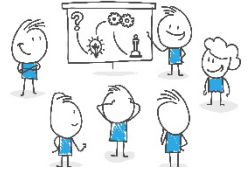
YOUR TASK: FATALITIES

Recalculate the High-consequence work-related injuries rate, as well as the total recordable injury rate (TRIR) (KPIs divided by 1 mill hours worked), in order to test if their presentation is misstated.



Discuss the development of the data. Assume that the company is in the industry average.

Identify risks of financial and non-financial nature in that regard. Give some examples. Also take the materiality matrix (shown in Figure 2), the narrative information thereon as well as your assurance procedures thereon into account.



g) EMPLOYEES

Development opportunities and career options are key factors that talented people use, in order to assess the attractiveness of an employee. 4-Airlines offers all its employees various continuing education and development opportunities. Following data is provided with regard to the average age and the age structure of the employees:

Year (as at December 31)	2019	2020	2021	2022	2023
Average age of male employees	47.5	47.8	48.9	50.2	51.1
Average age of female employees	45.1	45.8	46.5	48.1	49.0

Table 8 - Average age of the employees for the period 2019 – 2023

	2022 (%)	2023 (%)
>= 60	9.5	10.2
50 - 59	26.5	27.4
40 - 49	24.9	25.8
30 - 39	22.4	21.8
18 - 29	16.7	14.8

Table 9 - Age-related structure of the staff for the period 2022 - 2023

YOUR TASK: AGE STRUCTURE

Analyse the average age of the employees and identify the related risks. Take into account Table 4 and Table 2. Please also check the plausibility of Table 8 and Table 9.



Prepare a short memo concerning this matter for the audit engagement partner.



h) PROTECT THE INTEREST OF MINORITIES

In sociology and voting theory, a minority is a subgroup that forms less than half of the population and is usually outnumbered by at least one other subgroup, not necessarily the majority. This term can be used to characterise populations with a different language, nationality, religion, culture, lifestyle, or any other characteristic of those populations accepted as parts of a reference group.

The company “4 Airlines” states that by understanding all specific groups of people in their organisation they may effectively address discriminatory practices and overcome any barriers related to gender, ability, generations or else. Hence, they are committed to equality in all its forms. Thus, they are confident in the positive impacts that they have on the equal treatment and opportunities for their employees, such as:

- ▶ implementing non-discriminatory practices to facilitate access to job and career development to vulnerable people, women, people with disabilities, minorities;
- ▶ enforcing the communication process and collaboration which positively impacts team effectiveness;
- ▶ ensuring trade union pluralism and traditional social dialogue with multiple parties, which contributes to a democratic consultation process, to the benefit of all employees, regardless of their union association;
- ▶ raising awareness on our internal regulations containing our principles against discrimination and harassment and adequate response in case of misconduct, in the form disciplinary sanctions;
- ▶ their grievance mechanisms, which are a key tool for preventing and managing adverse impacts related to discrimination, among others.

YOUR TASK: BUILDING EXPECTATIONS PROTECTING MINORITIES

You receive the following list of reporting topic from your engagement manager. They are currently doing some procedures on this information. To have a “fresh look” at it, your task is to build expectations of whose interests are protected in the following situations:



Minority involved	Situation
	<p>4-Airlines dedicate an entire week in every March to celebrate the women of their company with the theme #Equity for all. This involved workshops, blog articles, and events aimed predominantly at their female employees and designed to foster awareness about equity. Among these events, they host an external keynote speaker to address the topic of Self-value versus market value as well as Career development for women. They also host a special virtual event inviting the female leaders of the company, guided by the female Executive Board members to discuss diversity topics. Alongside these activities, they run an internal communication campaign dedicated to “#Equity for all”.</p>
	<p>4-Airlines host an event titled "Eco for Kids and Parents" every June. It tackles environmental sustainability and offers useful advice on improving their environmental stewardship, within a lively interactive workshop.</p>
	<p>Every December 4-Airlines continue their annual tradition, "Bring Your Kids to Work...to Celebrate Christmas," an event for parents and children in which children who attend have the opportunity to learn more about the aviation Industry and spend quality time with their parents before Christmas.</p>
	<p>Additionally, the 4-Airlines compiled a comprehensive "New Parents Training" resource guide, designed to assist new parents navigate the administrative elements of childbirth and their subsequent return to work.</p>
	<p>The company “4 Airlines” created a disabilities stream consisting of a multi-disciplinary team of professionals, acted to create awareness and establish an inclusive space for their colleagues with disabilities</p>
	<p>Every October, 4-Airlines organises an event aimed at promoting the significance of inclusivity for individuals with disabilities. With the occasion of the last event, in 2023, Disability stream launched their first resource, a Guide for Employees and Managers. This guide comprises general information about disabilities, a related toolkit for assistance as well as recommended behaviour when interacting with a disabled person. A dedicated digital space for addressing Disability matters was also created and made available in conjunction with this guide.</p>
	<p>A communication campaign and contest for all generations working together in the company “4 Airlines” was very well received by their employees. They are continuously working to identify the most relevant way to transfer the knowledge between the generations, which led to the development of a tool that would help them to better understand what the expectations of all generations in their company are.</p>

Table 10 - Protect the interest of minorities

PART B: CONCLUDING GROUP DISCUSSION

Group discussion (up to 5 students) of the following questions and preparation of presentation slides for each question.



1. What kind of differences exist between the limited assurance and reasonable assurance?
2. What is the structure of the auditor's report, according to ISAE 3000? Please find three to five Annual Reports for EU listed companies and observe what kind of paragraphs included the auditors in their audit reports for the period 2018-2022 concerning the management presentation according to CSR Directive 95/2014. Which type of assurance was provided?
3. Prepare a draft assurance report according ISAE 3000 requirements in two scenarios (limited assurance): (A) unmodified conclusion and (B) qualified conclusion related the missing environment disclosure in Sustainability 2023 Report.
4. Within a meeting of 4-Airlines Board of Director with the audit team, a discussion on implementing an ESG-committee arises. As an expert in that area you receive some information on ESG-committees and your engagement manager asks you to identify some strategies, that the company 4-Airlines can implement in order to support its commitment to environmental sustainability.

An ESG committee within a business serves as a dedicated group of employees focused on supporting an organization's commitment to environmental sustainability, social responsibility, and government practices. It is composed of individuals from various departments, seniority levels, and ESG experience levels. The group develops and implements strategies that address the organization's initiatives. This includes identifying areas where the company can reduce its environmental footprint, improve social impact, and enhance long-term financial sustainability. The committee may oversee a variety of initiatives related to energy efficiency, waste reduction, and supply chain sustainability. By involving employees, a business can create a culture of sustainability and accountability. An ESG committee unites individuals across the organization and drives positive change, aligning the business with broader environmental and social objectives.



In that regard, you also receive the main environmental sustainability goals identified by 4-Airlines

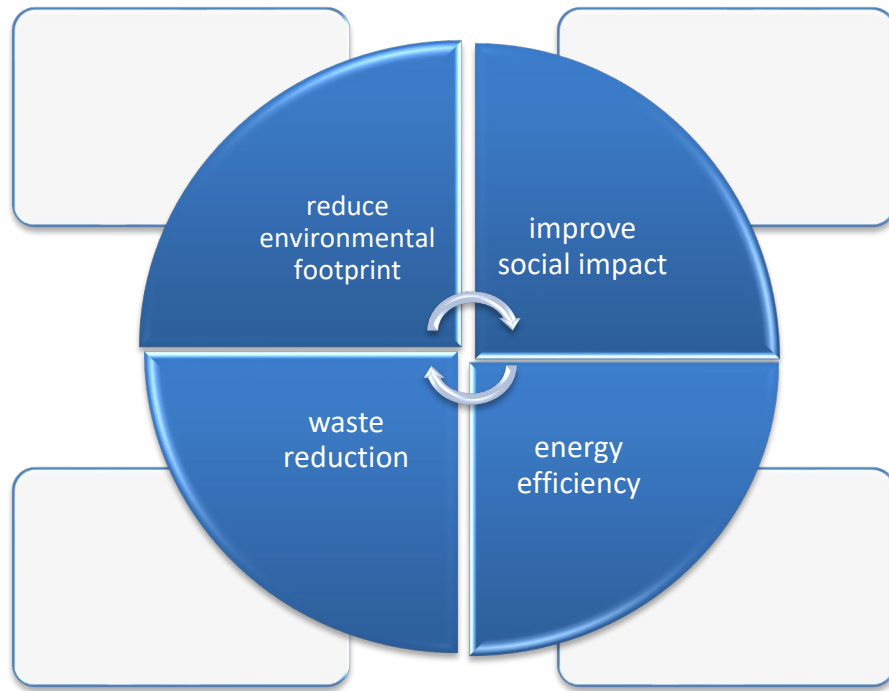


Figure 3 - ESG committee

5. Referring to task 4, such a committee is also of relevance for the assurance engagement. Therefore, please develop some procedures, areas, activities and responsibilities for the new 4-Airlines ESG Committee. This information is intended to be submitted to the audit partner Mrs. Maria United.