

# ESG Audit Training Perspective in Asia

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The paper examines the effectiveness of Environmental, Social, and Governance (ESG) audit training courses offered by the International Computer Auditing Education Association (ICAEA) in Taiwan and the Middle East. The training courses are tailored to meet the growing demand for professionals who possess ESG audit skills. In Taiwan, the course focuses on using artificial intelligence and data analytic technology to audit ESG data. In the Middle East, ESG education and training are gaining momentum, and regulators are introducing ESG standards for all businesses. The paper provides an overview of the current ESG landscape in the region and discusses the challenges and opportunities for companies to demonstrate their commitment to sustainability and ESG principles. Overall, the paper highlights the growing importance of ESG audits and the need for continuous education and training to improve sustainability performance.

**KEYWORDS**

ESG, Audit, CBAM, Greenwashing, Training, JCAATs

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## 1 | INTRODUCTION

ESG (Environmental, Social, and Governance) audits are becoming increasingly critical for companies to demonstrate their commitment to sustainable practices and responsible business operations. Consequently, there is a growing demand for professionals who possess ESG audit skills. Worldwide, there are several training courses available that cover ESG topics and aim to equip professionals with the necessary knowledge and skills to conduct effective ESG audits and help companies enhance their sustainability performance. These courses typically cover a range of topics, such as ESG reporting and assurance, stakeholder engagement, and sustainable investing strategies.

Furthermore, the International Computer Auditing Education Association (ICAEA) local chapters offer several ESG audit training courses in their respective territories, adhering to the ICAEA CPE policy (ICAEA, 2023). The courses aim to provide practical hands-on experience in addition to theoretical knowledge. This paper will examine and report on the effectiveness and performance of these training courses in Taiwan and the Middle East.

## 2 | ESG AUDIT TRAINING BY ICAEA TAIWAN

### 2.1 | Taiwan ESG Overview

Taiwan's economy is heavily reliant on manufacturing and exporting goods abroad. However, Taiwanese companies are facing a new challenge in the form of carbon taxes implemented by various countries, including the European Union's Carbon Border Adjustment Mechanism (CBAM)(EU, 2022). These policies seek to prevent carbon leakage by placing a price on imported goods, effectively imposing a carbon tax on such imports. As a result, Taiwanese companies that wish to continue exporting to the abroad must take steps to reduce their carbon footprint or greenhouse gas emission (Ghgprotoco, 2011), which could impact their ESG efforts.

The Taiwanese government has also been actively promoting sustainable finance and ESG integration and has set several targets for ESG development. Since 2017, the Financial Supervisory Commission (FSC) of Taiwan has been following international trends in ESG and promoting sustainable finance and green industries. These trends prioritize transparency and information disclosure and establish ESG regulatory frameworks and sustainability classification standards. One of the FSC's targets is to achieve a 70% disclosure rate for ESG information by publicly listed companies in Taiwan by 2025 (FSC, 2022).

To support sustainable development and achieve its targets, the FSC has introduced the Corporate Governance 3.0 - Sustainable Development Blueprint, which is a new benchmark index for companies listed on the Taiwan Stock Exchange that meet ESG criteria (FSC, 2022). Through this program, the FSC aims to enhance participants' understanding of ESG regulatory requirements and improve their professional approach to ESG challenges, aligning with the global trend of promoting sustainable development and mitigating the impact of climate change. This provides Taiwanese companies with an opportunity to demonstrate their commitment to sustainability and ESG principles, setting themselves apart from competitors who may not be taking similar steps to reduce their carbon footprint.

## 2.2 | Taiwan ESG Overview

ICAEA Taiwan has developed an innovative ESG audit training course and published a training book called "AI for ESG Auditing" to meet the current needs of the audit industry in November 2022 (Sherry Huang, 2022). This training course is unique because it focuses on using AI and data analytic technology to audit ESG data, rather than providing common ESG knowledge or reporting training courses. ICAEA believes in hands-on learning, as it is an effective way to gain knowledge and skills. The course includes a demonstration of JCAATs (Jacksoft, 2022), an AI audit software, and students have the opportunity for hands-on practice.

Table 1 outlines the content of the ESG Audit Course, which is a three-hour ICAEA CPE course. Students are required to complete an ESG Audit project with three tasks as part of the course. Figure 1 showcases an ESG Audit project example within the course.

**Table 1: AI for ESG Auditing Course Content**

Module 1: ESG Overview
Module 2: Greenhouse gases and Carbon Border Adjustment Mechanism (CBAM)
Module 3: ESG Greenwashing and Case Study
Module 4: Artificial Intelligent for ESG
Module 5: JCAATs- An AI Audit Software Overview
Module 6: Develop an ESG Audit Project for Environment by Using JCAATs
Task 1: Importing the IPCC GHG Emission Factors and Related Sources
Task 2: Identification of GHG sources and sinks
Task 3: Calculation of Direct GHG emissions and removals
Module 7: Continuous Auditing and Continuous Monitoring for ESG Enhancement

	Chemical Formula	IPCC 1995	IPCC 2001	IPCC 2007	IPCC 2013
0	CO2二氧化碳	1.0000	1.0000	1.0000	1.0000
1	CH4甲烷	21.0000	23.0000	25.0000	28.0000
2	N2O氧化亚氮	310.0000	296.0000	298.0000	265.0000
3	CFC-11 • CCl3F	3800.0000	4600.0000	nan	4460.0000
4	CFC-12 • CCl2F2	8100.0000	10600.0000	nan	10200.0000
5	CFC-13 • CClF3	nan	14000.0000	nan	13900.0000
6	CFC-113 • CCl2FCClF2	4800.0000	6000.0000	nan	5820.0000
7	CFC-114 • CClF2CClF2	nan	9800.0000	nan	8590.0000
8	CFC-115 • CClF2CF3	nan	7200.0000	nan	7670.0000
9	HFC-23/R-23三氟甲烷 • CHF3	11700.0000	12000.0000	14800.0000	12400.0000
10	HFC-32/R-32二氟甲烷 • CH2F2	650.0000	550.0000	675.0000	677.0000
11	HFC-41—氟甲烷 • CH3F	150.0000	97.0000	92.0000	116.0000
12	HFC-125/R-125 • 1,1,1,2,2-五氟乙烷 • C2HF5	2800.0000	3400.0000	3500.0000	3170.0000
13	HFC-134 • 1,1,2,2-四氟乙烷 • C2H2F4	1000.0000	1100.0000	1100.0000	1120.0000
14	HFC-134a/R-134a • 1,1,1,2-四氟乙烷 • C2H2F4	1300.0000	1300.0000	1430.0000	1300.0000

**FIGURE 1** ESG Audit project in JCAATs (Jacksoft, 2022)

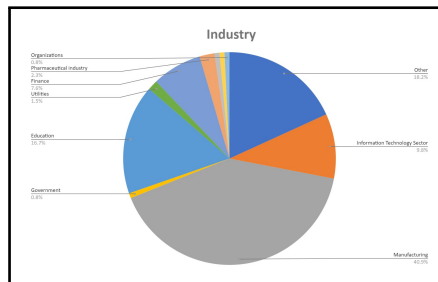
## 2.3 | Current Training Performance Analysis in Taiwan

The ICAEA Taiwan chapter has conducted over 4 ESG Audit Training courses with near 200 students in attendance between 2022-11-24 to 2023-01-17. Some pictures of these classes are shown in Figure 2.



**FIGURE 2** Some pictures of these classes

Figure 3 illustrates the distribution of students across various industries. The most well-represented sectors are Manufacturing, Education, Information Technology, and Finance. It is noteworthy that this type of training is still in its infancy in Taiwan. Despite this, the course has garnered positive feedback from students, with an average satisfaction rating of 4.75 on a scale of 1 to 5. The course content and training methods have been tailored to meet the needs of the students, resulting in a high level of satisfaction. Furthermore, there has been a high demand for advanced ESG Audit courses among the students.



**FIGURE 3** Some pictures of these classes

## 3 | ESG AUDIT TRAINING IN ICAEA MIDDLE EAST

### 3.1 | ESG in the Middle East

Middle Eastern regulators are introducing ESG standards for all businesses, leading to increased pressure from investors and shareholders for ESG education and training (Ioannou & Serafeim, 2017; Berg, Kölbel & Rigobon, 2019). Workshops, seminars, and training courses are being held to equip professionals with the necessary skills and knowl-

edge to address ESG challenges and opportunities. ESG-related activities have become an important part of financial reporting for many businesses in the region (Cheng, Ioannou & Serafeim, 2019; Amel-Zadeh & Serafeim, 2018).

Consultancy firms are helping enterprises customize ESG frameworks to conduct sustainability audits and identify risks, with technologies and data analytics being employed to turn these frameworks into practice (Pedersen, Fitzgibbons & Pomorski, 2019; Fulton, Kahn & Sharples, 2012). The region has also seen several ESG initiatives, including the UAE's Green Economy and Saudi Arabia's Green Initiative, as well as Oman's Sustainable Development Goals (EAD, 2021).

According to The Arab Federation of Exchanges (AFE) 2021 (AFE, 2021), the Middle East is still behind the world regarding ESG performance. The rating assessment is performed using three main rating criterias which are 1) Refinitiv ESG scores across 10 main themes (emissions, environmental product innovation, human rights, shareholders, etc.) based on publicly-reported data. 2) MSC ESG Ratings to measure a company's resilience to long-term, financially relevant ESG risks. 3) Sustainalytics' ESG Risk Ratings - designed to help investors to identify ESG risks at the security and portfolio levels (EAD, 2021).

ICAEA Middle East has also developed an innovative ESG audit training course to address the above ESG challenges and opportunities in the region. The preliminary outline was focusing on the ESG knowledge and reporting, however, at a later stage the training outline was modified to be focused on audit automation to fill the gap. ICAEA Middle East has developed various hands-on learning using ACL and Diligent ESG platform (Diligent, 2022). Table 2 outlines the latest content of the ESG Audit Course, which is approved by the Knowledge and Human Development Authority of the Government of Dubai, United Arab Emirates, which is the educational quality assurance and regulatory authority that is responsible for evaluation and accreditation of higher educational institutions and universities in the Emirate of Dubai.

## 3.2 | The ESG Audit Course Development in the Middle East

The training will be distributed over three main modules for a three-day session. Each module will focus on a specific learning outcome through different training tools and techniques. The participants will be involved in the hands-on practice sessions through group discussions, brainstorming, case studies and software applications (Data world, 2023).

**The details of modules are as follows:**

### **Module 1 (ESG Audit, Building blocks)**

Part I

1. *Defining ESG context*
2. *Governance of organization: Subject matter ISO 37000:2021 "Governance of organizations"*
3. *Social responsibility: Subject matter ISO 26000:2010 "Social responsibility"*
4. *Environmental aspects: Subject matter CDP Climate Change Questionnaire*

## Part II

1. *Insights on ESG reporting frameworks.*
2. *GRI "Global Report Initiative"*
3. *Task Force on Climate-Related Financial Disclosures | TCFD)*
4. *Sustainability Accounting Standards Board (SASB)*
5. *The World Economic Forum "metrics and consistent reporting for sustainable value creation"*
6. *ESG Reporting metrics for relevancy, accuracy, timeliness, and consistency.*

### Module 2 (ESG internal controls and ERM)

1. *Internal Audit's role in ESG*
  - ESG internal controls (e.g., data Integrity & Accountability, Regulations, Reputation)
  - Internal audits over sustainability (e.g., data validation assessment, internal controls assessment, ESG governance assessments, review of commitments, benchmarking and maturity assessment)
2. *Culture for ESG-related subjects and internal controls*
  - Subject matter: Committee of Sponsoring Organizations of the Treadway Commission " COSO", Enterprise Risk Management Integrating with Strategy and Performance
3. *Strategy and objective-setting for ESG-related risks*
4. *Performance for ESG-related risks*
5. *Review and revision for ESG-related risks*
6. *Information, communication and reporting for ESG-related risks*

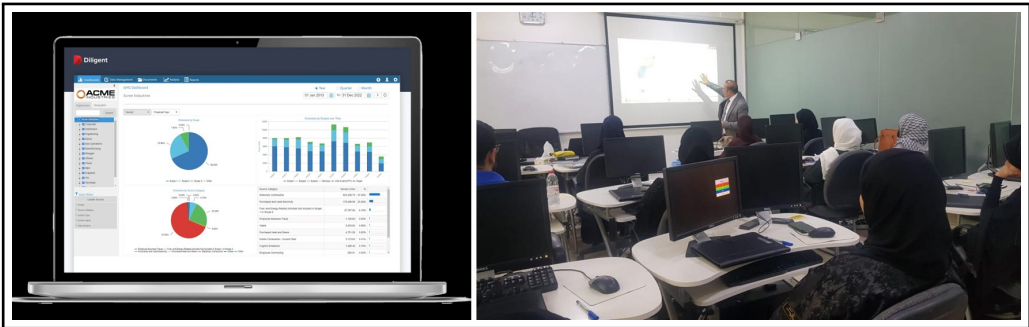
### Module 3 (Establishing ESG audit structure and Technology)

1. *ESG audit implementation.*
  - Stakeholder management approach
  - Conducting materiality assessment
  - Preparing ESG audit checklist
2. *ESG Technology.*
  - ESG Open Data
  - ESG Data Extraction and Gathering
  - ESG Monitoring & Risks Management
  - Carbon accounting
  - ESG Reporting Software
  - Board diversity

## 3.3 | Current Training Performance Analysis in Middle East

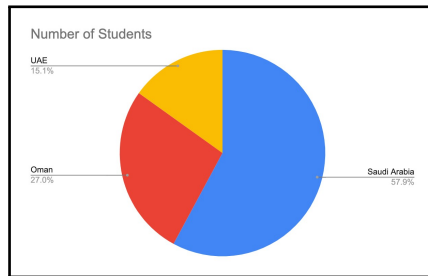
The ICAEA Middle East chapter has conducted over ten ESG Audit training courses in UAE, Oman and Saudi Arabia with more than 150 students in attendance. Some pictures of these classes and the Diligent ESG Audit project

demonstrated during the course are shown in Figure 4.



**FIGURE 4** Some pictures of classes in the Middle East and the Diligent ESG Audit project

Figure 5 illustrates the distribution of students across various countries. The majority was from Saudi Arabia. First course was held in the UAE with low satisfaction, however later the course has garnered positive feedback from students in Oman and Saudi Arabia, with an average satisfaction rating of 4.66 on a scale of 1 to 5. The course content and training methods have been tailored to meet the needs of the students in each country, resulting in an enhanced level of satisfaction.



**FIGURE 5** Illustrates the distribution of students across various countries.

## 4 | CONCLUSION

In conclusion, both local chapters have developed content courses that are based on the hands-on training method, using the Volkswagen Scandal Case Study as an example of greenwashing (BBC News, 2018). ICAEA International is currently reviewing these new course designs. As a professional organization, ICAEA is dedicated to promoting investment in computer auditing education and certification within our society. With ESG auditing skills and knowledge becoming an increasingly important trend for auditors and data analysts, we hope to see a new ESG audit certificate offered by ICAEA in the near future.

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