Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

UNCTAD-ISAR – WBCSD Webinar
Assurance on sustainability reports: current practices and challenges

Tuesday, 16 June 2020

Presented by

Jeffrey Hales
Chair, Standards Board
Sustainability Accounting Standards Board

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A SASB Perspective on Assurance

Jeffrey Hales, PhD
University of Texas at Austin
SASB Standards Board, Chair

UNCTAD-ISAR & WBCSD Webinar
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SASB’s Approach to Sustainability Reporting
Standards with a view of financially material ESG risks and opportunities across 77 industries
Investors want high-quality data that they can use across their portfolios.

“BlackRock believes that SASB provides a clear set of standards for reporting sustainability information across a wide range of issues...”

Larry Fink, Chairman and Chief Executive Officer
January 17, 2020

“...leveraging the Sustainability Accounting Standards Board (SASB) materiality framework, R-Factor ... allows us to evaluate a company’s performance against both regional and global industry peers ...”

Cyrus Taraporevala, Chief Executive Officer
January 28, 2020
Standards Support Assurance
Detailed guidance plus assurance supports consistent, comparable, reliable data

### Industry-specific disclosure topic

<table>
<thead>
<tr>
<th>Topic</th>
<th>Accounting metric</th>
<th>Category</th>
<th>Unit of Measure</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Quality</td>
<td>Air quality metrics</td>
<td>Quantitative</td>
<td>Metric tons NOx, CO2e</td>
<td>EM-EP-200.1</td>
</tr>
<tr>
<td>Water Management</td>
<td>Volume of water discharged</td>
<td>Quantitative</td>
<td>Million metric tons</td>
<td>EM-EP-200.1</td>
</tr>
</tbody>
</table>

### Accounting metrics

<table>
<thead>
<tr>
<th>Table 2. Activity Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity Metric</td>
</tr>
<tr>
<td>---------------------------</td>
</tr>
<tr>
<td>Production of: (1) oil, (2) natural gas, (3) synthetic oil, and (4) synthetic gas</td>
</tr>
<tr>
<td>Number of offshore sites</td>
</tr>
</tbody>
</table>

### Technical protocol for compiling data

1. The entity shall disclose its gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the seven GHGs covered via the Kyoto Protocol—carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF6), and nitrogen trifluoride (NWF).

### Activity metrics for normalization

- 71% No Assurance
- 2% Did Not Name Assurance Firm
- 27% Named Assurance Firm

### Report Type (2018 to date)

- 12% Regulatory Filings, Proxy Statements
- 14% Annual Reports, Other
- 74% CSR Reports

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Summary Observations
Lots of variance in practice, but trends are reassuring

1) At this stage of market adoption, limited issuers receive 3rd party review

2) Wide variety in how ESG assurance is conducted and communicated

3) Of the firms that obtained assurance, most issuers are using a nontraditional assurance firm, such as an engineering firm or environmental compliance firm

4) Most common metrics assured are the SASB metrics that relate to relatively well-established environmental measures:
   - Water (consumption, discharge, efficiency)
   - GHG emissions
   - Energy (consumption, efficiency)
Example
Assurance can be comprehensive and tailored to the highest level supported by established criteria.

Based on our review, we are not aware of any material modifications that should be made to management of Vornado Realty Trust’s assertion that the sustainability disclosures in the Global Reporting Initiative Index included within the accompanying Environmental, Social and Governance 2019 Report of the Company for the year ended December 31, 2019 are presented in accordance with the GRI Standards – Core option, in order for it to be fairly stated.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) in AT-C section 105, Concepts Common to All Attestation Engagements, and AT-C section 205, Examination Engagements. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management’s assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management’s assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management’s assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.
Accounting for a Sustainable Future