

Sustainability Research and Teaching

July 30, 2021 / Jeffrey Hales, SASB and UT Austin



DISCLOSURE STANDARDS AND COMMUNICATION NORMS

Evidence of voluntary disclosure standards as a coordinating device for capital markets

KHRYSTYNA BOCHKAY

University of Miami

JEFFREY HALES

The University of Texas at Austin

GEORGE SERAFEIM

Harvard University

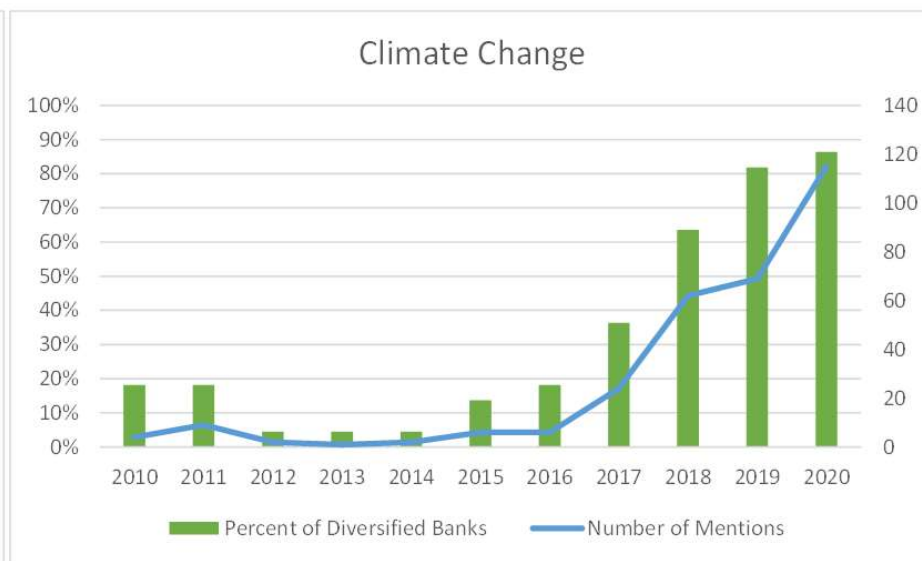
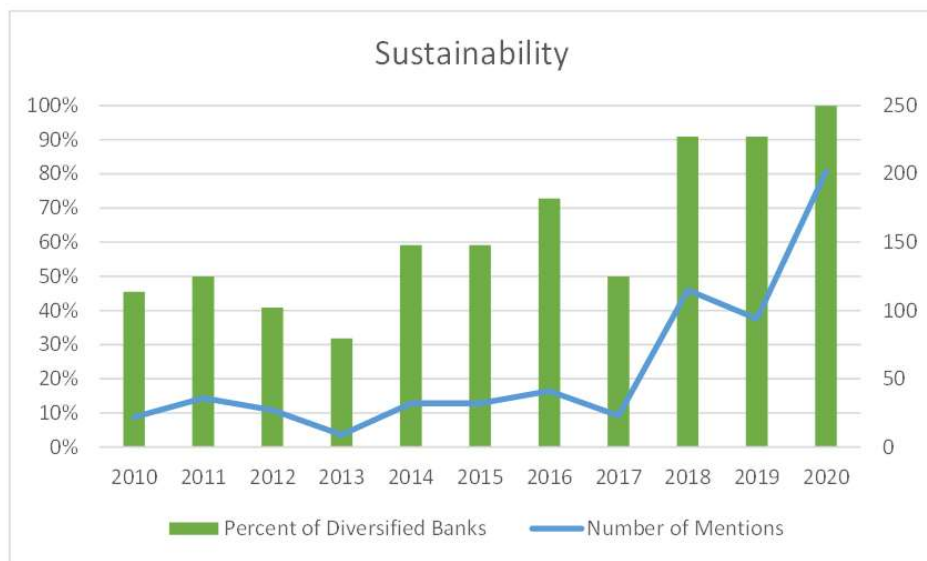
Bloomberg Green

Do as Banks Say—and, Hopefully, as They Do

The world's largest financial institutions are all saying the same thing: It's time to factor in climate change.

By Nathaniel Bullard

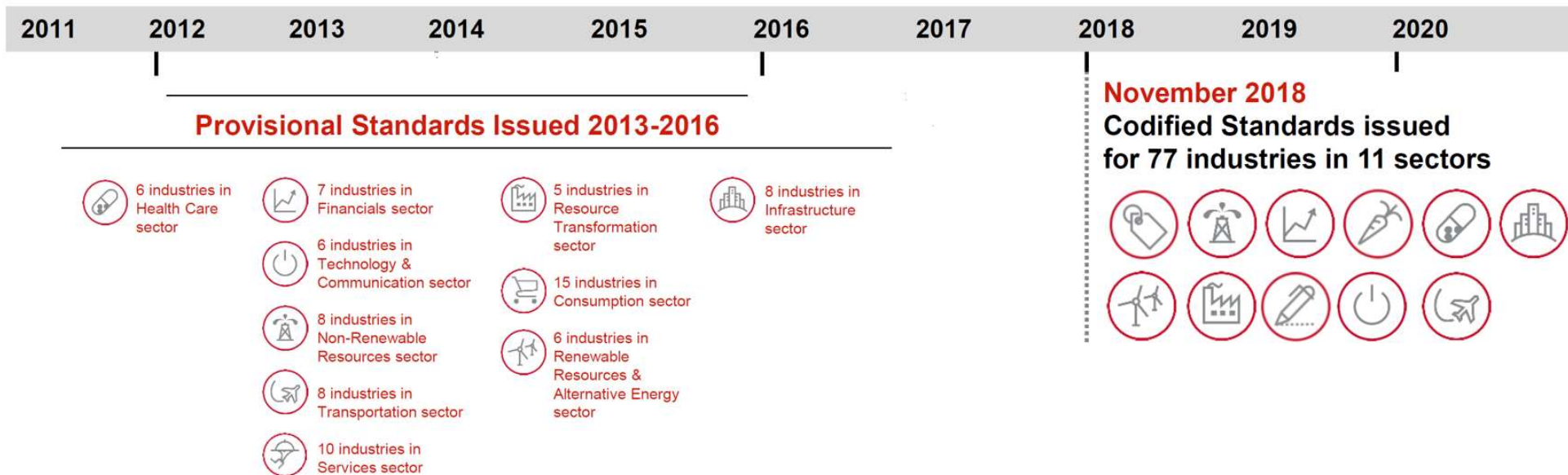
April 22, 2021, 6:00 AM EDT



*Keyword or key term per year in filings, presentations, and transcripts

*Adapted from source: <https://www.bloomberg.com/news/articles/2021-04-22/do-as-banks-say-and-hopefully-as-they-do>

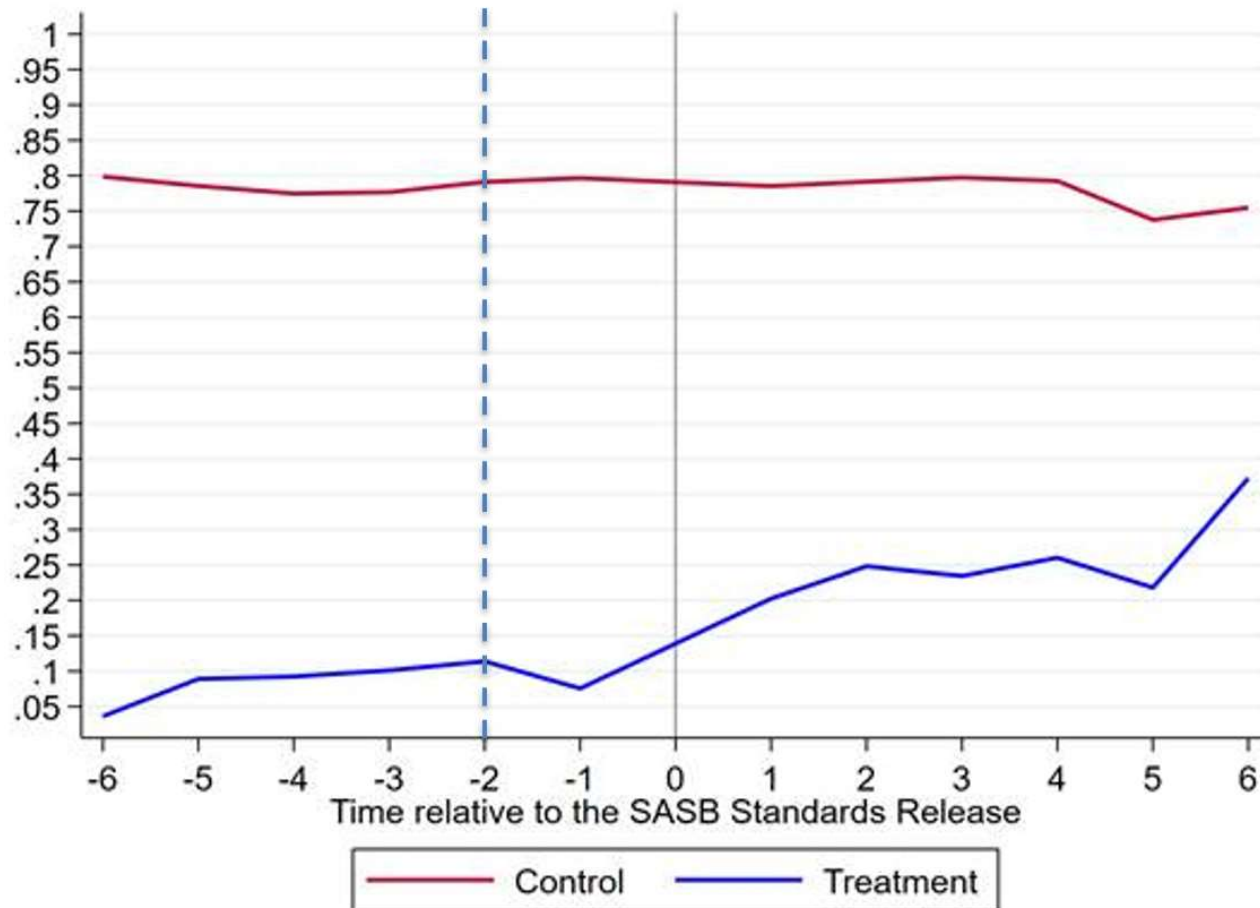
SASB Standards Development Timeline



Dictionary of Sustainability Terms

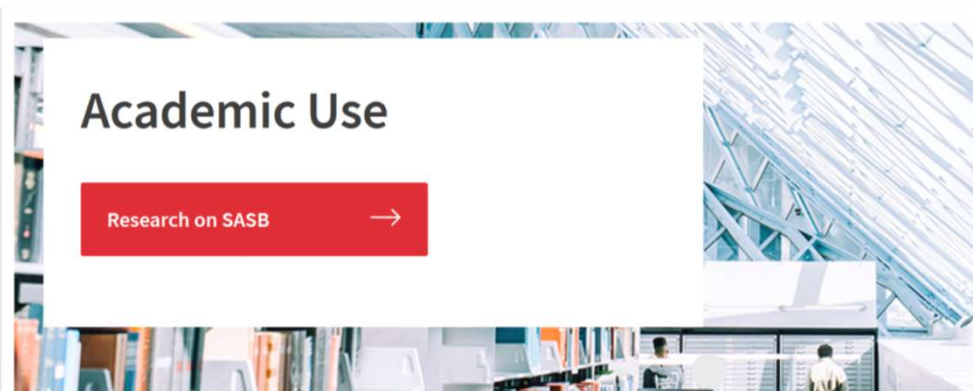
- Analysis of disclosure topic descriptions in SASB's 77 industry standards
 - Identify industry standard
 - Identify disclosure topics within an industry standard
 - Extract the corresponding description for a disclosure topic
 - Use research assistants to extract relevant keywords and phrases from the description
 - Repeat for each disclosure topic
 - Repeat for each industry topic
 - In this manner, we coded 444 ESG disclosure topics (~5.75/standard)
-

Coverage of ESG Topics: Early Treatment Assignment



We Need Your Academic Research

Use SASB content in your research and share your research with SASB



VISIT

sasb.org/academic-use/

SASB seeks to support research that advances the field of sustainability accounting, ESG integration, and sustainability disclosure.

As such, SASB can provide its materials for scholarly research at no cost. If you are interested in publishing research related to SASB Standards and would like to receive the Standards, Materiality Map®, or other associated information in Excel form, please email licensing@sasb.org. To access a selection of research that includes SASB, [please click here](#).

Helpful Resources



**INTEGRATED
THINKING
PRINCIPLES**



**INTEGRATED
REPORTING
FRAMEWORK**



**SASB
STANDARDS**

The SASB Standards Knowledge Hub

A centralized free online resource for publications and other media



Visit sasb.org/knowledge-hub

Includes:

- **WEBINARS**
- **REPORTS**
- **CASE STUDIES**
- **WHITEPAPERS**

▶ Webinar

Bringing the
PRI Principles to Life:
SASB as a toolset

SASB ESG INTEGRATION INSIGHTS

INVESTORS IN THEIR OWN WORDS

ENGAGEMENT GUIDE

FOR ASSET OWNERS & ASSET MANAGERS

ESG UNCOVERED

Using Available Data—and Filling the Gaps That Remain

TCFD Implementation Guide

Using SASB Standards and the CDSB Framework
to Enhance Climate-Related Financial Disclosures
in Mainstream Reporting

SASB RULES OF PROCEDURE

SUSTAINABILITY ACCOUNTING
STANDARDS BOARD (SASB)

Industry



Sector



Country



Type of ...



Publicat...



Sort by


 Search

Company name

Industry

Sector

Country

Type of Document

Publication
Year

3i Group PLC

Asset Management & Custody
Activities

Financials

Britain

Sustainability Report

2021

**Aberdeen Standard
Investments Inc**

Asset Management & Custody
Activities

Financials

United States

Corporate Responsibility
Reports

2021

ABM Industries Inc


Professional & Commercial Services

Services

United States

Corporate Responsibility
Reports

2020

ABN AMRO Bank NV


Commercial Banks

Financials

Netherlands

SASB Index

2021

AC Energy Inc.


Electric Utilities & Power Generators

Infrastructure

Philippines

Integrated Report

2021

Use the <IR> Examples Database

An online tool used to understand and learn from emerging best practice, the <IR> Example Database includes:

- Examples of emerging best practice across the content elements, guiding principles and fundamental concepts of the <IR> Framework
- Commentary outlining key strengths
- Award winning integrated reports
- A list of self-declared integrated reports globally.

<http://examples.integratedreporting.org/home>



Assurance Example



GRI Index in ESG Report

SASB Index in ESG Report

Deloitte.

Deloitte & Touche LLP
185 E. Main Street
Stamford, CT 06901
USA

Deloitte.

Deloitte & Touche LLP
185 E. Main St
Stamford, CT 06901-0141
USA

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.

substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

In performing our review, we have complied with the independence and other ethical requirements of the Code of Professional Conduct issued by the AICPA. We applied the Statements on Quality Control Standards established by the AICPA and, accordingly, maintain a comprehensive system of quality control.

The preparation of the sustainability disclosures in the Global Reporting Initiative Index included within the Environmental, Social and Governance 2019 Report requires management to interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Measurement of certain disclosures includes estimates and assumptions that are subject to inherent measurement uncertainty resulting from, for example, the accuracy and precision of greenhouse gas emission conversion factors. Obtaining sufficient, appropriate review evidence to support our conclusion does not reduce the inherent uncertainty in the amounts and metrics. The selection by management of different but acceptable measurement methods, input data, or assumptions may have resulted in materially

• IF-RE-140a/c: Percentage of eligible portfolio that (1) has an energy rating and (2) is certified to ENERGY STAR, by property subsector.
• IF-RE-120a/b: Description of how building energy management considerations are integrated into property investment analysis and operational strategy.

Water management:
• IF-RE-140a.1: Water withdrawal data coverage as a percentage of (1) total floor area and, by property subsector, (2) percentage of floor area in regions with High or Extremely High Baseline Water Stress, each by property subsector.
• IF-RE-140a.2: Total water withdrawn in 2019 (1) by portfolio area with data coverage and (2) percentage in regions with High or Extremely High Baseline Water Stress, each by property subsector.
• IF-RE-140a.3: Like-for-like percentage change in water withdrawn for portfolio area with data coverage, by property subsector.
• IF-RE-140a.4: Description of water management risks and discussion of strategies and practices to mitigate these risks.

Climate change adaptation:
• IF-RE-150a.1: Area of properties located in FEMA Special Flood Hazard Areas or foreign equivalent, by property subsector.

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.

Implementation resources:

SASB Standards

As investor demand for financially material sustainability information grows, businesses are no longer asking ‘why?’ but ‘how?’ The **SASB Standards Implementation Primer** provides businesses with practical tips, key questions and market insights.



Visit: sasb.org/implementation-primer



Implementation resources:

Integrated Reporting Framework (coming soon)

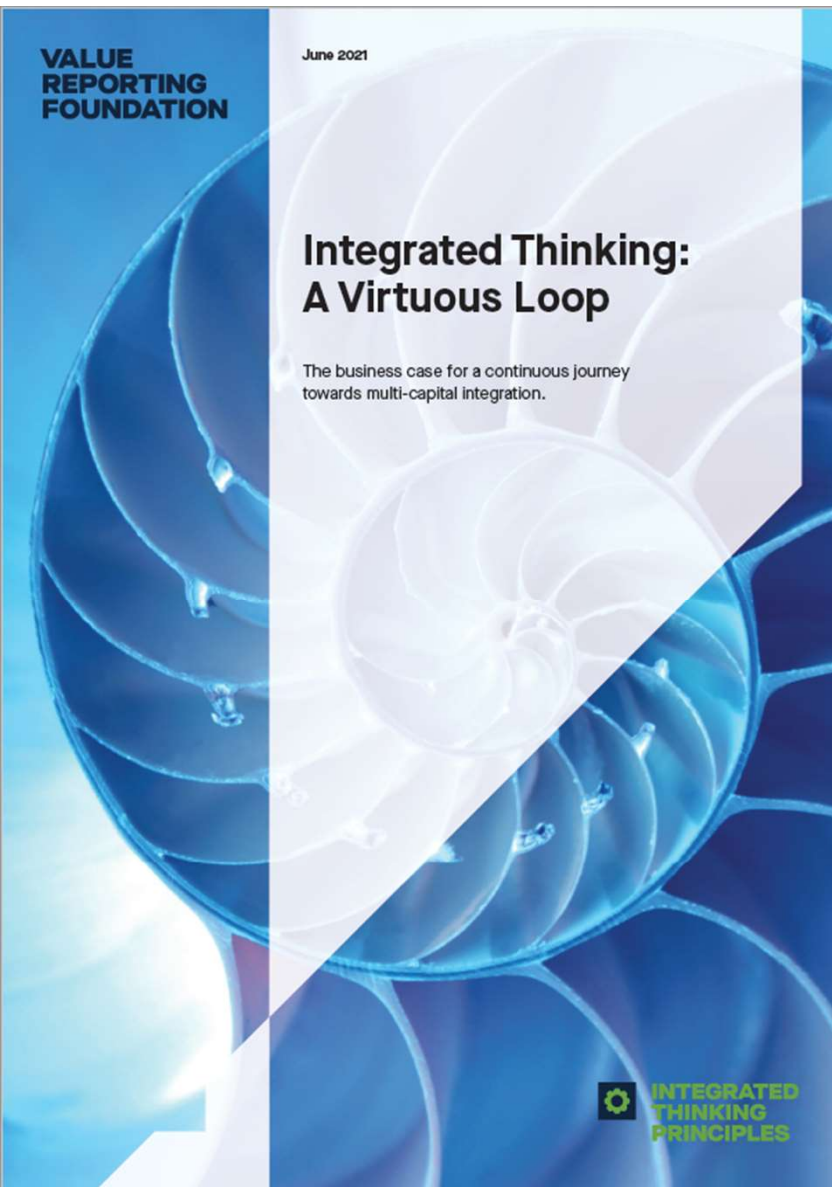
A companion to the <IR> Framework, the **Getting Started Guide** helps report preparers develop a custom-fit transition plan.

The Guide sets out:

- Basics of integrated reporting
- Finding motivation
- Setting the foundation
- From concept to implementation
- A sample roadmap.

01	Getting organized	1.1 Establish responsibility for integrated reporting 1.2 Form the integrated reporting team 1.3 Develop a repository of key resources
02	Establishing a plan	2.1 Apply a 'Fundamental Concepts' lens 2.2 Identify the reporting boundary 2.3 Examine existing reporting for gaps
03	Identifying information needs	3.1 Outline information needs and sources 3.2 Identify material matters 3.3 Determine the form of required content
04	Assessing systems and controls	4.1 Review stakeholder engagement mechanisms 4.2 Check information systems and internal controls 4.3 Evaluate audit and assurance activities
05	Preparing report content	5.1 Draft contextual information 5.2 Update preliminary report for year-end results 5.3 Refine content through systematic review
06	Improving the process	6.1 Design and implement a feedback mechanism 6.2 Identify challenges and solutions 6.3 Monitor progress and embed successes





Implementation resources: Integrated Thinking Principles

With case studies to guide implementation and support learning from leading innovators, the report includes a map to help you define and refine your approach to **integrated thinking** in order to:

1. Understand outcomes
2. Foster culture and purpose
3. Support integration of financial and other aspects
4. Enhance connectivity and transparency.

Visit: integratedreporting.org/integrated-thinking



Assessing Company Reports



**INTEGRATED
THINKING
PRINCIPLES**



**INTEGRATED
REPORTING
FRAMEWORK**



**SASB
STANDARDS**



Assessing SASB Standards disclosure quality

Monitoring the quality of disclosure with SASB Standards will improve decision-usefulness

For every business reporting with SASB Standards, we analyze how the disclosure was implemented. Our goal is to improve the usefulness of the SASB Standards by:

1. Identifying **potential revisions to the SASB Standards** to support more consistent corporate disclosure
2. Working with companies and investors to **identify best practices and provide case studies** for ongoing market improvement



We track 5 elements of disclosure quality

- 1 Are all the accounting metrics and activity metrics referenced in the report?
- 2 Is “Report or Explain” used?
- 3 Are metric codes included?
- 4 Are data visible next to the metric code?
- 5 Is the SASB Standards information available in a structured format?

Reviewing integrated reports

Report Critique Project

<IR> Business Network integrated reports are reviewed by experts and investors to assess accuracy, coverage and integrity:

- Assessed against **fundamental concepts, guiding principles** and **content elements** of the International <IR> Framework
- How the report draws on other standards/frameworks/regulations (e.g. EU NFRD) or recommendations (e.g. TCFD, SDGs)
- Level of assurance received.

Through the review process, participants are provided with:

- Indication of their strengths
- Practical recommendations for further improvement.

According to ACCA research for 2020 reporting cycle ...

<IR> Business Network report strengths:

- Connecting performance to strategy
- Connecting risks and opportunities to strategy
- Insight into dealing with risks and opportunities.

Areas for improvement:

- Connecting governance to strategy
- Consistent reporting on the capitals
- Connecting outlook to strategy.