
**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

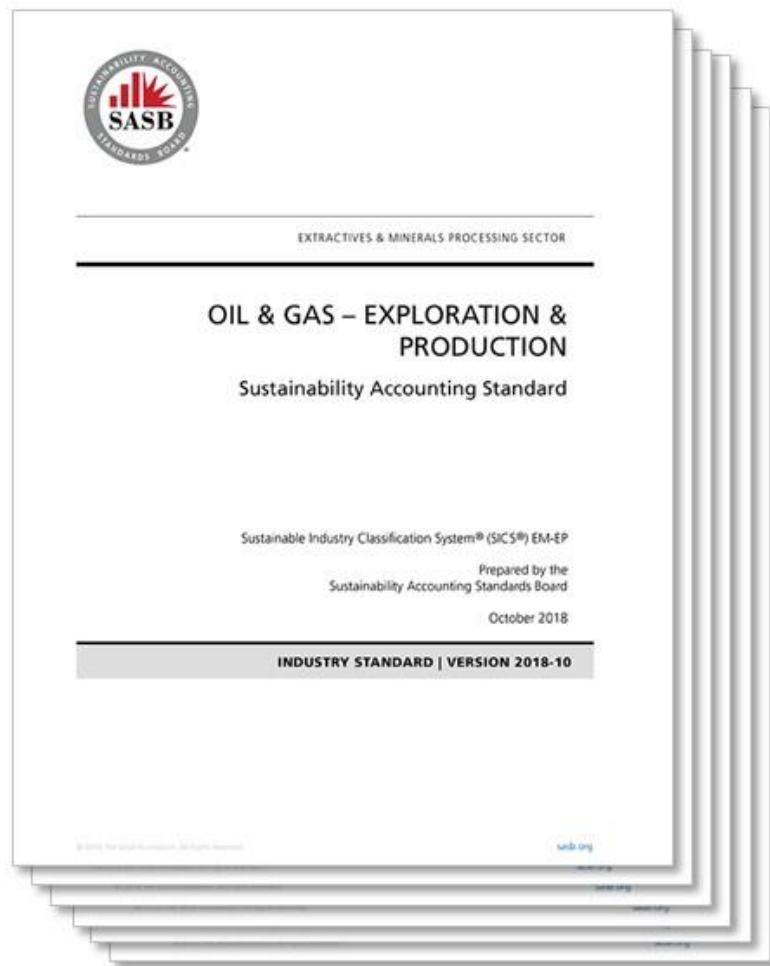
Assurance on sustainability reports: Current practices and challenges

16 June 2020

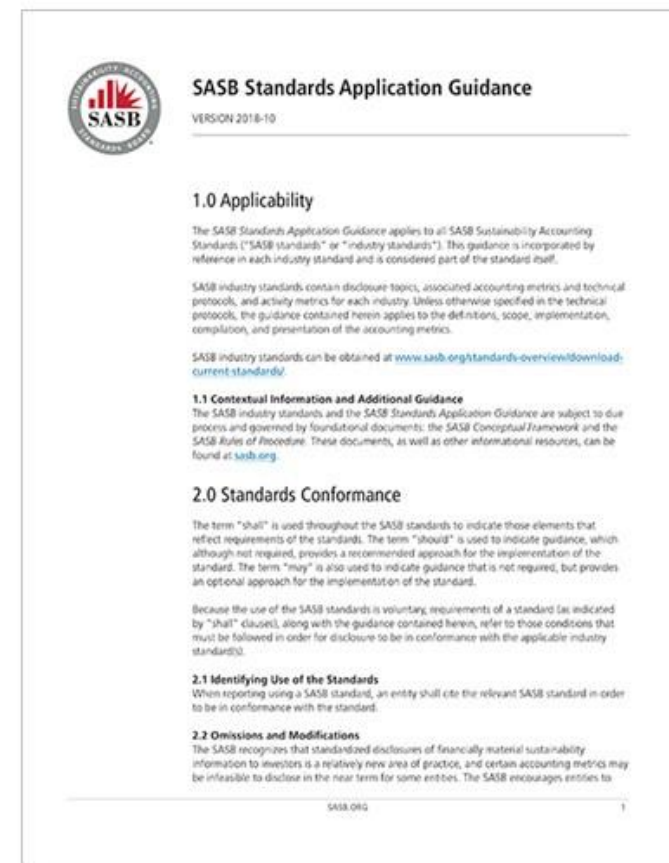
SASB's Approach to Sustainability Reporting

Standards with a view of financially material ESG risks and opportunities across 77 industries

77 industry-specific SASB Standards



Standards Application Guidance



From Reporting to Reliance

Investors want high-quality data that they can use across their portfolios.

BlackRock.

A Fundamental Reshaping of Finance

Dear CEO,

As an asset manager, BlackRock invests on behalf of others, and I am writing to you as an advisor and fiduciary to these clients. The money we manage is not our own. It belongs to people in dozens of countries trying to finance long-term goals like

retirees who are term v

Climate Last S climat will ha slower edge r

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system that finances economic growth.

Will cities, for example, be able to afford their infrastructure needs as climate risk reshapes the market for municipal bonds? What will happen to the 30-year mortgage – a key building block of finance – if lenders can't estimate the impact of climate risk over such a long timeline, and if there is no viable market for flood or fire insurance in impacted areas? What happens to inflation, and in turn interest rates, if the cost of food climbs from drought and flooding? How can we model economic growth if emerging markets see their productivity decline due to extreme heat and other climate impacts?

Investors are increasingly reckoning with these questions and recognizing that climate risk is investment risk. Indeed, climate change is almost invariably the top issue that clients around the world raise with BlackRock. From Europe to Australia, South America to China, Florida to Oregon, investors are asking how they should modify their portfolios. They are seeking to understand both the physical risks associated with climate change as well as the ways that climate policy will impact prices, costs, and demand across the entire economy.

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

STATE STREET GLOBAL ADVISORS

CEO's Letter on our 2020 Proxy Voting Agenda

Dear Board Member,

As one of Global A issues cr independ our activ vote to p

ESG: No Three ye the envin engaged years, we such as c believe t essential value, n

Sustaina Over the Many dir understa more cle their bus culture a employe issues in

our call. For example, our [Fearless Girl campaign](#) in which we used our voice

“... 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 ...

... Beginning this proxy season, we will take appropriate voting action against board members at companies in the S&P 500, FTSE 350, ASX 100, TOPIX 100, DAX 30, and CAC 40 indices that are laggards based on their R-Factor scores ... ”

**Cyrus Taraporevala, Chief Executive Officer
January 28, 2020**

Standards Support Assurance

Detailed guidance plus assurance supports consistent, comparable, reliable data

Industry-specific disclosure topic

Accounting metrics

Technical protocol for compiling data

Activity metrics for normalization

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations	Quantitative	Metric tons CO ₂ -e (t), Percentage (%)	EM-EP-110a.1
Air Quality	Air emissions of NO _x , SO _x , and particulate matter	Quantitative	Mass (metric tons)	EM-EP-110a.2
Water Management	Volume of water withdrawn, consumed, discharged, and recycled	Quantitative	Cubic meters (m ³)	EM-EP-110a.3

EM-EP-110a.1. Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations

1 The entity shall disclose its gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the seven GHGs covered under the Kyoto Protocol—carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃).

1.1 Emissions of all GHGs shall be consolidated and disclosed in metric tons of carbon dioxide equivalent (CO₂-e), and calculated in accordance with published 100-year time horizon global warming potential (GWP) values. To date, the preferred source for GWP values is the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (AR5).

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Production of: (1) oil, (2) natural gas, (3) synthetic oil, and (4) synthetic gas	Quantitative	Thousand barrels per day (Mbbbl/day); Million standard cubic feet per day (MMscf/day)	EM-EP-000.A
Number of offshore sites	Quantitative	Number	EM-EP-000.B
Number of terrestrial sites	Quantitative	Number	EM-EP-000.C

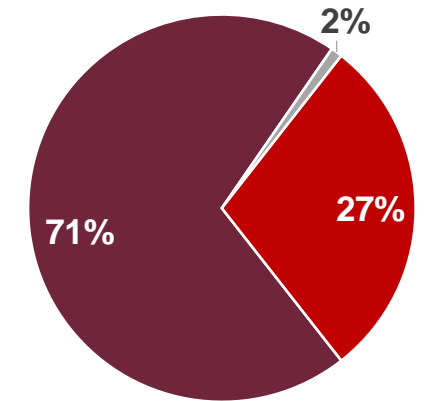
Report Type (2018 to date)

12% Regulatory Filings, Proxy Statements

14% Annual Reports, Other

74% CSR Reports

Assurance (2018 to date)



- No Assurance Reported
- Named Assurance Firm
- Did Not Name Assurance Firm



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

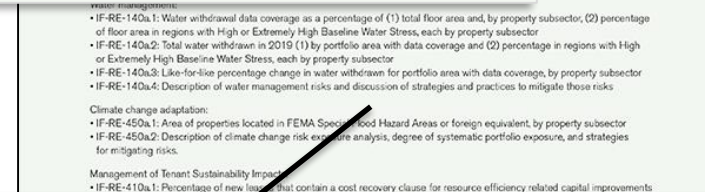
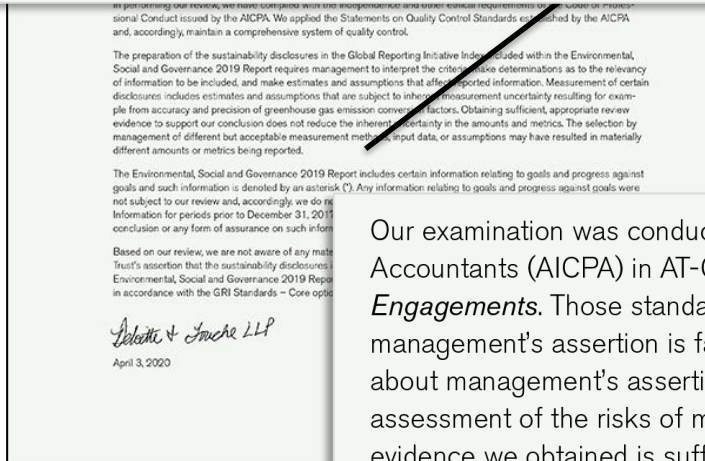


GRI Index in ESG Report

SASB Index in ESG Report



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**