European Audit Committee Leadership Network

April 2020

EACLN

VIEWPOINTS

ESG standards and reporting

Investors and other stakeholders have become increasingly interested in understanding companies' environmental and social impacts and their consequences for financial performance. This interest has led to an increased demand for environmental, social, and governance (ESG) reporting, which has in turn sparked demand for standards to ensure that the information captured is meaningful and comparable. Several questions have emerged. For example, how do investors use ESG reporting? What kind of standards have been developed and how are they evolving? What issues are companies facing as they ramp up their reporting?

On 20–21 February 2020, members of the European Audit Committee Leadership Network (EACLN) met in Amsterdam, where one of the main sessions addressed these and other questions. They were joined by Martijn Bos, policy advisor on reporting and audit at Eumedion, the Dutch forum for institutional investors including pension funds, insurance companies, and asset managers; Bastian Buck, chief of standards at the Global Reporting Initiative (GRI), an organization that has developed a widely used set of ESG reporting standards; and Alex Williams, senior governance specialist at APG Asset Management, the Dutch pension fund manager. *For biographies of the guests, see Appendix 1, on page 10, and for a list of network members and other participants, see Appendix 2, on page 11.*

Executive summary

The guests and EACLN members explored various broad topics related to ESG reporting:

- **Rising investor interest in ESG reporting** *(page 2)*

  Investor interest in ESG has been rising steadily for many years, and recent statements by large asset managers including BlackRock suggest a step change in focus. Investors seek to understand the influence of ESG factors on company performance and on the broader society. They are incorporating these factors into their stewardship efforts and investment decisions, and coordination between stewardship and investment teams is deepening.

- **The fragmented landscape of standards** *(page 3)*

  Numerous organizations have responded to the growing demand for ESG reporting standards. Some standards are geared toward investors and are focused on financial materiality, while others address a wider range of stakeholders and use broader concepts of materiality. This proliferation of standards has also prompted calls for more alignment and consolidation. Several initiatives seek to address these demands, including an effort by the European Commission to review and strengthen its nonfinancial reporting directive.

- **Disclosure processes and oversight** *(page 6)*

  Many companies are already reporting extensively on ESG matters, but they are still adjusting the delegation of responsibilities and the systems involved. Companies are grappling with challenges that include assessing the materiality of disclosures, establishing effective reporting processes and controls, and securing the right level of assurance. As the disclosures include more metrics, oversight of the process has shifted away from the communications team to the finance function.

For a list of discussion questions for audit committees, see Appendix 3, on page 12.

Rising investor interest in ESG reporting

Investor interest in ESG reporting has been rising steadily over many years, and recently, many of the largest asset managers have said they will use ESG disclosures not only to exercise stewardship, but also to adjust investment strategies. BlackRock CEO Larry Fink's recent letter to CEOs appears to describe a step change in commitment to ESG by BlackRock. Focusing on sustainability, particularly climate change, Mr. Fink said in his letter that he believes "we are on the edge of a fundamental reshaping of finance."[1] He outlined several initiatives to promote sustainability, including changes in how BlackRock invests and what it expects from sustainability reporting.

By the end of 2020, BlackRock wants the companies it invests in to publish disclosures in line with standards developed by the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD). Mr. Fink spells out the consequences of not complying: "Given the groundwork we have already laid engaging on disclosure, and the growing investment risks surrounding sustainability, we will be increasingly disposed to vote against management and board directors when companies are not making sufficient progress on sustainability-related disclosures and the business practices and plans underlying them."[2]

Not long after Mr. Fink's letter was issued, the CEO of State Street Global Advisors (SSGA), Cyrus Taraporevala, sent a letter to board members that marked another increase in attention to ESG issues. In the upcoming proxy season, Mr. Taraporevala said, SSGA will start voting against board members whose companies are "laggards" based on SSGA's scoring system for ESG performance.[3] SSGA is not the first investment group to target directors because of ESG issues: Legal & General Investment Management, UBS Asset Management, and Allianz Global Investors have also voted against directors because of these issues.[4] Increasingly, company disclosures about ESG issues (or failure to provide disclosures) can lead to concrete action by investors.

These moves by major investment groups echo the results of surveys measuring investors' attitudes toward sustainability and ESG, which suggest that investors' approaches have been shifting in recent years. In late 2018, EY published a survey that showed a "dramatic" jump in institutional investor focus on ESG issues. The importance of ESG issues was not limited to exercising better stewardship: 96% of the survey respondents said that ESG information plays a "pivotal role" in the investment decision-making process.[5]

At the meeting in Amsterdam, the guests elaborated on this rise in investor interest. Mr. Bos explained that investors—facing uncertainty about how corporations will fare decades into the future—crave new and different information: *"Investors want to understand what your company is all about and the financial report is not the place to start looking."* He noted that this understanding *"requires knowledge of a company's competitive landscape, culture, environment, stakeholders, and how all these factors will affect the social license to operate."* Mr. Williams mentioned APG's belief that investing in environmentally-conscious companies will improve the financial performance of its funds: *"There is evidence that eliminating ESG laggards from our portfolio is beneficial for our funds' performance."*

However, Mr. Bos said that improving returns is not the only motivation behind investors' and asset owners' interest in ESG. He noted that when a specific Dutch pension fund explained to its stakeholders that avoiding investments in tobacco would have deprived them of significant financial returns, the response of their stakeholders caused the pension fund to avoid such investments. *"The ultimate beneficiaries of investments increasingly care about sustainability; and asset managers respond to that,"* he said. *"The trend is only going in one direction: towards more and more awareness of sustainability topics."*

EACLN members wondered about the process by which ESG data enters into investment decisions. Some had seen discrepancies in interest between stewardship staff and investment managers. *"For this to work, ESG data has to get into the valuations of the investment professionals,"* a member said. Mr. Williams noted that his firm's investment and governance professionals take a coordinated approach: *"As a governance specialist, I sit with the equities team. About 80% of the work we do is directly connected to the portfolio managers (PMs). My opinion is most valuable when the PMs and I are aligned."*

However, Mr. Bos acknowledged that ESG specialists and portfolio managers within an investment firm are likely to not always attach equal importance to ESG: *"Questions on ESG and financials from different specialists don't always show the interaction between the two. If they're saying very different things, then you can ask yourself how well the firm is connected internally. They may need to work it out in the end. In their process, they can have different opinions."* Reflecting on how the information is used, he noted that *"it's a lot of work to make a decent analysis. Lots of effort is going into the insights about what ESG tells you about a company."*

The fragmented landscape of standards

Institutional investors repeatedly emphasize their desire for increased reporting standardization to help them compare companies, establish benchmarks, and track trends.[6] An EACLN member made the same observation in advance of the meeting: *"It could be helpful for investors and companies to develop some common standards, clearly defining what they want to see and hear."*

Proliferating standards

The growing interest in ESG reporting has spurred the development of many voluntary standards and frameworks, sometimes approaching the issue from different angles. US-based

SASB has taken a comprehensive approach that encompasses the full range of ESG factors, but its intended audience is investors. It highlights financial materiality, as it explains on its website: "SASB identifies financially material issues, which are the issues that are reasonably likely to impact the financial condition or operating performance of a company and therefore are most important to investors."[7] It has issued 77 industry-specific qualitative and quantitative disclosure standards.[8]

GRI's standards recommend disclosures that go beyond financial materiality. As Mr. Buck noted, *"We're broadening this perspective. The initial piece is to link nonfinancial practice to financial practice. But we believe we should not forget the second piece: the value in providing this information for a broad range of stakeholders. Serious claims to information from the regulatory side exist, too."* GRI's standards cover everything from climate change impact to corruption to occupational health and safety. Information disclosed using the standards is meant to illuminate the comprehensive impact of a company's activities on society, the economy, and the natural environment.

Several efforts are focused on the critical area of climate change. Founded in 2000, CDP (formerly known as the Carbon Disclosure Project) runs a global environmental disclosure system that "supports thousands of companies, cities, states and regions to measure and manage their risks and opportunities on climate change, water security and deforestation."[9] Another initiative, the Climate Disclosure Standards Board, is an international consortium of business and environmental NGOs that seeks to offer companies "a framework for reporting environmental information with the same rigor as financial information."[10]

Standards from the TCFD address not only the direct physical impact from environmental changes such as sea-level rise, but also the impact of efforts to lower carbon emissions, such as carbon taxes.[11] It has developed four overarching recommendations about the key features of disclosures—for example, that they should be included in financial filings and designed to solicit decision-useful, forward-looking information on financial impacts—and these are supported by recommended disclosures and guidance. The disclosures are structured around the core elements of governance, strategy, risk management, and metrics and targets.[12] Standards from the TCFD and others, in turn, reference the Greenhouse Gas Protocol,[13] which was developed by the World Resources Institute and the World Business Council for Sustainable Development to provide specific methodologies for calculating greenhouse gas emissions.[14]

Mr. Buck explained that GRI and other standard setters have made progress, but there is more work to do: *"There has been a range of standard-setting activities with different purposes. GRI now has a set of standards covering 34 sustainability topics that include qualitative and quantitative disclosures … that are designed for use by all stakeholders. Others are working on similar standards based on the traditional materiality concept and are focused on investors."*

Aligning and consolidating standards

The availability of multiple standards presents a dilemma for companies as well as investors. As observers often note, it may be unclear which standard would best serve the company's stakeholders and using multiple standards would exacerbate the already serious burden of

reporting vast amounts of information. Mr. Bos hopes this will change. *"Investors would love to be able to compare peers,"* he said. *"There is a need for consistency and a need for a single global authoritative standard setter to provide credibility to the already available metrics."* A few EACLN members elaborated on the potential costs of providing too much information, for both issuers and investors. One said, *"My main concern is that reporting is taking more and more lines. Lots of time is spent that could have been spent on the performance of the company."* Another added that *"too much information kills information and we are not far from this point."*

Several initiatives are focused on aligning and consolidating standards. The Corporate Reporting Dialogue (CRD), for example, seeks to "develop practical ways to bring alignment to the direction, content and ongoing development of reporting frameworks, standards and related requirements."[15] As part of its Better Alignment Project, "participants will work together to refine overlapping metrics with the same intent."[16] Differences will remain—reflecting differences in intent—but the goal will be to minimize nonessential differences. CRD says that SASB, GRI, CDP and the Climate Disclosure Standards Board "will map their frameworks against the TCFD recommendations and identify opportunities for alignment of metrics where possible across all their reporting frameworks taking into account the different focuses and audiences."[17]

Other initiatives are also focused on providing frameworks that can consolidate and integrate standards. The International Integrated Reporting Council's focus is on integrated reporting, which has been gaining traction since the 2013 publication of its Integrated Reporting Framework. In an integrated report, as an EY analysis explains, "nonfinancial information is integrated with financial data to tell a richer story about an organization. Instead of sending the financial report to one audience and the nonfinancial to another, this integrated whole is seen by the same audiences."[18]

The Embankment Project for Inclusive Capitalism, an effort launched in 2017 by the Coalition for Inclusive Capitalism and EY, focuses on metrics and narratives that companies can use to demonstrate their creation of long-term value. Its Long Term Value Framework aims to build on and strengthen existing frameworks with an ultimate goal of enabling measurement of nonfinancial outcomes, capturing shareholder value, and providing a clearer indication of future financial performance.[19] The coalition participants argue that, while other initiatives have also addressed these goals, none covers all of them comprehensively.[20]

Recently, the World Economic Forum's International Business Council issued a consultation draft of a document that also aims to forge a comprehensive framework for "sustainable value creation."[21] The framework's metrics, "drawn wherever possible from existing standards and disclosures,"[22] were developed in collaboration with the Big Four accounting firms. They are organized into four pillars (principles of governance, planet, people, and prosperity), and include both quantitative indicators such as greenhouse gas emissions and narrative descriptions such as discussions of company risks. Unlike the CRD's Better Alignment Project, this effort is less about modifying existing standards than about assembling a coherent set of those standards. The International Business Council's effort has broad support from business;

the organization consists of about 120 chief executives from leading companies across all industries, two thirds of whom have voted to accept the standards.[23]

Intervention by the EU or the IFRS Foundation?

Another driver of more-unified standards could be governments and existing international standard setters. As part of the European Green Deal, the European Commission is reviewing the directive on nonfinancial reporting (Directive 2014/95/EU)[24] for possible revisions. Among the options under consideration are endorsing standards, as well as strengthening the directive itself by including more detail on what should be reported and strengthening provisions on assurance and enforcement.[25] In a recent speech, Valdis Dombrovskis, executive vice president of the European Commission, stated that "the European Commission will support a process to develop European non-financial reporting standards."[26] Mr. Buck noted that the EU is "*outlining an ambition to double down on the nonfinancial reporting directive, an ambition to look at standard setting and provide clear policymaker oversight.*"

Mr. Bos said that the International Financial Reporting Standards (IFRS) Foundation also has the potential to move into the area of ESG standards: *"They could aggregate all the good work that's been done. They are in a unique position."* A recent paper by Eumedion suggests that the IFRS Foundation should establish an independent, authoritative International Non-Financial Reporting Standards Board, which would benefit from the reputation and legitimacy of the IFRS Foundation and the International Accounting Standards Board.[27] However, Mr. Bos said that, while he expects some declaration of intent from the IFRS Foundation soon, it has not done much in this area for the past decade, even as investors' demand for more information has skyrocketed.

Disclosure processes and oversight

Members said that, despite a lack of uniform standards, their companies are trying to create disclosures that stakeholders will find credible and useful. But process-related questions abound. One member said, *"In the past, investor relations was the owner. Who should own the process in a corporation?"* Mr. Buck said that, as the number of metrics included in the disclosures grows, oversight tends to shift to the finance function: *"It starts with communications teams in many companies, but the trend is very clear that responsibility is moving closer to the CFO's office."* A member emphasized the importance of the board having a voice: *"I'm liable for what is published. It may sound easy, but it takes a whole industry within a corporation. Practical measurement and reporting are hard."*

Several challenges emerge as companies implement ESG disclosure systems:

- **Materiality.** Standards help identify matters of interest, but the issue of materiality also depends on company-specific variables, including the company's risks and strategic goals. In a pre-meeting conversation, an EACLN member said, *"I'm convinced there should be strict selection and focus on what really matters."* EY's survey of investors found that they would like to see some improvements in how companies assess materiality when reporting on ESG factors, especially environmental factors.[28] One challenge in this area might be the

distinction between the established concept of financial materiality and the broader concept of materiality relating to societal and environmental impacts.

- **Processes and controls.** In terms of processes for producing the relevant information, an EACLN discussion in 2018 pointed to several issues that need to be addressed, including the allocation of responsibility for gathering the information, the diversity of data systems drawn upon, the unstructured nature of some of the data, and staff resistance to data collection efforts.[29] And, whereas financial reporting has an established system of controls, companies are still in the early stages of developing controls for nonfinancial reporting. As a member explained, *"When you talk about financial reporting, you have a control environment. But there is no control environment around quantitative measures for ESG."* This is an area where the board and the audit committee can play a role, the member said.
- **Assurance.** Assurance for ESG reporting is becoming more common, especially in Europe, where a Conference Board analysis of sustainability reporting found that, as far back as 2016, 61% of European companies in the S&P Global 1200 included assurance statements in their sustainability reports.[30] However, the scope of assurance was often limited to greenhouse gas emissions, with only a small percentage of companies extending assurance to other indicators.[31] Mr. Bos said, *"We need assurance that things are measured in the same way, and we see a role for the audit profession. Companies could all provide good, consistent figures, but we'd be in the woods wondering who said what. We need more credibility in the process."* EY's Jean-Yves Jégourel agreed: *"We believe that the audit profession should step forward and be part of increasing confidence and trust. There is an expectation gap to fill."*

ESG ratings

Growing interest in ESG issues has propelled the rise of services that rate ESG performance. Using company disclosures and other sources of information, these services generate quantitative scores that facilitate comparisons between companies. Leading ESG rating firms include not only those specializing in ESG ratings, such as Sustainalytics and EcoVadis, but also firms that have expanded into the field from similar businesses, such as Institutional Shareholder Services, MSCI, and the leading credit-rating agencies.[32] These firms sell their services directly to investors, who incorporate the ratings into their evaluations, and to companies seeking to benchmark their performance and impress investors and other stakeholders. Issuers of green and sustainable bonds and loans are major users of ESG ratings.[33]

Some studies have found that ratings of the same company by different firms show less correlation than that found between credit ratings from Moody's and S&P.[34] An analysis by the MIT Sloan School of Management found that the divergence stemmed from differences in how firms defined ESG performance (including both

ESG ratings

the factors used and the weights assigned to them) and differences in the indicators used to measure a particular factor.[35]

The guests noted that investors do not necessarily use the actual ratings, preferring instead to use the materials from the ratings agencies as input into their own analyses. However, Mr. Bos pointed out that smaller pension funds may have fewer options: *"Big groups like APG can build the systems they need. But there are pension funds that only manage €30 billion. These are driven toward rating agencies because of legal requirements issued by EU."*

Conclusion

Though ESG reporting is exploding, it is still maturing, and many challenges need to be addressed. Mr. Buck noted that *"all constituencies in this game have difficulties with the game as it presents itself."* Investors seek more and better information from companies about ESG issues, while companies are trying to establish effective systems for providing information in a reliable manner. Standards can help, but their proliferation has created additional complications about which ones to use. Even as investors are beginning to highlight their preferred standards, efforts are underway to align and consolidate the many standards, including an assessment by the European Commission of whether it needs to intervene more directly.

About this document

The European Audit Committee Leadership Network is a group of audit committee chairs drawn from leading European 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 advisors as they endeavor to fulfil 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, management, and advisors who become systematically engaged in this dialogue, the more value will be created for all.

The perspectives presented in this document are the sole responsibility of Tapestry Networks and do not necessarily reflect the views of network members or participants, their affiliated organizations, or EY. Please consult your counselors for specific advice. EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Tapestry Networks and EY are independently owned and controlled organizations. This material is prepared and copyrighted by Tapestry Networks with all rights reserved. It may be reproduced and redistributed, but only in its entirety, including all copyright and trademark legends. Tapestry Networks and the associated logos are trademarks of Tapestry Networks, Inc. and EY and the associated logos are trademarks of EYGM Ltd.

Appendix 1: Biographies of guests

Martijn Bos has been policy advisor, reporting and audit, at Eumedion since 2012. Eumedion represents 50 institutional investors and promotes good governance and sustainability at Dutch listed entities. Mr. Bos is a member of the Dutch Accounting Standards Board, the IFRS Advisory Council, ESMA's Corporate Reporting Standing Committee, and the European Financial Reporting Advisory Group's User Panel.

Before joining Eumedion, Mr. Bos was a buy-side corporate bond analyst (Robeco) and an M&A advisor (Salomon Brothers).

Bastian Buck is chief of standards within Global Reporting Initiative (GRI) and responsible for the all standard-setting activities at GRI. He has extensive experience with the development of the GRI reporting guidance and the ins and outs of global multi-stakeholder processes, having been with GRI for more than a decade.

Mr. Buck has presented and lectured on sustainability reporting in more than 30 countries and has vast experience in the moderation of consensus-seeking processes and the facilitation of international multi-stakeholder expert working group procedures.

Alex Williams is senior governance specialist at APG Asset Management, one of the world's largest fiduciary asset managers for pension funds, managing pension assets totaling approximately 470 billion euros. Mr. Williams is part of the global responsible investment group, which is central to the implementation of clients' responsible investment policies. He has responsibility for engaging with companies in APG's portfolio on governance issues, including board structure and executive pay, and exercising APG's voting rights in developed markets.

Prior to joining APG, Mr. Williams represented institutional investors on boards of Russian public liability companies and previously worked in shareholder activism. He has an MBA (City University London) and a degree in physics (University of St. Andrews).

Appendix 2: Participants

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

- Aldo Cardoso, Bureau Veritas
- Carolyn Dittmeier, Assicurazioni Generali
- Eric Elzvik, Ericsson
- Byron Grote, Tesco, AkzoNobel, and Anglo American
- Margarete Haase, OSRAM Licht
- Marion Helmes, Heineken
- Liz Hewitt, Novo Nordisk
- René Hooft Graafland, Ahold Delhaize
- Guylaine Saucier, Wendel
- Erhard Schipporeit, RWE
- Carla Smits-Nusteling, Nokia
- Charlotte Strömberg, Skanska
- François Thomazeau, Bolloré

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

- Jean-Yves Jégourel, EY EMEIA Assurance Leader
- Julie Teigland, EY EMEIA Area Managing Partner

Appendix 3: Discussion questions for audit committees

- ? What kinds of demands is your company getting from shareholders regarding ESG reporting?
- ? What regulatory requirements is the company facing to enhance its reporting?
- ? In general terms, how far along is your company in implementing ESG reporting?
- ? Has your company chosen a set of standards as a framework for ESG reporting? How did it decide which standards to use?
- ? What aspects of an ESG standard are most important? What would you like organizations to keep in mind as they develop standards?
- ? How important is a more-unified set of standards? Would this reduce the burden of reporting?
- ? What challenges did your company face in establishing a system for collecting, verifying, and reporting ESG information? How was materiality weighed? How were controls developed and implemented?
- ? What level of assurance, if any, is provided by a third party? What are the challenges in this area?
- ? Has your company sought any kind of ESG rating from a third party? How was the provider selected?
- ? How did the company work with the provider? What inputs did the provider use?

Endnotes

[1] Larry Fink, "A Fundamental Reshaping of Finance," Letter to CEOs, accessed January 21, 2020.

[2] Fink,. "A Fundamental Reshaping of Finance."

[3] Cyrus Taraporevala, "CEO's Letter on our 2020 Proxy Voting Agenda," Letter to Boards, accessed January 28, 2020.

[4] Robin Wigglesworth, "State Street Vows to Turn Up The Heat on ESG Standards," *Financial Times,* January 28, 2020.

[5] EY, *Does Your Nonfinancial Reporting Tell Your Value Creation Story?* (London: Ernst & Young LLP, 2018), 5.

[6] EY, *Does Your Nonfinancial Reporting Tell Your Value Creation Story?*, 5.

[7] Sustainability Accounting Standards Board, "Why is Financial Materiality important?," accessed February 3, 2020.

[8] Sustainability Accounting Standards Board, "Why is Financial Materiality important?"

[9] "What We Do," CDP, accessed February 11, 2020.

[10] "About CDSB," Climate Disclosure Standards Board, accessed February 11, 2020.

[11] Task Force on Climate-Related Financial Disclosures, *Recommendations of the Task Force on Climate-Related Financial Disclosures* (Basel: Financial Stability Board, 2017), 10, 63.

[12] Task Force on Climate-Related Financial Disclosures, *Recommendations of the Task Force on Climate-Related Financial Disclosures*, iii–v.

[13] Task Force on Climate-Related Financial Disclosures, *Recommendations of the Task Force on Climate-Related Financial Disclosures*, 22.

[14] "About Us," Greenhouse Gas Protocol, accessed March 2, 2020.

[15] "Corporate Reporting Dialogue Launched, Responding to Calls for Alignment in Corporate Reporting," Climate Disclosures Standards Board, June 17, 2014.

[16] "Better Alignment Project," Corporate Reporting Dialogue, accessed January 29, 2020.

[17] "Better Alignment Project." Corporate Reporting Dialogue,

[18] EY, *Integrated Reporting: Linking Strategy, Purpose and Value* (London: Ernst & Young LLP, 2017), 7.

[19] Coalition for Inclusive Capitalism and EY, *Embankment Project for Inclusive Capitalism* (London**:** Coalition for Inclusive Capitalism, 2018), 23-24.

[20] Coalition for Inclusive Capitalism and EY, *Embankment Project for Inclusive Capitalism*, 24.

[21] World Economic Forum, *Toward Common Metrics and Consistent Reporting of Sustainable Value Creation* (Geneva: World Economic Forum, January 22, 2020).

[22] World Economic Forum, *Toward Common Metrics and Consistent Reporting of Sustainable Value Creation*, 7.

[23] Gillian Tett, Andrew Edgecliffe-Johnson, and Billy Nauman, "Davos 2020: Companies Sign Up to Environmental Disclosure Scheme," *Financial Times,* January 22, 2020.

[24] European Union, "Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 Amending Directive 2013/34/EU as Regards Disclosure of Non-financial and Diversity Information by Certain Large Undertakings and Groups," *Official Journal of the European Union,* November 15, 2014.

[25] European Commission, "Non-financial Reporting by Large Companies (Updated Rules)," *Proposal for a Regulation,* accessed February 11, 2020.

[26] Valdis Dombrovskis, "Remarks by Executive Vice-President Dombrovskis at the Conference on Implementing the European Green Deal: Financing the Transition" (speech, Conference on Implementing the European Green Deal: Financing the Transition, Brussels, Belgium, January 28, 2020).

[27] Eumedion Corporate Governance Forum, *Towards a Global Standard Setter for Non-financial Reporting*" (green paper, Eumedion, The Hague**,** October 30, 2019).

[28] EY, *Does Your Nonfinancial Reporting Tell Your Value Creation Story?*, 14.

[29] European Audit Committee Leadership Network, *ESG Reporting* (Waltham, MA: Tapestry Networks, August 2018), 4-7.

[30] Thomas Singer, "Sustainability Assurance Services: From a Niche to the Mainstream," *The CPA Journal,* July 2018.

[31] Singer, "Sustainability Assurance Services: From a Niche to the Mainstream."

[32] Jacqueline Poh, "Conflicting ESG Ratings are Confusing Sustainable Investors," *Bloomberg,* December 11, 2019.

[33] Caleb Mutua and Jacqueline Poh, "These Agencies Want to Check Who's Naughty and Who's Nice," BNN Bloomberg, November 22, 2019.

[34] Poh, "Conflicting ESG Ratings are Confusing Sustainable Investors."

[35] Tracy Mayor, "Why ESG Ratings Vary So Widely (and What You Can Do About It)," MIT Sloan School of Management, August 26, 2019.