Audit Committee
Leadership Network

August 2021

VIEWPOINTS

Dialogue with the Value Reporting Foundation and GRI on ESG reporting

Environmental, social, and governance (ESG) reporting is now a priority for directors of the largest companies. It is a rapidly evolving issue, with yawning expectation gaps between private standard setters, issuers, regulators, and investors, prompting one audit chair to remark, *"Management keeps telling me this is all about as clear as mud, so I have a hard time holding them to account on all this."*[1]

An ever-expanding range of demands for information from companies has led to a proliferation of frameworks and standards, a complex landscape of reporting initiatives, and a forest of acronyms. Some companies are further along than others in identifying the ESG issues that are most salient to their businesses, managing the associated risks, and plotting a path through complex reporting options. *"What is the prognosis for this becoming less of a mess?"* one audit chair asked. Attempts at improvement are underway. Several organizations are now collaborating to align their initiatives with each other. The Securities and Exchange Commission (SEC) has also signaled a new position on ESG disclosures.

On June 28, 2021, members of the Audit Committee Leadership Network (ACLN) met virtually to discuss the state of ESG standards and sustainability reporting with Janine Guillot, CEO of the Value Reporting Foundation,[i] and Eric Hespenheide, chair of the Global Reporting Initiative (GRI).

Biographies of meeting guests are provided in Appendix 1 (page 11), and a list of participants is provided in Appendix 2 (page 13).

[i] As of June 9, 2021, the Sustainability Accounting Standards Board (SASB) merged with the International Integrated Reporting Council (IIRC), to form a new organization, the Value Reporting Foundation. See page 5 for more detail.

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Executive summary

ACLN members and their guests discussed the following matters:

- **Directors urge swift movement toward simplification** *(page 3)*

  Audit chairs insisted that ESG standards must converge and simplify. Guests acknowledged these concerns but tempered expectations: ESG reporting can be clarified, but will never be simple. Different reporting options, including SASB and GRI standards, satisfy different stakeholder needs. This abundance of standards complicates questions of materiality and the fair public disclosure of sustainability information.

- **Standard setters are working together to advance ESG reporting** *(page 4)*

  Several important initiatives tackle harmonization across ESG reporting. Guests reiterated that these developments are taking place at an increasing pace. The Value Reporting Foundation is one of the most recent efforts. Others include SASB and GRI's joint efforts and the work of the Group of Five, both of which advance interoperability of disclosures.

- **Standard setters support the IFRS Foundation proposal** *(page 6)*

  Guests indicated approval for the IFRS's sustainability proposal and its potential impacts on ESG reporting, which others, including the G7 finance ministers, also support. The IFRS plans to tailor its standards to the needs of investors, taking a climate-first approach. A final determination on the creation of this standards board will be made before the 2021 United Nations COP26 meeting in November.

- **SASB and GRI welcome signals from regulators on ESG disclosures** *(page 6)*

  Regulators are beginning to incorporate climate risk and other ESG issues into disclosure requirements. Members acknowledged that Europe currently leads the United States on such matters, but recent developments indicate that US and EU policy may come into alignment. Both guests acknowledged the significance of the SEC's recent focus on ESG.

- **Directors emphasize the need for ESG disclosure assurance** *(page 8)*

  Audit chairs believe that assurance of ESG disclosures is necessary, but they see auditability as a continuing challenge. Members faulted inconsistencies across standards, while their guests insisted that it is the application of standards that compromise auditability. There are guidelines for assurance of ESG disclosures, guests assured members, but companies have been slow to adopt these tools. Members also pointed to forward-looking metrics as an area of particular concern for assurance.

For a list of discussion questions, see Appendix 3 (page 15).

Directors urge swift movement toward simplification

Members believe that simplification of ESG reporting standards is urgently needed. Ms. Guillot was clear, however: *"This will never be simple. It can be simpler; it can be more coherent; it can be better understood—but it will never be simple."* Mr. Hespenheide added, *"I think we can clarify what you use for what purpose, but that is clarification, not simplification."* Other audit chairs expressed frustration over a lack of consistency. *"Even in the same industry, we cannot compare,"* one director said. Mr. Hespenheide pushed back: *"Comparability is an issue, I agree, but it's not an issue with the standards; it's with the application of the standards."*

At the center of these differences between the standards of the Sustainability Accounting Standards Board (SASB) and GRI is the question of materiality, which both Mr. Hespenheide and Ms. Guillot addressed. Materiality is foundational for disclosure of corporate sustainability information, but its many uses and definitions continue to cause confusion. *"In my working career,"* one director noted in a premeeting call, *"I never had to go through this process of picking a standard and comparing."* The numerous disclosure frameworks and standards have "adopted an array of proprietary definitions of materiality focused on different users, subject matters, and objectives."[2] Nonetheless, Mr. Hespenheide said, *"Fundamentally, everyone is using the same definition: if it's important, it's material. In the case of GRI, that applies to civil society's views as well."*

GRI Standards

The GRI Standards are designed to satisfy the needs of a broad spectrum of stakeholders, and therefore cover issues as diverse as climate change impact, corruption, and occupational health and safety.[3] GRI defines as material those issues "that may reasonably be considered important for reflecting the organization's economic, environmental and social impacts, or influencing the decisions of stakeholders … [where 'impact' is defined as] the effect an organization has on the economy, the environment, and/or society, which in turn can indicate its contribution (positive or negative) to sustainable development."[4] GRI guides companies to report on issues with "the most significant economic, environmental, and social impacts."[5] These could include issues that have "financially material" impacts on the company or matters beyond direct financial materiality, such as greenhouse gas emissions, human rights, and supply chain practices.[6] This definition is far broader than SASB's.

SASB Standards

The SASB Standards are more tightly focused on investor interests. *"SASB Standards are designed for businesses to communicate with investors – the Standards describe performance on the subset of sustainability issues most likely to impact enterprise value,"* Ms. Guillot said. It considers a narrower group of ESG issues to be "financially material" and "reasonably likely to impact the financial condition or operating performance of a company and therefore most important to investors."[7] In the tradition of English and American common law and aligned with the US Supreme Court, SASB Standards adhere to a more dynamic concept of materiality: the "reasonable investor" standard, which "provides a framework for addressing new issues and shedding issues whose importance has waned."[8] SASB Standards reflect the view that "as changes have occurred in the broader economy and in the composition of corporate valuations, the information that capital markets, and thus reasonable investors, need to efficiently price securities and vote their shares has also changed."[9]

Regulation Fair Disclosure (FD) may complicate ESG conversations with investors

Ms. Guillot discussed with members a growing concern around the bilateral conversations taking place between companies and investors on ESG matters. These are often a consequence of the divergences in materiality across reporting options and the varied demands for information from large shareholders. *"We do not have generally accepted standards in the way that we have generally accepted accounting principles,"* Ms. Guillot said. *"In the financial space, investors cannot engage with companies unilaterally to try and get financial information other than what is produced by generally accepted accounting standards … But because there is a lack of generally accepted standards around sustainability information, investors are making unilateral requests for information."* Historically, this has been presumed acceptable, Ms. Guillot explained, because sustainability information was not perceived as financially material or market moving. That may be increasingly contested, however, as investors trade on this type of information and look for proprietary advantages in the sustainability space. *"This is a critical question,"* Ms. Guillot said. *"Who is disclosing what information, to whom, and in what private forum? I would get my arms around that very soon."*

Standard setters are working together to advance ESG reporting

Both Ms. Guillot and Mr. Hespenheide were optimistic about the future clarity of sustainability disclosures. *"The reason for my optimism is that we are finally pulling together the key elements,"* Mr. Hespenheide said. *"This is moving faster than financial accounting ever did,"* Ms. Guillot added. Several important initiatives are tackling convergence and harmonization across sustainability disclosures. *"We are doing everything we can to merge and simplify, to move toward these concepts of interoperability,"* Ms. Guillot told members. The Value Reporting Foundation is a recent result.

The Value Reporting Foundation

In June 2021, SASB and the International Integrated Reporting Council (IIRC) announced their official merger to form the Value Reporting Foundation.[10] *"What drove this merger was the demand for simplification,"* Ms. Guillot said. Many see this development as an important step toward more comprehensive and harmonized ESG reporting. This merger, Ms. Guillot writes, "better positions us to support key bodies such as the IFRS Foundation and continue to work with our colleagues around the world to drive progress towards a comprehensive corporate reporting system."[11] The Value Reporting Foundation is a global nonprofit that offers a suite of resources—the Integrated Thinking Principles, <IR> Framework, and SASB Standards—to help companies and investors develop a shared understanding of enterprise value. *"Think of the Value Reporting Foundation as a holding company for these three tools,"* Ms. Guillot said. The new foundation envisions an integrated report, which is "a concise communication about how an organization's strategy, governance, performance and prospects … lead to the creation of value in the short, medium and long term."[12] The SASB Standards and <IR> Framework are complementary: "the<IR> Framework drives a holistic view of the value creation process through governance and business model disclosure, and the connectivity of information, while SASB Standards add comparability to sustainability-related data across peer companies."[13] Ms. Guillot told members, *"For companies that use both, now it will be much easier."*

Joint research from SASB and GRI

Ms. Guillot told members, *"[SASB has] been working quite closely with GRI and others to try and simplify the landscape for well over a year."* In April 2021, SASB and GRI published a work plan that demonstrates how companies can use their standards together. *A Practical Guide to Sustainability Reporting Using GRI and SASB Standards* is based on extensive interviews that outline how several companies, including General Motors and Suncor Energy, are using the two sets of standards together.[14] The guide offers overviews of similarities and distinctions between the standards, covering materiality, the type and scope of disclosures, audiences, and the standard-setting process. "By sharing practical experiences," Mr. Hespenheide said, "we are enabling companies to determine the sustainability reporting path that is right for them, based on the needs of their stakeholders. I believe it will improve understanding of the differences between GRI and SASB Standards and, importantly, ways in which they can be used concurrently."[15]

The Group of Five

In September 2020, five international sustainability standard-setting bodies—SASB, GRI, the Climate Disclosure Standards Board, CDP, and IIRC—announced their intention to work together, outlining a vision for how existing ESG standards and frameworks can complement financial reporting.[16] In December 2020, the group published a report that addresses how sustainability matters affect enterprise value and outlined a prototype climate-related financial disclosure standard.[17] "We've put forward what we consider to be the best and fastest path to a comprehensive reporting system that addresses both enterprise value and sustainability-related risk," said Ms. Guillot.[18] Mr. Hespenheide said the report illustrated how a much-needed corporate regime that places financial and sustainability reporting on equal footing could be accomplished.[19] Members of this alliance, along with the Task Force on Climate-related Financial Disclosures, comprise a technical readiness working group convened by the International Financial Reporting Standards (IFRS) Foundation that is working toward the creation of an IFRS-proposed sustainability board (see below).[20]

Standard setters support the IFRS Foundation proposal

In September 2020, the IFRS Foundation published its *Consultation Paper on Sustainability Reporting*. The document proposed the creation of a new global sustainability standards board similar to the IASB, operating under the remit of the IFRS Foundation. The proposal was opened to public comment, and the Foundation heard from a cross section of stakeholders that were broadly supportive of the proposal.[21] Ms. Guillot called the proposal "the most significant development in accounting standard-setting since the creation of the IASB in 2001."[22] The G7 finance ministers and the World Economic Forum's International Business Council have similarly expressed their support. The IFRS plans to tailor its standards to the needs of investors. The Foundation has also indicated it will take a climate-first approach to its standards in terms of its focus and a building-blocks approach in terms of its rollout, the latter to allow flexibility across jurisdictions.[23] *"Many US corporations and some investors still don't see this as relevant in the US,"* Ms. Guillot said in a premeeting call. *"That is not our view. We think US multinationals really need to get behind this effort."* A final determination on the creation of the IFRS's sustainability standards board will be made in September, two months before the 2021 United Nations Climate Change Conference, COP26, in November. Ms. Guillot told members, *"If you asked me when I joined SASB six years ago if the IFRS Foundation would be thinking about setting sustainability standards, I would have said that was 20 or 30 years away."* Several members, however, were not satisfied with the pace: *"They are not moving quickly enough,"* one audit chair said. Ms. Guillot responded, *"I will feed that back to the Foundation. In their defense, it is challenging for them. They have a very complex global governance structure. By their standards, they are moving quite rapidly."*

SASB and GRI welcome signals from regulators on ESG disclosures

Regulators around the globe are beginning to incorporate climate risk and other sustainability issues into their requirements for public company disclosures. *"This will ultimately involve rulemaking,"* Mr. Hespenheide said. Members acknowledged that Europe currently leads the United States on such matters, but recent developments in the United States may eventually align US and European policy. Ms. Guillot credited the influence of large investors with the speed at which capital market regulators have entered the conversation. Mr. Hespenheide said, *"To have the SEC even having conversations about sustainability and ESG disclosures at the level and intensity that we are seeing is unheard of."*

Developments in the United States

In March 2021, Allison Herren Lee, at that time acting chair of the SEC, said, "No single issue has been more pressing for me than ensuring that the SEC is fully engaged in confronting the risks and opportunities that climate and ESG pose for investors, our financial system, and our economy."[24] Following the recommendations of the ESG Subcommittee of the Asset Management Advisory Committee, Lee announced that the SEC will be "'working toward a comprehensive ESG disclosure framework' and pursuing initiatives such as 'offering guidance on human capital disclosure to encourage the reporting of specific metrics like workforce diversity, and considering more specific guidance or rule making on board diversity.'"[25] Gary Gensler, the recently appointed chair of the SEC, has also signaled a more active role on ESG issues. During his Senate committee nomination hearing in March, he said, "The SEC has a role to play to bring some consistency and comparability to [ESG disclosure] guidelines."[26] Nonetheless, since his confirmation in April, Gensler has made few public comments on sustainability-related issues.

On April 30, 2021, John Coates, at the time acting director of the SEC Division of Corporation Finance, said, "We're not going to be moving slowly."[27] In late March, the SEC issued a request for public input from "investors, registrants, and other market participants on climate change disclosure."[28] The responses so far have been mixed.[29] SASB submitted a statement broadly supporting "the SEC's increased interest and initiative in the area of sustainability-related financial disclosure" and noted that SASB "believes generally accepted sustainability disclosure standards can play a key role in addressing this emerging priority."[30]

In a speech given in late May, Lee addressed several points of confusion and dispelled widely held but mistaken beliefs around the SEC and materiality: (1) that the SEC already requires the disclosure of all material ESG matters (indeed all matters) under securities laws, (2) that where there is a duty to disclose, companies are already disclosing, and (3) that SEC disclosure requirements must be strictly limited to material information.[31] In her speech, Lee also echoed Coates's call for public input on ESG disclosure: "The SEC needs your advice, your thoughts, and your expertise as we endeavor to craft a rule proposal for climate and ESG disclosures."[32]

Developments in Europe

In alignment with its policies related to the Green Deal, the European Union (EU) has undertaken major policy and regulatory initiatives that will impact sustainability reporting.[33] Mr. Hespenheide noted that while the disclosures currently being explored by regulators in the United States would only impact publicly listed companies, *"In the EU, they are going beyond listed companies. If you operate in the EU, you will have to make these kinds of disclosures."* These initiatives may influence the direction of policy in the United States.

- **Corporate Sustainability Reporting Directive.** In April 2021, the European Commission (EC) adopted proposals to enhance sustainability reporting through a revised Non-Financial Reporting Directive. The proposals call for mandatory sustainability reporting and for the disclosures to be "on par with financial reporting."[34] These changes could potentially apply to US companies listed on EU market exchanges or ones with large subsidiaries in the EU. The first set of standards, which are to be prepared by the European Financial Reporting Advisory Group (EFRAG), will be due for adoption by October 31, 2022. If the EC and the European Parliament reach agreement on a final text by the first half of 2022, which is now expected, the new requirements will apply for reports published in 2024.[35]
- **The EU green taxonomy.** The same April 2021 package of measures also included the first parts of a taxonomy that "aims to identify which economic activities contribute to meeting the EU's environmental objectives."[36] Specifically, it contained technical screening criteria for two categories (climate change adaptation and climate change mitigation) out of an eventual six.[37]
- **EFRAG European Lab Project Task Force.** In June 2020, EFRAG began preparatory work to allow it to become the technical preparer of EU sustainability reporting standards. The European Parliament would be the formal standard setter through the adoption of delegated acts.[38] The April 2021 EC package opens the way for EFRAG to take charge of drafting proposed sustainability standards.[39]

Directors emphasize the need for ESG disclosure assurance

Audit chairs were unanimous that some level of assurance is needed for ESG disclosures, which are often nonfinancial: *"We certainly don't want to be setting land mines for the company,"* one member said. Many companies represented at the meeting currently use third parties to supply some level of limited assurance. *"Both of my boards use a third party to verify gas emissions,"* one member said. Others felt the conversation should be refocused: *"We spend a lot of time talking about ICFR [Internal Control over Financial Reporting], but we don't spend a lot of time talking about internal controls around sustainability reports."*

Sustainability assurance and the public accounting firms

Providing assurance can be a challenge, members acknowledged. *"It's hard to ask the auditors to have an opinion if there is no coherent standard upon which companies are reporting,"* one member said. Another added, *"This is an area where the amount of time and thinking from the standard setters needs to really ramp up."* Mr. Hespenheide insisted that the standards offered by GRI and SASB are auditable as they exist today: *"We understand the challenge of auditability, and we have approached the standards with this lens … The AICPA [American Institute of Certified Public Accountants] has published guidelines on the assurance* *of sustainability reports, but there hasn't been a whole lot of uptake because frankly, companies have not asked for it. The constructs are there, however."*

Aligning forward-looking metrics and assurance of ESG reports

Members pointed to forward-looking metrics as an area of particular concern for auditability: *"The implementation challenges are far greater than I think I'm hearing is recognized,"* one audit chair said. Another member said in a premeeting call, *"Our reports are very fact based, and deviating from that standard could be dangerous. Companies still don't have a good view of what will happen in the future."* For many, the implications are concerning. *"We live in the most litigious country in the world,"* one commented. *"The stakes of this are high. We have to get beyond virtue signaling and aspirational transformations of society to hard-core reporting, according to standards to which people will be held accountable."*

Both SASB and GRI standards enable companies to establish and track sustainability targets. SASB's industry-specific standards are also designed to allow issuers to report against industry benchmarks.[40] In 2020, SASB mapped the UN Sustainable Development Goals (SDGs) to its standards, finding that "98 percent of the industry-specific topics included in SASB Standards are related to one or more SDG targets."[41] In November 2020, GRI announced its intention to launch a new Business Leadership Forum to "drive action towards accomplishing [the SDGs] by facilitating dialogue and collaboration between companies and their stakeholders."[42] The program aims to improve the quality and relevance of SDG data and promote transparency so as to increase commitment to national and global SDGs. But one audit chair warned, *"There is serious potential for creating an even larger expectation gap, and we already have one … It's a big step to get into forward-looking information to the degree some people think that ought to happen."* Ms. Guillot agreed: "*Expectations are all over the map. I'm hearing people talk about assurance on whether or not a company is going to achieve its net-zero targets."* Around forward-looking statements, Mr. Hespenheide said that he expects safe harbors for those parts of sustainability disclosures.

Conclusion

Ms. Guillot told audit chairs*, "At the end of the day, this will take some serious corporate leadership.*" Mr. Hespenheide agreed: *"Corporates are absent many times in this conversation."* Ms. Guillot pointed out that the future landscape of sustainability reporting will be determined either by companies, investors, or regulators—or all three. If companies do not engage, regulators will ultimately step in: *"I think that would be suboptimal,"* Ms. Guillot told members. *"They tend to create a long list of regulation that becomes very inflexible. I think the right answer is standards modeled after accounting standards—like what GRI and SASB have done. We hear a strong call for standards from investors, but not from companies."*

Mr. Hespenheide urged members to continue to *"develop the vocabulary to challenge management on how your companies are addressing these issues."* The audit committee and corporate issuer's voice is often absent from the conversation, Mr. Hespenheide said. *"We have noted that in our public consultations on GRI Standards that companies are the least likely to comment."* He concluded, *"If you don't participate in this conversation, others will decide for you."*

About this document

The Audit Committee Leadership Network is a group of audit committee chairs drawn from leading North American companies committed to improving the performance of audit committees and enhancing trust in financial markets. The network is organized and led by Tapestry Networks with the support of EY as part of its continuing commitment to board effectiveness and good governance.

ViewPoints is produced by Tapestry Networks to stimulate timely, substantive board discussions about the choices confronting audit committee members, management, and their advisers as they endeavor to fulfill their respective responsibilities to the investing public. The ultimate value of *ViewPoints* lies in its power to help all constituencies develop their own informed points of view on these important issues. Those who receive *ViewPoints* are encouraged to share it with others in their own networks. The more board members, members of management, and advisers who become systematically engaged in this dialogue, the more value will be created for all.

Appendix 1: Guest biographies

Janine Guillot is Chief Executive Officer of the Value Reporting Foundation, a nonprofit that helps businesses and investors develop a shared understanding of drivers of enterprise value, including how value is created, preserved or eroded over time. Prior, Janine was CEO of the SASB Foundation (SASB). Under her leadership, SASB and the International Integrated Reporting Council (IIRC) merged to become the Value Reporting Foundation. As CEO of the Value Reporting Foundation, Janine's priorities are to increase use of the Integrated Thinking Principles, the Integrated Reporting Framework, and SASB Standards by companies and investors around the world and work with a broad range of stakeholders to advance progress towards a globally accepted comprehensive corporate reporting system.

Janine has 30+ years of experience in senior leadership roles in financial services. Prior to joining SASB, she served as Chief Operating Investment Officer for the California Public Employees' Retirement System (CalPERS), where she oversaw the investment office business operations and the CalPERS corporate governance program, including integration of ESG factors into investment decision-making. At Barclays Global Investors, she served as Chief Operating Officer for BGI's European and Global Fixed Income businesses. At Bank of America, she served in Chief Financial Officer and Chief Administrative Officer roles for retail and commercial business units.

A graduate of Southern Methodist University (SMU), Janine began her career as a technical accountant and auditor with Ernst & Young. True to these roots, Janine seeks to advance a system for sustainability accounting that has the commensurate level of maturity, credibility and acceptance as financial accounting. In recognition for her leadership at the intersection of sustainability, accounting and finance, Janine was selected as a 2020 NACD Directorship 100 Honoree and named to the 2020 Business Insider's 100 People Transforming Business list.

Janine serves on the Board of Directors of The Value Reporting Foundation, the Marin Agricultural Land Trust, and Equilibrium Capital; on California's Climate-Related Risk Disclosure Advisory Group; on the Senior Advisory Board at the Center for Responsible Business at UC Berkeley's Haas School of Business; and on the Advisory Board of Blockchain Coinvestors. She is a former member of the FDIC's Systemic Resolution Advisory Committee.

Eric Hespenheide is currently the chairman of the board of directors of the Global Reporting Initiative (GRI). He served as GRI's interim chief executive from July 2016 to January 2017 and was the inaugural chairman of the Global Sustainability Standards Board from January 2015 to June 2016.

Mr. Hespenheide served as a global leader of Deloitte Touche Tohmatsu Limited (DTTL) member firms' sustainability group within Audit and Enterprise Risk Services. He represented DTTL in various forums, including the World Business Council for Sustainable Development, GRI, and the Working Group of the International Integrated Reporting Council (IIRC).

He previously chaired the American Institute of Certified Public Accountants (AICPA) Sustainability Assurance and Advisory Task Force and continues to be a member. He was a key contributor to the development of the AICPA's Attestation Engagements on Sustainability Information. Mr. Hespenheide currently serves on the International Auditing and Assurance Standards Board (IAASB) project advisory panel for its EER Assurance Project.

Appendix 2: Participants

The following members of the ACLN participated in part or all of the meeting:

- Barbara Byrne, ViacomCBS
- Pam Daley, BlackRock
- Dan Dickinson, Caterpillar
- Dave Dillon, 3M and Union Pacific
- Sam Di Piazza, AT&T
- Bill Easter, Delta Air Lines
- Tim Flynn, JPMorgan Chase and Walmart
- Alan Graf, Nike
- Gretchen Haggerty, Johnson Controls
- Fritz Henderson, Marriott
- Bob Herz, Morgan Stanley
- David Herzog, MetLife and DXC Technology
- Charles Holley, Amgen and Carrier Global
- Michele Hooper, United Airlines
- Hugh Johnston, Microsoft
- Nick LePan, CIBC
- Mike Losh, Aon
- John Lowe, Phillips 66
- Edward Ludwig, CVS
- Louise Parent, FIS
- Ann Marie Petach, Jones Lang LaSalle
- Peter Porrino, AIG
- Paula Price, Accenture
- Tom Schoewe, General Motors
- Leslie Seidman, GE
- Gerald Smith, Eaton
- John Stephens, Freeport-McMoRan
- Tracey Travis, Facebook
- Jim Turley, Citigroup and Emerson Electric
- John Veihmeyer, Ford
- Robin Washington, Salesforce.com
- Maggie Wilderotter, Hewlett Packard Enterprise

The following members of the European Audit Committee Leadership Network (EACLN) participated in part or all of the meeting:

- Jeremy Anderson, UBS
- Carolyn Dittmeier, Assicurazioni Generali
- Margarete Haase, ING
- Liz Hewitt, National Grid
- Dagmar Kollmann, Deutsche Telekom
- Pilar Lopez, Inditex
- Kalidas Madhavpeddi, Glencore
- Stephen Pearce, BAE Systems
- Bernard Ramanantsoa, Orange
- Guylaine Saucier, Wendel

The EY organization was represented in all or part of the meeting by the following:

- John King, EY Americas Vice Chair of Assurance Services
- Steve Klemash, EY Americas Leader, Center for Board Matters
- Pat Niemann, EY Greater Los Angeles Managing Partner, Center for Board Matters

Appendix 3: Reflection questions for audit committees

- What kind of expertise should a standard setter possess to provide quality ESG disclosure standards for your company?
- Who should be the target audience of sustainability standards?
- How is your company thinking about assurance of sustainability reports?
- Which external firms are best equipped to provide assurance for which sustainability reports?
- How is your audit committee thinking about targets and forward-looking metrics?
- What kind of convergence or harmonization among standards and frameworks do you want to see?
- How is your company currently navigating current convergence efforts?
- Should convergence involve integrated reporting? Why or why not?
- How would you like to see the SEC get involved in ESG disclosures?
- Should US sustainability standard setting be aligned with an international standard setter like the IFRS?

ACLN

Endnotes

[1] *ViewPoints* reflect the network's use of a modified version of the Chatham House Rule whereby comments are not attributed to individuals or corporations. Quotations in italics are drawn directly from conversations with network members in connection with the meeting.

[2] Janine Guillot and Jeffrey Hales, "Materiality: The Word That Launched a Thousand Debates," *Value Reporting Foundation* (blog), May 13, 2021

[3] European Audit Committee Leadership Network, *ESG Standards and Reporting,* ViewPoints (Waltham, MA: Tapestry Networks, 2020), 4.

[4] "Materiality and Topic Boundary," GRI, accessed June 2, 2021.

[5] SASB and GRI, *A Practical Guide to Sustainability Reporting Using GRI and SASB Standards* (Amsterdam and San Francisco: GRI and SASB, 2020), 6.

[6] SASB and GRI, *A Practical Guide to Sustainability Reporting Using GRI and SASB Standards*, 6.

[7] "Materiality Map: Why Is Financial Materiality Important?" Sustainability Accounting Standards Board, accessed February 18, 2021.

[8] Guillot and Hales, "Materiality: The Word That Launched a Thousand Debates."

[9] Guillot and Hales, "Materiality: The Word That Launched a Thousand Debates."

[10] Value Reporting Foundation, "IIRC and SASB Form the Value Reporting Foundation, Providing Comprehensive Suite of Tools to Assess, Manage and Communicate Value," news release, June 9, 2021.

[11] Janine Guillot, email news release, June 9, 2021.

[12] "International <IR> Framework" *Value Reporting Foundation,* accessed July 29, 2021.

[13] Janine Guillot and Charles Tilley, "Strengthening an Integrated Report Using SASB Standards," *Value Reporting Foundation* (blog), March 9, 2021.

[14] SASB and GRI, *A Practical Guide*, 8.

[15] GRI, "GRI and SASB Reporting 'Complement Each Other,'" news release, April 8, 2021.

[16] Janine Guillot, "Progress Towards a Comprehensive Corporate Reporting System," *Value Reporting Foundation* (blog), September 11, 2020.

[17] Climate Disclosure Project, Climate Disclosure Standards Board, Global Reporting Initiative, International Integrated Reporting Council, and Sustainability Accounting Standards Board, *Reporting on Enterprise Value: Illustrated with a Prototype Climate-Related Financial Disclosure Standard* (Impact Management Project, 2020), 4.

[18] Emmy Hawker, "Group of Five Urges Adoption of Sustainability Reporting Prototype," *Regulation Asia,* January 13, 2021.

[19] GRI, "Step towards Stronger Financial Reporting to Complement Sustainability Reporting," news release, December 18, 2020.

[20] IFRS Foundation, *Feedback Statement on the Consultation Paper on Sustainability Reporting* (London: IFRS Foundation, 2021), 4.

[21] IFRS Foundation, *Feedback Statement*, 2.

[22] Janine Guillot, "IFRS Foundation Aims for Coherence, Not Complexity," *Value Reporting Foundation* (blog), November 6, 2020.

[23] International Organization of Securities Commissions, "IOSCO Sees an Urgent Need for Globally Consistent, Comparable, and Reliable Sustainability Disclosure Standards and Announces Its Priorities and Vision for a Sustainability Standards Board under the IFRS Foundation," news release, February 24, 2021, 1–3.

[24] Allison Herren Lee, "A Climate for Change: Meeting Investor Demand for Climate and ESG Information at the SEC" (speech, Washington, DC, March 15, 2021).

[25] David A. Katz and Laura A. McIntosh, "SEC Regulation of ESG Disclosures," *Harvard Law School Forum on Corporate Governance* (blog), May 28, 2021.

[26] Tory Newmyer, "Gary Gensler, Outspoken Wall Street Critic, Confirmed to Lead the SEC," *Washington Post,* April 14, 2021.

[27] Grace Schepis, "'We Are Not Going to Be Moving Slowly' SEC Director on ESG Disclosure Requirements," *National Law Review* 11, no. 146 (May 26, 2021).

[28] Allison Herren Lee, "Public Input Welcomed on Climate Change Disclosures" (speech, Washington, DC, March 15, 2021).

[29] "Comments on Climate Change Disclosures," Securities and Exchange Commission, accessed May 31, 2021.

[30] Janine Guillot, "SASB Supports SEC Action to Promote Decision-Useful ESG Disclosure," *Value Reporting Foundation* (blog), May 20, 2021.

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