The 10th Annual Bentley Global Business Ethics Symposium

Bentley University
175 Forest Street
Waltham, Massachusetts

Sponsored by the State Street Foundation
The 2014 Bentley-State Street Global Business Ethics Symposium, the tenth in a multi-year partnership, was held on May 19th on the Bentley University campus in Waltham, Massachusetts. This annual event brings together international academics, corporate and civil society leaders, and media to explore best practices and challenges in business ethics, social responsibility and sustainability. The program continued the goal of the Bentley-State Street partnership to unite business and higher education in the common goal of building a strong ethical foundation from which to serve our many constituencies and communities. The purpose of this day-long event was to both learn and inform by:

• Exploring current practices in other institutions, countries, and cultures;

• Identifying ways to enhance issues of ethics and corporate responsibility in business education and in outreach to the corporate community; and

• Disseminating this experience throughout the academic and practitioner worlds.

With 19 speakers and panelists and an audience of approximately 130 academic, civil society and corporate participants, the program provided the opportunity to explore a wide range of issues related to the integration of social, environmental, and financial reporting. The focus of the Symposium was especially timely given the recent release of a multitude of nonfinancial reporting frameworks. The topic also met the United Nations Principles for Responsible Management Education (PRME) initiative, which seeks “to establish a process of continuous improvement among institutions of management education in order to develop a new generation of business leaders capable of managing the complex challenges faced by business and society in the 21st century.” Due to this synergy, the symposium was co-sponsored by the UNGC PRME initiative.

The Symposium series is hosted by the Bentley Alliance for Ethics and Social Responsibility (BAESR). The Alliance was launched in 2004 with a mission to amplify and extend the work of the autonomous centers and initiatives on the Bentley campus, supporting and encouraging greater awareness of, respect for, and commitment to ethics, service, social responsibility and sustainability in faculty research, curricula and campus culture. Anthony F. Buono, Professor of Management and Sociology at Bentley University, is the founding coordinator of BAESR. He served in this position until 2013, and has recently passed his duties to Cynthia E. Clark, Associate Professor of Management at Bentley University, who now serves as both the Director of BAESR and the Harold S. Geneen Institute of Corporate Governance.
The initiatives of BAESR target an integrative focus on ethics, social responsibility, civic engagement, and sustainability. In pursuit of its mission, BAESR:

- Supports and encourages collaborative and applied transdisciplinary research that has the potential to significantly affect current practice;
- Influences curriculum development and pedagogical innovations intended to make our students more ethically sensitive and socially aware;
- Ensures a broader application of these principles and ideals in campus life;
- Attempts to foster life-long civic engagement among our students; and
- Seeks to partner with external organizations, academic and professional associations, and corporations in pursuit of these goals.

Bentley University is committed to the infusion of business ethics and social responsibility, including an emphasis on diversity and service learning, throughout the curriculum at the undergraduate and graduate levels. BAESR is thus a collaborative effort dependent on the commitment of a broad range of stakeholders including Bentley faculty, staff, students, and alumni, as well as business executives, corporate partners, and other relevant associations and colleges and universities.

Four “core pillars” have been integral to the development of BAESR over the past ten years; these pillars operate as autonomous entities, but collaborate in BAESR’s initiatives:

- **Center for Business Ethics**: Established in 1976, the Center for Business Ethics is one of the world’s oldest and most highly regarded research and educational institutes in the field of business ethics. The Center strives to connect ethical thought and action, inspire ethical leadership, enrich ethical knowledge, and promote ethical collaboration in the Bentley community and beyond. (http://www.bentley.edu/centers/center-for-business-ethics)

- **Service-Learning Center**: Established in 1990, the Service-Learning Center seeks to encourage service projects to fulfill community needs and academic curriculum that focuses on the promotion of self-knowledge and insight into service projects. (http://www.bentley.edu/centers/service-learning-center)

- **Jeanne & Dan Valente Center for Arts & Sciences**: Established in 2006, the Center’s mission is to make the arts and sciences a vital, integral and challenging aspect of undergraduate and graduate education at Bentley University by encouraging cross-disciplinary discussion and research. (http://www.bentley.edu/centers/valente-center)

- **Center for Women and Business**: Established in 2003, the Center focuses on the challenges of developing best practices to support, retain and advance
women in the business world. (http://www.bentley.educenters/center-for-women-and-business)

The Global Business Ethics Symposium is a joint effort supported internally by BAESR and the core centers listed above, and externally by State Street Foundation. The partnership with State Street was established in memory of Timothy B. Harbert ’76, chairman and CEO of State Street Global Advisors and trustee and alumnus of Bentley. The State Street Foundation itself was established in 1977 as the charitable grant-making arm of State Street Corporation. The foundation is dedicated to enriching the communities in which State Street lives and works around the world through contributions to charitable organizations and by supporting causes important to State Street’s employees.

Combined with a series of programs and activities across the institution, BAESR and the annual Global Business Ethics Symposium have led to a four-part approach that attempts to shape and influence a sense of ethics, service, responsibility, and sustainability throughout (1) the university’s research agenda, (2) the curriculum, (3) campus life, and (4) outreach to the academic, corporate, and not-for-profit worlds.

**SYMPOSIUM HIGHLIGHTS:**

**THE INTEGRATION OF SOCIAL, ENVIRONMENTAL AND FINANCIAL REPORTING**

Anthony F. Buono, Professor of Management and Sociology at Bentley University, began the program by noting the successful decade long partnership of the Bentley Alliance for Ethics and Social Responsibility and the State Street Foundation. As noted above, the Symposium series is held in memory of Timothy B. Harbert, a Bentley alumnus and trustee and Chairman and Chief Executive Officer of State Street Global Advisors. Reflecting on Tim’s role at SSgA, Buono noted “he was a major supporter of the firm’s community outreach programs, and he would be very proud of our symposium and the focus of our discussion today.”

Highlighting the success of the partnership, he briefly touched on the teaching business ethics workshops that follow the symposium, where faculty are brought together from across the globe to address the challenges of incorporating ethics, social responsibility, and sustainability into curriculum.
Reflecting on the past 10 symposia, whose topics ranged from ethics and risk management to challenges of stakeholder engagement and building responsible global cultures, he stated “we’ve attempted to capture many of the current concerns and challenges faced by our business sector in an increasingly pluralistic, transnational, and turbulent world.” Professor Buono was then the first of the day to introduce the focus of the Symposium – the integration of social, environmental, and financial reporting.

After thanking State Street, the United Nations Global Compact PRME initiative, and various Bentley faculty and staff members for their ongoing support and commitment to the ideals perpetuated by the Alliance, he introduced his successor as Director of BAESR, Cynthia E. Clark, Associate Professor of Management at Bentley University to provide opening commentary on the Symposium topic.

The theme of the 2014 Symposium was “the integration of social, environmental, and financial reporting.” Throughout the day, panelists focused on the motivation, process, benefits, and challenges of this growing practice. Professor Clark provided further background on the topic during her remarks:

“In general, what do we mean by integrated reporting? Well, integrated reporting aims to provide a detailed picture of a company’s ability to produce value over time for different stakeholders. Often we talk about different capitals – human, financial, environmental, social – all of which contribute value to firms. Many organizations, some of which are here today, are aiming to encourage more communication of the factors that could and do affect a firm’s value over time and encourage companies to include nonfinancial information in their regular reporting.

One key aspect of this reporting is its relevance for management and other stakeholder decision-making. But, traditional reporting mainly collects data that is historical for lagging indicators. While that’s potentially useful to people, it’s not as useful as forward-looking information. So to improve, social, economic, and environmental sustainability, firms need to consider forward-looking indicators. Current trends such as integrated reporting and integrated thinking stimulate this way of thinking while encouraging managers to integrate sustainability issues within their firm’s vision, strategy, risk management, and reporting systems. Although these elements are often addressed separately, it’s becoming increasingly urgent that firms improve sustainability performance on an integrated, holistic manner.”

She also noted that in some countries like South Africa, this reporting is required, whereas in many countries, including the U.S., the reporting is still voluntary.

Professor Clark, based on her research and interest in the topic, discussed the timeliness of the chosen topic for the Symposium. Since this is a developing area for many businesses, she touched on the various issues to be discussed throughout the day – for example, how companies can integrate different management areas, departments, and rationales in such a way that helps the firms become true leaders.
After laying out the agenda, she introduced the first panel – “The Future of Integrated Reporting: Why Does It Matter?”

THE FUTURE OF INTEGRATED REPORTING: WHY DOES IT MATTER?

The opening plenary panel, moderated by W. Michael Hoffman, Executive Director of the Center for Business Ethics at Bentley University, laid the motivation for the program’s panels. Professor Hoffman began the panel by providing a few words on the importance of the day’s topic:

“Our focus on the bottom line had led us to think of businesses as if all that was important in a business could be captured in a single number. In so doing we have failed to recognize that businesses are not simply number generators, but are social entities and it is there that their importance lies. Businesses are creators of employment and producers of goods and services, they are the vehicles for harnessing the collected energies and creativity of people, they are users of natural resources, creators of pollution, and formers of corporate culture. In these and many other ways, businesses have a massive footprint that stretches around the world.

Our traditional reporting simply ignores the depth and complexity of what a business is and in so doing reinforces the illusion that all that matters for a business is its P&L statement. The fact is, however, the bottom line is not the bottom line. A truer bottom line must take into account the social and environmental dimensions of a business and that is what integrated reporting seeks to reveal. This is certainly a very significant advancement in the history of business.”

Andreas Rasche, Professor of Business in Society at Copenhagen Business School, began the discussion by introducing his thinking surrounding the challenges, yet necessity, of integrated reporting. His first key point was that integrated reporting redefines language – “…integrated reporting shapes very much the world around us because we talk about it. We talk about things like value, capitals, and this reshapes how we frame certain issues and in what context we use it.” Essentially, that by introducing this new concept of integrated reporting, the normal discourse of the domain is changed, and language is thus redefined.

Second, he discussed a strength of integrated reporting, in that it better contextualizes environmental, social, and governance (ESG data) than previous frameworks. He asserted that we cannot rely on just number-based communication from organizations, but that “what we need is context; integrated reporting, for instance, by putting attention on business models, provides us with this context, and also provides those people that assess these reports at the end of the day with the necessary context.” During the adoption of integrated reporting, many companies have noted the difficulty in creating systems to connect environmental, social, and
governance information. He highlighted that the context related focus of integrated reporting could help to understand the integration of different systems and departments to produce ESG information.

Lastly, he stated “integrated reporting helps to give us a sharper emphasis on data quality.” He emphasized that data quality is often ignored, but is integral to the future of ESG information.

After outlining three benefits of integrated reporting, Rasche set forth a series of challenges to its success. The first challenge being “will integrated reporting also lead to integrated decision making?” and relatedly will investors respond by modifying their valuation models to account for the altered information? The second challenge discussed was reporting true connectivity of financial and nonfinancial information – he stated that there are ways to go in showing this linkage within the report, the intended benefit of business model thinking.

In the last challenge discussed, he warned of the challenge in transferring values (ethical and sustainable business processes) to value (for investors and other stakeholders). He introduced the concept of commensuration – the translation of qualities to quantities. Corporate reporting is an example of commensuration in transferring environmental and social information to numerical values. With a technical focus emphasizing measurement, there is a risk that the focus on numerical value inherent in reporting “can crowd out ethical reflection in the long run.” He closed this concern with the hope that integrated reporting can open itself up to ethical reflection beyond the narrow technical version of reporting.

Ana Blanco, Reporting Manager at United Nations Global Compact, continued this discussion of motivation through the lens of the United Nations. To kick off her discussion, she stated that she believes “the integrated reporting framework, as developed by the International Integrated Reporting Council (IIRC), is the best tool we have at the moment to achieve integrated reporting.”

The United Nations Global Compact is a voluntary initiative for corporate sustainability. All companies that join the Global Compact commit to implement ten principles into their strategies and operations and to report the progress they’ve made on that implementation – this report is known as a “Communication in Progress (COP).”

In analyzing reports submitted by Global Compact participants, she was able to list key challenges in corporate sustainability reporting. She noted that the quality and quantity of
information disclosed varies greatly, which leads to low comparability of the data. Without this comparability, “the credibility of those reports is often times a very tricky thing to assess.”

In expanding the discussion to the United Nations in general, she introduced the current discussions surrounding the post-2015 development agenda – which has been framed as an engagement architecture: “the main idea of the [post-2015] architecture is that if we really want to achieve sustainable development post-2015 and we want companies to be involved in the whole process… there are some basic elements, building blocks we call them, that companies must bring into the process.” One of the building blocks, particularly relevant to the Symposium topic, is enhanced transparency and disclosure. In fact, she has witnessed that the push for transparency and disclosure has come from the companies themselves, who ask for this to occur through the channel of integrated reporting. This push from companies, who will have to expend resources, effort, and time shows that the future of integrated reporting is bright.

Having reflected on the future of integrated reporting through the lens of the United Nations’ post-2015 agenda, she then turned to a brief discussion of challenges. Mainly, she mentioned the transition from fragmented to integrated thinking, which she described as a change in paradigm that will require efforts at the macro, corporate, and individual levels. “How can we start thinking in a more systemic way to make this transition happen? How can we effectively make this change in paradigm happen?” She concluded that integrated reporting is a call to put all the pieces together, including the financial and intangible aspects surrounding businesses, enhancing current transparency and disclosure practices.

Leigh Roberts, Project Director, Integrated Reporting, The South African Institute of Chartered Accountants was then able to provide insight from the point of view of an integrated reporting specialist. South Africa is known as the “home” of integrated reporting – there, many listed companies are now into their fourth year of preparing integrated reports. Stemming from the 2009 release of the King III Code of Governance, companies are required to produce an integrated report or publicly explain why they have not done so. She stated, “Integrated Reporting is becoming the norm and the old style traditional report, I’m happy to say, is just about dead and buried.”

Against the backdrop of her experience in South Africa and on the IIRC Framework project, she proceeded to discuss things that have been learned by South African organizations in the four years of integrated reporting adoption. In terms of benefits, companies are now better understanding their own business – “some companies for the first time ever tackled their business model; you think that would be a basic thing of being in business, but they hadn’t done
that.” With a new understanding of their business, companies then see improved links between strategies and risk and key performance indicators and performance. Essentially, “there’s a focus on what’s truly material to the business. That’s the way a business should be managed and that’s the way they should be reporting.”

Other benefits seen include a greater recognition of stakeholders and understanding of responses to stakeholder needs, improvements in internal decision-making, better consistency in reporting, and better alignment with internal and external reporting. These internal improvements allow for better resource allocation, potential cost reduction, and a melting of silo thinking in favor of connecting of departments and capitals. She then highlighted that the benefits discussed thus far have been internal to the company, epitomizing what she sees as “integrated thinking.”

Certain challenges that companies in South Africa have faced include setting up reliable systems for nonfinancial information – “the Holy Grail there is to get the nonfinancial systems to be on par with the financial.” In addition to systems issues, “accurate data has also been a problem for some companies.” With new items being measured, for example water usage, data quality can be a concern. Other issues mentioned were navigating the art of materiality, and reporting both the good and bad information relevant to a company’s performance and future – she noted that “what some companies still aren’t getting right is a balanced view.”

Roberts offered a practical tip for those beginning their journey – taken from successful South African companies – that is, starting a report steering committee. In South Africa, this committee is variously led by the CFO, investor relations head strategy head, or company secretary. It is multi-departmental with all of the departments and divisions involved in producing the report sitting at the same table.

In closing, she listed trends for reports in South Africa. She expected that the reports will get slimmer, and there will be more commonalities in the formats – for example, some companies are using abridged financial statements (AFS) as part of their integrated report, relegating the full AFS to a disc or separate report. Most notably, the “octopus model” is being applied. In this model, the head of the octopus is the integrated report, with each of the arms being a detailed report; “it could be the AFS, the sustainability report, the governance report, etc., so all of that detailed information, which could be online, is fed up into the head of the octopus.”

**Alan Teixeira**, Senior Technical Director, International Accounting Standards Board, was the final panelist to speak to the issue of the future of integrated reporting. Coming from the accountancy and standard setting mindset, Alan spoke to whether integrated reporting has a future with the International Accounting Standards Board.
Board (IASB). He first set out to address the view often expressed that financial reports do not tell the whole story, and agreed with it. He stated that the IASB has never held out that financial statements by themselves are sufficient for investors, but rather that their purpose is not to provide a complete picture of an entity, but to provide financial information that supports decision-making. He agreed with the sentiment that financial reporting information, while important to investor decision-making, is not the whole picture.

Teixeira proceeded to discuss management commentary, an area of the accounting standards that he has ample experience with. He stated his belief that management commentary should supplement and complement the financial statements “with integrated information that provides context for the financial statements and includes management’s views of not only what’s happened, both positive and negative circumstances, but also why it’s happened and what the implications are for the entity’s future.” This highlights the similarities between management commentary and integrated reporting, in focusing on the same tenants that integrated reporting rests on – a forward looking, balanced description of good and bad events.

The IASB believes that management commentary is important in providing information that goes beyond just the financials – in fact, the IFRS standards refer to and use management commentary to allow entities to report some information in the most appropriate context. For example, risk assessment is very important, and the IASB financial reporting standard on financial instrument risk says that a company can disclose, either as part of management commentary or within the financial statements information, its risk management efforts. He also discussed what should be included in management commentary, and the differences in material ESG events that arise between companies due to their business models.

On the role of standard setters in influencing corporate behavior, Teixeira stressed that “we can’t, as a standard setter, tell people how to behave. But by making them be transparent about their behavior, that can also cause the behavior to change.” Ultimately, the role of the IASB is to help investors make investment decisions; requiring transparency of company behavior allows investors to make their own moral decisions.

Throughout the day, there had been discussion of the various capitals involved in integrated reporting. Teixeira stressed the importance of financial information as the central or core pillar of integrated reporting, stating that “I can’t imagine any organization, particularly a business, reporting without financial [information]. I can imagine some of them [including my organization] not necessarily thinking that environmental is material.” He went on to describe how different organizations have different material effects on the ESG realm, and would report those accordingly, but would all report financial.

He then closed by stating that “if the purpose of an integrated report and the purpose of a financial report are aligned… then management commentary can actually
become a host for integrated reporting.” He then proposed the essential question of what integrated reporting intends to be – who is the audience of this report? From the standard setting point of view, the IASB’s primary stakeholder group is investors – “if integrated reporting has a wider purpose to meet the needs for a wider group of stakeholders, then it’s not aligned with financial reporting.”

PREPARING THE REPORT: TRIALS AND TABULATIONS

Session moderator Jill Brown, Associate Professor of Management at Bentley University introduced the panel, focusing on preparing different types of environmental, social, and governance reports. The panel was set up as a question and answer session between the moderator and the panelists in order to best highlight common threads and differences of experiences, but first the panelists provided brief descriptions of their role in reporting at their firm.

Maryann Holsberg, Corporate Responsibility Director, PwC, began by explaining her primary report responsibilities as including managing the current report, wondering about next year’s report, and planning for all of that in between. She is one member of a team of three that work on the PwC U.S. report, collaborating with internal teams and systems to collect the information required for the GRI G4 reporting guidelines. PwC is one of the Big Four accounting firms and provides a range of professional services. Of note is that PwC, as a privately held organization, is not required to release this, or any, form of disclosure.

Sandy Nessing, Managing Director, Sustainability & ENS Strategy & Design, American Electric Power, had a similar role at her own firm. American Electric Power (AEP) is one of the largest electric utilities in the country, so Nessing kicked off her introduction by saying “it’s hard to believe for a lot of people that we can actually be sustainable, especially when we burn coal, but we can!” She then proceeded to explain their reporting process, where she works within a team of two to prepare the various ESG reports. AEP produces an integrated report of financial and nonfinancial performance and it takes her team six months to put it together, with data collection from emails, interviews, and more. AEP then holds “page turn” meetings where the team and subject matter experts go through the draft line by line prior to senior management’s review to ensure that the data is sound and accurate. The reports are then audited internally before being disseminated to the public.
Faith Taylor, Senior Vice President, Sustainability and Innovation, Wyndham Worldwide then provided some background on her company; Wyndham has 100,000 locations in 100 countries and includes brands such as Ramada, Super 8, Planet Hollywood, and more. Taylor oversees both sustainability performance and reporting for the company globally. For the past four years, the company has been reporting on sustainability to meet the requirements of the GRI, the CDP, the Dow Jones, and numerous investor requests. Similar to the process at AEP, she also stated that the data collection process takes about six months and focuses primarily on pulling from many different systems and key people throughout the organization. Their report, which is a sustainability report and not an integrated report, is externally assured by Deloitte & Touche on key indicators.

Evan Harvey, Managing Director, Corporate Sustainability, NASDAQ OMX stated his role as encompassing two jobs – the internal reporting of the company and also external outreach and education for the listed companies on their exchange. He works within a team of three and at his company, the data gathering process takes about two months; this data is collected from an internal committee and is compiled in an Excel spreadsheet. They are not yet assuring their report in any form, but may consider doing so on key indicators in the future. During his introduction, Harvey also highlighted the challenge his company faces in gathering high quality ESG data from 70+ global locations.

After introductions had wrapped up, the session moderator then asked the panelists as a group to speak to the challenges of ESG reporting in terms of time, resource, investment, and reconcilment. During this discussion, all panelists agreed that the journey of ESG reporting, no matter how far along they were, is often a painful, yet worthwhile process.

Holsberg noted the challenges she faces in working for a private partnership where reporting is largely not required. She noted that her team had to encourage, embrace, and convince “a lot of our internal stakeholders to engage us in this idea of disclosing information that we’ve never reported either for internal use only or external use.” While she stated that the future looks promising, she emphasized that the process has by no means been perfect. Nessing agreed with this sentiment, stating that “it is a very painful process when you start pushing organizations to report on things that are
uncomfortable.” She believed that firms need to find balance by talking about the good and the bad, and that this requires buy-in from the company employees and management. In her advice to deal with convincing others of the motivation for ESG reporting, Nessing stated that she often finds herself explaining the benefits – that it’s good for the stakeholder, the investors, and the company, and that it drives accountability and innovation, and helps to break down departmental silos. She stressed that by explaining the motivation and reasoning for this reporting to people, they can start to understand the process.

Taylor then expanded upon these motivations for dealing with the challenges that arise in discussing the necessity of transparency in today’s business environment: “I think the concept of companies trying to hide behind is basically not there. It’s better to be proactive and put the information out there and also once you start to get that recognition, then everybody starts to get on board.” She agreed with Nessing that in their roles, they are always required to sell the importance of the reporting they’re pushing for.

Harvey then provided a practical example of dealing with the painful challenges that have been discussed as arising during the reporting journey. NASDAQ OMX had reported on these numbers internally for a number of years before they reported externally, “so there was a built in knowledge that these numbers helped in our strategic direction, but they just had to get used to the fact that we were going to tell people about it.” He believed that this mode of organizational acceptance made the conversation easier when it came time to report externally.

As part of the motivational buy-in for this reporting, the topic then shifted to stakeholder engagement in the process. Nessing told a story of the first meeting that she helped to facilitate between top management at AEP and key stakeholders – environmental groups, socially responsible investors, labor, etc. These groups hadn’t met in person before and while the challenge began as difficult, it was very enlightening to the reporting process upon debrief. An individual, who later became the CFO of the company, shared his realization that the reason there was pushback from stakeholder groups was because the company hadn’t been reporting the progress they’d made on ESG issues. Upon this realization, reporting was seen as an opportunity to own their own story, rather than it being managed by someone else.

Taylor also had experiences to share involving stakeholder management. Wyndham’s hotel portfolio is about 90% franchisees, and the company at first had difficulty managing how sustainability impacted franchisees. They began a green advisory board made up of franchisees, where owners would pair with owners of the same hotel chain and help to set the guidelines, standards, and to champion what other
Holsberg’s experience with stakeholders has centered on employees. She stated that PwC hires over 12,000 people a year, and that the U.S. firm is at about 40,000 employees currently. In managing this large stakeholder group, there are many different needs that require sensitivity when considering interaction.

The conversation then moved from stakeholder engagement in the process of producing the report to stakeholder uses of the report. Nessing, from her experience at AEP, stated “for us it’s about managing relationships, it’s about being so transparent that when a shareholder brings forth a request or resolution that’s our starting point for conversation.” They also use their report to support testimony, regulatory filings, and more. Taylor added that Wyndham’s report is often used as a recruitment tool for attracting talent to the company while also being used as a regulatory tool, as a response to investor requests, and as a big picture tool at the board level. The report is also used internally to provide recognition to business units, whose accomplishments are listed in the report. At NASDAQ OMX, Harvey stated that in addition to the uses already mentioned, the report can also be used for shareholder engagement; the report is used in conversations about listing on the exchange and as a means to showcase the value of the company. The panel all agreed that the report can save internal resources, time most importantly, when being bombarded with requests for information from different parties, including their own supply chain.

Holsberg then stated that PwC has seen an increase in prospective clients reaching out to them for information about sustainability and mentioned PwC’s use of a mobile app to provide a readily accessible version of the report to interested stakeholders – “we provide the information that, based upon what we’re hearing from our stakeholder they’re most interested in knowing” She explained that sometimes it’s in the data, a video, the graphics, or iconography.

Throughout the day, and particularly in this panel, many different regulatory standards and reports had been mentioned. Jill Brown, the session moderator, then asked the panel to discuss the challenges of standardizing the metrics and their reports.

Taylor stated that they keep all data the same between reports at Wyndham, but that some reports require an increased level of detail. The panel then proceeded to discuss how they can act to actually set the standards as the ESG reporting arena develops. Nessing talked about how the electric utility industry is in the process of developing industry wide metrics, and how AEP has become involved in helping to develop metrics that are most relevant to the industry and to eventually inform the Sustainability Accounting Standards Board (SASB) process. Taylor cited similar experiences in the
hotel industry, where Wyndham worked with major hotel chains to develop a hotel carbon metric initiative so that metrics could be compared across the industry; she stated “we went through that exercise because we didn’t want someone else to tell us what that metric should be. As an industry, this is where we had to work together.” Harvey also relayed how NASDAQ OMX was involved in developing the SASB standards for their industry, and how they encourage their listed companies to get involved in order to gain control of the process and tell their own company’s story.

Before turning over to the audience for further questions, Brown asked the panel to discuss the challenges of presenting forward-looking information, a goal of many of these reports. Holsberg cited that her work at PwC focuses around commitments, where they set multi-year goals and report on both what they’ve accomplished and where they’re not doing well. She stated, “as much as the report is about looking back, for us, it’s as much about the story of the commitment and the impact we’re having and will have in future periods than it is about the reporting period.” Nessing then stated her particular pride in the forward-looking nature of AEP’s report, where she pushed for integrated thinking when collecting data around the metrics by asking “where are we? Where do we want to be? How do we get there?” and more. Taylor believed that the forward-looking nature is inherent in the things that Wyndam is reporting – for instance, water reduction targets are forward thinking, and the company must detail how these targets will be met. Harvey closed this discussion with commenting that the interview model of data collection at the NASDAQ exchange, one that all panelists employ, is particularly helpful in ensuring that the data reported is forward-looking.

LEGAL AND ETHICAL IMPLICATIONS OF REPORTING

Session moderator Jeffery Moriarty, Associate Professor and Chair of Philosophy at Bentley University, first briefly introduced the panel focusing on the legal and ethical implications of reporting. The three panelists in this discussion had diverse backgrounds and presented points of view ranging from government regulation of corporate social responsibility, the rise of reporting by the public sector, the motivations for this reporting, to the ethical implications of being involved in this space and how to disseminate your involvement.

Beginning through the lens of an academic, Jette Steen Knudsen, Professor at University of Copenhagen, presented her findings on government regulation of corporate social responsibility in global business. Before delving into the details of her research endeavors, she summarized her findings – “that yes, governments can indeed and do indeed drive the internationalization of corporate social responsibility by regulating company activities abroad.” She noted that much of the current research, and particularly within the United States, ignores the role of government in corporate social responsibility since it is widely considered a voluntary initiative. Her argument is that government should not be ignored.
She referenced the 2001 European Union definition of corporate social responsibility – “the impact of business on society.” She believes that this includes both voluntary and government regulation in the same definition, which was necessary since many governments at this time had already started to regulate CSR. When looking at ratings, if the previous definition of CSR as voluntary had held, then companies in countries where regulatory action had been taken may actually have been rated lower, which she noted doesn’t make much sense.

Knudsen then proceeded to discuss how CSR is becoming essential for companies. She claimed that “old style shaming” plays a role in this change, giving the interaction of documentarian Michael Moore and Nike CEO Phil Knight as an example. In the mid 1990s, Nike was criticized a lot for violating human rights and labor rights into their global supply chain and Phil Knight claimed that Nike is not the maker of shoes, but simply the designer, and since they don’t own the factories in Indonesia, are not to be the source of change. In a confrontational move, Moore visited Knight with a plane ticket to Indonesia; this, combined with many consumer boycotts led Nike to change its policies and it is now one of the leading companies when it comes to having a code of conduct for operating in its global supply chain. She also claimed that in addition to old style shaming, government regulation has also played a role.

In discussing government regulation as a driver, she quoted one of her research projects – “good government helps promote CSR.” Her study found that “companies that comply with CSR requirements are more likely to do so if they come from countries that have good governance institutions (democracy, rule of law, protection of competition rules, and so on).” She also has found that private regulation has significant limitations, and more macro governmental regulation is required to drive CSR.

Based on her experience and interest in the literature stream, Knudsen then gave a quick review of the existing literature on government regulation of CSR, noting that a majority focuses on how a company’s CSR reflects the home country regulatory environment. While this is all well and good, she is interested in “how do home country governments, in the West in particular, regulate their home country firms when these companies operate abroad?” In an increasingly transnational world, the regulation of company activity abroad is also important, she argued. She then discussed one example, that of the European Union wide directive for listed companies to report on human rights and environmental issues within their global supply chain. This extends the regulation beyond a company’s home country and regulates their activity abroad, effectively driving widespread CSR activity.

Knudsen finished her presentation by summarizing the new items that stem from considering government regulation of CSR. First, national government of company activities abroad is new. Second, the government to business focus is new. Lastly, the focus on enhanced transparency through this regulation is important to note, and seems to be a core theme of the conference.
Next up, Adam Sulkowski, Associate Professor at UMass Dartmouth discussed three key points relating to the panel’s topic – understanding and appreciating that the current definition of materiality in the U.S. law behooves ESG reporting, the increasing prevalence of ESG reporting in the public domain, and the motivations for ESG reporting. From his experience teaching law, he noted that his students know that “anything that significantly alters the total mix [of information] to the investors must be disclosed.” He argued that this includes, and should include, ESG information. He noted the lack of “teeth” to enforce existing specified disclosure requirements and the severe need for more comparability and credibility across reports. He noted that there has been some nice progress on this front, but that “a lot of us are wondering whether we need to move in the direction of standardizing, eliminating some of the discretion, and putting some teeth behind it.”

Moving along to the use of ESG reporting in the public sector, Sulkowski noted that 90% of the world’s mega cities are coastal and thus are inherently feeling the effects of ESG issues, including climate change. He noted that barring some unforeseen disruptions, it is predicted that we will construct more infrastructure and buildings in the next 30 years – especially in the developing world’s cities – than in the entire history of humanity so far. With cities rapidly growing, he noted that this is where the action in ESG reporting could be in the next few decades. Sulkowski then cited his experience creating these reports for the public sector, where he has found that “private sector frameworks are applicable to public sector entities. It’s just a question of collecting, formatting, and engaging in materiality analysis. The same drivers exist for the public sector as for the private sector.”

Closing his presentation, Sulkowski then led an activity with the audience in guessing why executives embark on sustainability reporting. This data comes from the KPMG triannual survey of executives, and he presented data from 2005, 2008, and 2011. The majority of the audience believed that this reporting is done for risk management/reduction and reputation/brand. In presenting the results, he noted that innovation and learning tops the list, along with employee motivation. He closed the activity by stating, “the important thing to notice is that the internal audiences appear to be important.”

In his concluding remarks, Sulkowski then began to discuss moving towards zero environmental impact. Noting that sustainability reporting is not enough for this goal to
be reached, he proposed a question for the panel—“is there something that we can do in the regulatory environment to encourage leadership and vision in terms of using the data in ways we thought it would be used?”

The final panelist, Joe Sibilia, Chief Executive Officer, CSRWire, transferred the discussion to the ethical realm, beginning his presentation by saying the conversation of the day “really boils down to something very philosophical and very close to my heart—we’re really measuring instinct… When we really come down to it and we really start to think about everyone as the center of the universe and everyone is connected to each other, and we are all connected to nature, that’s when we begin to grow. That’s when we start to understand the ethical and the spiritual implications of our actions.” He praised the work of the GBES participants: “what you’re doing, what you’re writing about, what you’re reading and talking about at this event is an enlightened view of humanity.”

After addressing the ethical implications of ESG reporting, he began to discuss the media landscape surrounding corporate social responsibility. His company, CSRWire, distributes, archives, and curate news to a diverse audience of journalists, analysts, activists, academics, investors, investor relations, public relations, and public policy professionals in over 200 countries. He cited a study done by the University of California, which used the CSRWire archives to extract about 16,000 voluntary greenhouse gas emissions disclosures and found that “companies that voluntarily disclosed their greenhouse gas emissions, the investment company was able to price the risk and actually reward the company.” This gave his company enthusiasm to continue to invest and broadcast these disclosures in their business model.

Sibilia then relayed his experiences in engaging stakeholders in a discussion surrounding integrated reports using a “tweet chat.” He explained that CSRWire ran a tweet chat for McDonalds, where they reached two million accounts, and had the company answer all questions asked regarding their integrated report. This method benefits the company in providing them with intelligence that would normally be expensive by getting to the “questions that companies, people, activists, and investors are asking related to their integrated report.” Sibilia then closed his presentation with his thoughts on the promising future of integrated reporting, stating that “this is on a trajectory that’s going forward, going up, it’s creating whole new industries, whole new disciplines, and business opportunities. It’s creating so much for the future of making that I believe that in the future you’re going to be viewed as all making history and improving the quality of life and the quality of civil society institutions for the common good.”
LUNCHEON KEYNOTE SPEECH

Following the morning panels, the luncheon portion of the day included the keynote address. Cynthia E. Clark introduced Scott Powers, who is the President and Chief Executive Officer of State Street Global Advisors, the investment management arm of State Street Corporation and a global leader in asset management. The luncheon keynote address focused on honoring Tim Harbert for the 10th anniversary of the Bentley Alliance held in his memory, as well as a discussion of the impact of ESG investing on SSgA.

Powers began by underscoring Tim Harbert’s legacy: “As many of you know, this marks the 10th year anniversary of the death of a distinguished Bentley alumni and Trustee and a State Street Global Advisors CEO who proceeded me, Tim Harbert. Tim was passionate about Bentley, he was passionate about business ethics, he died tragically that August, [2003], from a sudden heart attack at a very, very young age of 53. A few months later in collaboration with Tim’s wife Nancy, the State Street Foundation worked with Bentley to establish this symposium in his memory. This is the 10th anniversary of that event and we do have the absolute pleasure of having Nancy Harbert here today, so let’s give her a warm welcome and thank you.” He noted that much has happened in the past decade related to the theme of ethics and social consciousness, topics that are a focus of the Bentley Alliance for Ethics and Social Responsibility.

He then proceeded to discuss the regulatory reaction to various events in the past decade. Ten years ago, in 2002, regulations had just been implemented under Sarbanes Oxley in attempts to prevent a repeat occurrence of the Enron scandal. Additionally, he noted the staggering population growth and the rise of the middle class in emerging markets like China, India, Brazil, and Indonesia, which has caused a “tremendous strain on our resources… all adding to the forces contributing to the growing environmental stress we see globally.” He noted climate change and the financial crisis, along with ample subsequent legislation, as seminal events of the decade.

In the investment community, he noted that “it’s also been a watershed decade for socially responsible investing.” In 2006, about two dozen asset management institutions signed the United Nations Principles for Responsible Investing, “committing to integrating environmental, social, and governmental issues into their investment processes.” This signatory base has since grown and represents roughly 50% of the investable assets in the world today. For State Street’s experience with ESG investing, Powers noted:
“There’s a tremendous amount of growth in the construct of environmental, social and governance. Year over year growth in ESG assets has consistently outpaced the growth in assets in the asset management base in general. At State Street we now estimate the size of the global ESG assets under management at over $13.6 trillion, and a recent report estimated the U.S. ESG assets at the end of 2012 to be close to four trillion in assets under management, representing over 11% of the total assets under management in the United States, and that’s up 22% just from 2010. So, tremendous growth, tremendous recognition in understanding that ESG factors are increasingly important as we think about investment opportunities.”

Tying together his beginning thoughts on the regulatory environment and the rising focus on environmental, social, and governance information, he noted that the governments and stock exchanges of over 43 different countries have required or encouraged sustainability reporting.

Powers then proceeded to address the shift from socially responsible investing (SRI) to environmental, social, and governance (ESG) investing in the past decade. He noted the difference between the two – where SRI refers to a portfolio construction methodology that allows clients to avoid investment in stocks or industries through a negative bias screening; he cited examples of investors divesting companies that did business in South Africa during Apartheid or companies that produce products that are noticeably harmful to society. ESG, on the other hand, “really does reflect a very different level of investment analysis. It calls for the introduction of environmental, social, and governance issues alongside the conventional financial metrics that investors have always used and analyzed as aimed at improving the overall investment outcome.” He continued to say that “ESG has evolved into a space where arguably, and there’s some debate on this subject, we can now look at ESG factors as credible elements of financial analysis so instead of looking at the tradeoff between doing good and doing well, or aiming for net neutral return, we’re now looking at ESG issues as factors in and of themselves that can help drive or hinder returns.”

Extending the discussion to the link between ESG factors and investment performance, Powers referenced the United Nations Principles for Responsible Investing as a representation that ESG factors can “affect performance of investment portfolios to various degrees across companies, regions, sectors, asset classes, and through time.” In discussing issues with this linkage, Powers referenced the lack of quality data in the space as a barrier to investment decision-making. He stated, “users of ESG data, including State Street, continue to call for more standardized reporting mechanisms to improve the quality of the data that is at the heart of any investment analysis.” This push is occurring because of the premise, shown in the findings of a series of research papers, that all else being equal, a company is more likely to generate strong performance if it’s well governed, operates in an environmentally efficient manner, and is socially responsible. Studies have found that corporations with high ratings for ESG factors have a lower cost of capital in both debt and equity and exhibit market-based outperformance and accounting-based outperformance. Powers encouraged academics to continue research in this field as ESG investing continues to take shape.
Despite an increasing trend of ESG investing, Powers noted that “while there’s lots of progress and there’ve been lots of work done, none of this is meant to imply that the adherence to ESG principles is yet the norm among that clients that we serve.” He cited relatively low percentages of U.S. operating charities, which one would think to be on the forefront of ESG investing, that were currently acting in this manner. He also cited hesitations that pension fund managers have had with ESG investing in stating that “ERISA actually mandates that fiduciaries invest planned assets solely in the interest of participants and for their beneficiaries and only where two investments are more or less equal from an economic value standpoint does ERISA permit fiduciaries to choose between alternatives on the basis of a factor other than the economic interest of the plan.” While this may seem like a blow for the future of ESG investing, he noted that the tide is turning towards ESG issues making their way into the regular investment decision-making process.

He then provided a few examples of where ESG investing has been successful – for one, CALPERS, the California state pension fund, made a recent move towards a sustainable investment strategy:

“CALPERS recently announced that it was moving towards 100% sustainable investment by systematically integrating ESG across its entire $264 billion fund. The fund reports it will do so through a combination of proxy voting, investing in funds devoted to green energy, and/or to urban or rural areas that are underserved by traditional investment capital. They’ll maintain an annual list of underperforming companies and they’ll finance research into how ESG factors affect risk and return across asset classes. In explaining their decision, CALPERS says long-term value creation requires the effective management of three forms of capital – financial, human, and physical - and that’s why we’re concerned about ESG.”

Powers predicted that others will begin to follow this trend. He also noted Harvard’s recent hiring of a fulltime endowment employee devoted to sustainable investing.

Having described the increasing prevalence of ESG investing, Powers then proceeded to explain State Street’s role in the space, where they engage as an investor, as a steward for client assets, and as a publicly traded company subject to their own criteria. He stated:

“As an investor we work with our clients to incorporate ESG into their portfolios using several approaches, first we utilize ESG data to tilt portfolios towards the factors that we think are important without taking on significant tracking errors or divergence from an established benchmark. The idea behind this approach, also called best in class, is that while investors may want exposure to ESG exemplars, they don’t want to take significant industry misweights or to bear the opportunity cost of foregone diversification over full market cycles, so we’ve built portfolios that emphasize companies with superior ESG ratings or that track a best in class index relative to their industry peers. That’s the first way that we look at ESG as an opportunity for our clients.”

He also discussed State Street’s work with its large institutional clients to sort through the complicated ESG issues in today’s business environment and how to implement them into their portfolios. In addition, as a passive asset management firm and owner of companies SSgA expects “strong corporate governance standards, while giving
appropriate consideration to local regulatory requirements and investor expectations in countries in which companies operate.” He stated that SSgA is expending more time and resources to engage with companies on ESG issues. He cited a recent ethics and ESG issue that the company has dealt with in the use of gestational crates. Gestational crates are sometimes used by providers of pork in the food industry, and many of the world’s largest food companies have recently announced that they will remove these crates from their supply chains. SSgA’s role in this issue is to engage with companies on how they’ll meet this change, which “is an extension of our fiduciary responsibility to protect our shareholders returns by ensuring that these companies will be able to compete economically in the future.”

On a personal note, Powers took a moment to note his recognition of the importance of these issues, stemming from a recent conversation with his daughter, where she said “Dad, I don’t want your generation sticking my generation with the bill to clean up your mess.” He explained that SSgA is engaging in conversations with wealth management firms and large institutional clients about how to integrate pollution and emissions’ standards into a mutual fund format or an exchange traded fund to maintain credibility in their minds with a younger generation of investors. While this remains a work in progress, SSgA remains committed and is actively participating in projects to develop a set of objective ESG measures for industries.

Being conscious of ESG issues, Powers cited State Street’s internal changes such as migrating technology and application systems to the cloud, virtualizing their operating system environment, and creating a more mobile workforce which has allowed them to reduce their real estate footprint, along with the benefit of cost savings. On the environmental front, State Street has also purchased green energy and carbon offsets. State Street also engages socially through the State Street Foundation global grant program. Stressing the commitment that State Street and SSgA have to these issues, he stated “holding yourself to high ESG standards is clearly not something you set and forget, it is a living document, it is an ever evolving approach to how we interact with our shareholders, how we interact with the companies we invest in, the communities that we operate in.

In closing, Powers again provided thoughts on the positive outlook of ESG investing and reminded the audience of the legacy of Tim Harbert:
“While not one size fits all for ESG, we remain committed to these principles and we find better solutions both for our shareholders and for our clients and we believe that you can add value and help create a more just and livable world. To me, that’s the kind of legacy that Tim and Nancy Harbert set out when they created the Symposium for Business Ethics here at Bentley and I know that he would be very, very proud of today, as I know Nancy is, of seeing the progress we’ve made over the last ten years.”

**ASSURANCE AND CREDIBILITY**

Session moderator Sylvia Maxfield, Dean at Providence College School of Business, introduced the panel, focusing on the assurance and credibility of ESG and integrated reporting. In analyzing the day’s panels she explained that the topic may be a bit ahead of its time since there are other issues in the developing field, but that “assurance really is the gold standard of this work.” She then asked each panelist to provide a brief description of their experience with assurance, after which they would proceed to general questions.

Gwendolen White, Ph.D., CPA, Clinical Associate Professor at Indiana University, then began the discussion through an academic’s lens. White has had experience teaching sustainability reporting in a managerial accounting context from both the internal and external perspective, as well as helping various organizations to create their reports. She urged the academics in the audience to dive into the field of sustainability reporting, citing benefits to both professors and students of opening curriculum to this new area.

Gwen then proceeded to discuss the reputation and branding benefits of sustainability reporting, along with the chance that it can build more trust between an organization and its shareholders and stakeholders. In addition, she stated that sustainability reporting provides opportunities for risk management improvement. Based on her experience creating sustainability reports with students, she noted the importance of providing a true view of the company rather than “green washing.” She cited a question she got from a student who was preparing a sustainability report for Ball State University, he asked what they should do if they uncovered something bad about the university. She encouraged him, and encouraged the audience, to report a balanced view of the company, even if that meant including sustainability areas that need improvement.

Since a company can choose what to include in their report, she noted that it is difficult to assess the credibility of the report.
as an outsider. Is the report mere “green washing” or is it presenting that balanced view? She stated, “that’s where assurance is coming into play and this issue of can we trust? So, third party assurance of these reports is a great way to handle this.” She continued to this topic by covering the variety of players that can supply assurance, ranging from certification bodies, special consultancies, NGOs, academics, stakeholder panels, accounting firms, and more. In this sense, sustainability reporting differs from financial reporting.

White concluded her remarks by encouraging academics to research the effects of assurance and if the data reported is credible to be used in decision making. She stated, “I think it’s a great time to be in this field, lots of changes, and it’s evolving. I think if it were finished, we wouldn’t be here. It’s evolving, it will evolve, and I hope that if you’re new to it you can get involved increasingly in what’s going on.”

Anna Nefedova, Senior Manager, Deloitte & Touche LLP, was the next panelist to speak to the details of assurance of nonfinancial reporting. Nefedova has hands-on experience in providing assurance for sustainability reports of public companies, having joined the Deloitte & Touche internal audit practice and then moving to the sustainability group. She has also recently spent two years in Amsterdam working with the Global Reporting Initiative (GRI) to develop the G4 sustainability reporting guidelines.

Nefedova opened her comments with stating “I think that it’s never too early for assurance if you’re sure that your data is solid. If you know where it comes from, if you’re serious about your data, you do want to get assurance on it. If it’s just a bunch of numbers you kind of put together, then how do you trust it?” She stated that a passion for her team is “to think about assurance in the sustainability context and take it as serious as in the financial context.” She then walked through the motivations for reporting, as many panelists throughout the day have, stating that it builds trust and credibility while also aiding decision making both internally and externally.

Continuing White’s discussion of who can provide assurance, she noted that a wide range of groups are qualified to do so but that users should be aware of the standards that these groups used to perform their audits. She stated that according to a company’s needs, any of these groups can be chosen to provide assurance, but that they should all operate under some sort of standard, because if there is no standard “how do
you go about providing assurance? How do you pick things to audit? What do you follow as a methodology for your auditing? How can you rely on opinion?” She then gave the audience a quick debrief on the levels of assurance in sustainability reporting:

“There are two levels of assurance – the limited and the reasonable level. When you think of financial statements, it’s the reasonable level examination where you do a lot of testing. For sustainability reporting, the most common level is limited, and it’s called a review and it’s very different so I think this is a very good way of jumping into the assurance.”

**Rich Goode, Senior Manager, Ernst & Young,** then provided more information from the Big Four perspective on the assurance of these reports. Goode’s path to this work, like Nefedova’s, was from outside of the accounting perspective. He began his career in industry, eventually making his way into sustainability positions; he stated that this experience allows him to better understand his new clients, as he was once sitting on that side of the table.

Goode discussed the motivations for sustainability report assurance from the practical sense in explaining that companies can get higher ratings under the Carbon Disclosure Project or the GRI if they have their reports assured. He explained the value added services that the audit can provide in allowing companies to better understand their ESG impact and how to measure it. He stated, “there’s really a lot of value add there beyond just hiring somebody and having a signature, there’s really a lot of value added in terms of business experience and knowledge that comes from having an audit done.”

In discussing how assurance is beneficial in enhancing the report, Goode stated that “assurance is a good way to drive context into the discussion.” He cited instances of companies reporting on only certain scope levels of their emissions, and the need to expand this scope out to the company’s supply chain. In concluding his remarks, he also affirmed that assurance can provide credibility to reports, stating that “regardless of who you use, having an independent third party look at your data and say we find this to be true and in conformance in all material respects really lends an air of credibility to your data, regardless of what it is you’re trying to assure.”

Upon conclusion of introductory comments from each of the panelists, Maxfield then guided the panel through a series of questions. First, the discussion turned to enlightening the audience as to brands that are assuring their reports and what scope of material is often assured. Goode cited the reports of Wal-Mart and McDonald’s as just two examples of consumer brand names that have extended their assurance into the nonfinancial domain. From her experience reading these reports, White mentioned UPS’s sustainability report as a true leader in the industry since they go beyond limited procedures to receive a full examination from Deloitte. Nefedova then chimed in with her
experience as the actual auditor of this report, discussing the lengthy and tricky process of providing an examination level audit. During this discussion the panel also discussed the changing format of these reports with many companies moving their reports online or to an app format. Nefedova stated that “as a very traditional company, we can’t just throw our statement left and right, we require some sort of limited finite document that we provide our assurance on.” The panel agreed that the frequently changing formats of reporting has provided a challenge for traditional assurance engagements.

After prompting from the session moderator, the panel then transitioned to discuss why companies may be wary of receiving assurance, and where the trend is heading. Goode stated his beliefs that many companies have uncertainty and doubt as to whether their data would pass a rigorous review or that the assurance isn’t being requested by their stakeholders. Nefedova noted the costly nature of assurance, but encouraged sustainability teams with small departments to seek out an assurance provider that they can afford, as it does provide a benefit. In enhancing accounting education in this field, White discussed her desire to get more accounting students trained in preparing these reports through course projects.

Throughout this panel and earlier panels, there has been an underlying discussion of materiality and to what extent ESG should be reported. In connecting this to assurance, the session moderator asked the panel to discuss the process of setting the scope for assurance engagements. Goode explained E&Y’s approach of starting with a materiality assessment through pre-assurance services in order to determine whether a client’s data is truly ready for a prime time, citing that sometimes “we just can’t provide assurance over it because we can’t get comfortable with the data, we can’t replicate the results, or what they reported is materially different than what we come up with.” Nefedova then explained the slightly different approach of Deloitte & Touche: “In our eyes, the final goal is (assurance on) the entire report, kind of like your financial reports – you don’t pick it up and say let’s focus on assets this year.” These two perspectives represent the difference in scope of assurance engagements, where various reports are assured on only key indicators all the way up to the full report.

One key challenge that the assurance practice in this field faces is the multitude of standards that companies can choose to follow; the session moderator thus asked the panel to discuss this challenge, along with their predictions for the future. White was first to express her uncertainty, but excitement for the future of the field:

“This is a field in a great deal of evolution and flux. What I’m pleased to see is that the accounting profession is getting much more involved in the U.S. in this arena, and there’s a lot of room for many players in sustainability assurance because people have different needs – different small firms, big firms, different stakeholders that want to see perhaps different types of assurance. There is a lot of give and take, and I wish I knew which way it was going, but it’s exciting.”

Nefedova expressed similar uncertainty for the future of standards development, along with some questions that she has, but reaffirmed her belief in the GRI framework:

“How do you take each of these new or existing frameworks and how do you apply it over your auditing standards to come up with some sort of meaningful process? I do
think personally that GRI is here to stay, but maybe that’s because I spent a couple of years with them so I truly believe in their process. It’s very interesting and developing. In the U.S., we haven’t done assurance of an integrated report yet. I know the panel was talking about it this morning, but it’s also very fascinating. How do you do it? Will it be limited assurance on everything else, reasonable assurance on dollars only, or how do you marry the two? Lots of excitement in the nerdy life of auditors!

In closing, the panel then began a discussion on how they’re able to handle skeptics of the benefits of assurance. Goode cited his experience on the other side of the table as helpful in dealing with clients and knowing when a company should and should not be receiving assurance. He stated, “Sometimes the data’s just not there, you can’t assure it, because it’s not ready for prime time. Doing that respectfully and within the context of knowing your client is important.” Nefedova agreed with the importance of building healthy human relationships and treating assurance as a supportive environment.

THE MARKET FOR ESG INFORMATION

Leading the last panel of the day, session moderator John P. Hansen, Executive Fellow, Center for Business Ethics at Bentley University, emphasized the tradition of the Symposium in dealing with forward-looking topics. Jack stated, “that visionary outlook was certainly captured in the opening remarks from this morning on the future of integrated reporting. So it’s fitting that for our closing session we’ll discuss the market for ESG information, because I think that the market itself will undoubtedly influence the development and the evolution of integrated reporting.” During their remarks, Hansen asked the panelists to describe their role in the market for environmental, social and governance information.

Chris McKnett, Vice President, Head of ESG, State Street Global Advisors, began the panel discussion by describing his role as a sustainable investment strategist where he works on behalf of SSgA’s clients to “try and design, develop, manage, and maintain investment strategies which incorporate ESG issues (risk, factors, rating, signals) into the investment process.” He described SSgA, which is among the top three for assets under management, as a “producer, supplier, and a consumer of ESG information.” He noted that his presentation would primarily be focused on the consumer perspective, where SSgA is a user of ESG information.

McKnett described two basic ways that SSgA uses ESG information. First, it uses it to screen portfolios – “that would be filtering the universe of securities for portfolio eligibility based on
specific ratings, exposures, activities, products that they may make, or whatever the case may be.” Additionally, ESG data is used on a “company level of analysis to understand corporate strategy and management quality.” He listed the motivations behind employing these uses as including aligning portfolios with client’s values and missions and improving the investment outcome. He warned that these two motivations are not necessarily mutually exclusive, but often have fairly distinct orientations. He summarized these motivations in stating:

“The simple, but challenging fact for us as a mainstream manager is that there are certainly plenty of investors who regard ESG purely for ethical or normative reasons, and that’s terrific and for them, the extent to which it’s captured and reflected in the investment process looks very different from the increasing amount of investors who view ESG as potentially return enhancing or risk mitigating. In many respects, we’re an all of the above manager when it comes to being in the market for ESG information, because we do work with both points of view and we think both points of view are equally important. Of course, there can be some convergence between both points of view, but they do require some different competencies and different tools.”

He then proceeded to discuss the implications of using ESG in investment decisions, stating that by doing so, there’s “a recognition that realized volatility is not the full measure of risk.” He stated that the hope is to use ESG information to deliver a better investment outcome, “which in most cases means giving them potentially a better return, or less risk or volatility in their portfolio.” McKnett concluded by citing that “discussions are frequent and very dynamic” at SSgA, and that he sees hope for the future of this type of investing.

Next, offering the perspective of a provider of ESG information was Madison Brown, ESG Analyst, Bloomberg L.P. Bloomberg has long provided fundamental data and financial news to the investor community as a whole, and since 2009 has began offering ESG data on public companies. Brown stated, “We have 10,000 companies in our coverage globally, so all the major indices in each region, so the Russell 3000, FTSE, everything that you could expect. The data is readily available on any terminal that you’ll see.” Bloomberg has seen usage of their ESG platform grow at an annual rate of 41.5%.

Brown then proceeded to show a screenshot of the terminal’s data for an example company. The portal includes environmental data points (carbon, water, energy, etc.), social data points (injuries, fatalities, diversity in the workplace, supply chain management issues, etc.), and governance data points (independence, board diversity, shareholder rights, etc.). This data is gathered from publicly available information, namely sustainability reports, annual reports, and other filings.

She noted that as a developer, they tried to integrate the ESG data alongside the financial data to allow access to all users. She also presented the proprietary research
that can be found on the portal, where a small team of Bloomberg analysts use the data available to examine various research questions.

In wrapping up her presentation of the portal, she presented the ESG analytics and news available within the platform. For analytics, data gets pulled into tools so that valuation and scoring on ESG performance can be done by any user. One of these tools is an ESG scorecard, where a company can be compared against their peers and given an ESG performance score based on their performance against that peer set. In terms of ESG news, users are able to monitor their news or their peers’ news, as well as view a news sentiment rating.

Brown then concluded her presentation by discussing the users of the data that Bloomberg provides. She stated that “ESG focused investors mainly are our biggest segment of users, but we’ve seen a big uptick in mainstream investors.” She also noted that corporations like to monitor the performance of their peers and use the various analytics to evaluate their own performance.

Bahar Gidwani, Co-founder and CEO, CSRHub, was next to present his thoughts as another provider of ESG information. Gidwani began his presentation by challenging some of the views that had been presented throughout the day. First, he stated “I don’t think that investors matter. I don’t think that companies are responding to investor pressure; I know they like to say they are, but I don’t think they really do.” He noted that there are a few hedge funds that have managed to attack and change a company, but that companies truly respond to their employees, communities, NGO’s, and regulators when pushed.

Second, Gidwani proposed a thought for the panel to consider: that the market for ESG information is a messy system of singular providers. He noted that the multitude of data sources creates a complicated situation for managers who are rated in all different directions from each source. He also claimed that between the different ESG analysts, there are very low levels of correlation. At CSRHub, they combine data sources to form an overall ESG score; he stated “we use 323 different sources in our system, which have a total of more than 9,000 different ways of measuring sustainability.” CSRHub collects all of the data sources, merges it together, normalizes it, and tries to give a score; “we try to provide consistent metrics across a large number of companies.”

Third, Gidwani stated that it’s important to widen the net of companies covered by ESG data. He noted that within small and medium companies is where “the real hiring goes on,” as well as the economic activity. He continued:
“You leave the developed world and you go deal with a couple billion people in the rest of the world. That’s where stuff is really happening. That’s not covered by traditional ESG analysis. If we want to really talk about a market place of ideas, we want to get out there and do stuff, forget about investors, that just doesn’t matter.”

He stressed that it’s important to worry about the rest of the world outside of the largest companies, and that’s the important direction for ESG data providers to head.

In closing the panel, Michael Muyot, President and Founder, CRD Analytics, shared his experience of adding analytics into ESG data to help change the viewpoint surrounding this important type of information. Muyot explained that when CRD Analytics was founded, “there was a dearth of quality data.” His company thus combed through both sustainability and annual reports by hand and manually extracted the data and put it into a database. “When you do that you become really, really intimate with the information and the [level of] reporting.” The company’s SmartView® 360 algorithm drives the NASDAQ CRD Global Sustainability Index, but it also provides “different rankings, research reports, and analytical models that students are learning to rate and evaluate a company on a holistic level.”

Muyot emphasized that the exhaustive intelligence gathering and the learning process conducted by providers like CRD Analytics cannot be replaced, and that it’s an important process for the overall community affected by ESG information to use. By leveraging analytics with raw ESG data, CRD Analytics, and others that choose to learn algorithms, a common platform is created “to talk to investors, executives in corporations, students, and all these different folks.” In stressing the importance of this work continuing, he stated:

“I am a learning algorithm, but I can only do so much, but if you teach other folks how to also be their own learning algorithms and not just the technology, the people, that’s the real multiplier effect that we see. It’s about giving them tools to do that intelligence gathering, build their own models, to build their own indexes and rankings. To me, that’s the important part.”

CRD Analytics collects its data from publicly available sources, which Muyot reflected in stating that “public information is important because transparency is going to become a real competitive advantage.” He continued to discuss the importance of transparency in stating, “it’s a foregone conclusion that it’s all going to be mandatory, the way that I see it. You might as well get used to it, you might as well report it, and you might as well get good at it. You might as well get all the skeletons out of your closet and clean them up.”
Muyot then presented from experience, the importance of materiality judgments in dealing with ESG information. He stated that “it was very important to be able to define what those material issues are and then to build a quantitative system to rank each one of the issues.” By viewing many of these companies’ materiality assessments, he has noticed that there are benefits in focusing on key issues and “what’s most important and material to them and their stakeholders so that they’re not wasting time on reporting” on an expansive amount of ESG issues. He stated, “that’s a time saver, a money saver, so that they can focus on what’s important to them and start making changes in their operations, their people, training, and safety and in lowering their emissions and diversifying their fuel [sources].”

In his concluding remarks, Muyot reflected on the trends in the market for ESG information. He predicted that “ESG reporting will be mandatory, global stock exchanges will require it for listing, transparency will be a comparative advantage, and the majority of investors will incorporate it into their models.” He concluded by addressing the underlying debate of the panel, on whether there is a future for investors as a driver in the market for ESG information:

“Sustainability, ESG, whatever you want to call it could be a driver for more profit and more alpha for a stock. Investors are not going to pay attention to that? Of course they are. You have to put it in terms they understand [e.g. EPS, P/E, EBITDA, and ROI].”

ACKNOWLEDGMENTS

As the new director of the Bentley Alliance for Ethics and Social Responsibility, I wish to express my gratitude to the State Street Foundation for its ongoing support and multi-year commitment to this program. I would also like to thank the speakers, panelists, and moderators in our tenth symposium for their willingness to share their work and insights, and, most of all, for their enthusiasm and collegiality.

I would also like to acknowledge the hard work and dedication of the ESG Scholars. The 2014 program also continued our Next Generation ESG Workshop initiative into its sixth year. We offered this companion program focused on enhancing doctoral student research in the environmental, social, and governance arenas. Professors Bryan Husted from York University, Jette Steen Knudsen from the University of Copenhagen, and Andreas Rasche from the Copenhagen Business School, served as mentors, working directly with students to improve their research. Our sixth cohort of Next Generation ESG Scholars included Marta Bicho (Lisbon University Institute), Jace Garrett (Bentley University), Erin Henry (Harvard Business School), Jinyoung Kang (Umass-Boston), Ruth Massie (Cass Business School), and Vivek Soundardarajan (University of London).

Once again, special thanks also go to Jonas Haertle, Head, PRME Secretariat, for his ongoing support, making the program a UN Global Compact PRME (Principles for Responsible Management Education) co-sponsored event for the 5th straight year.
Another individual who has been an important contributor over the years is Mary Gentile, Babson College. Through her ongoing support of our teaching workshop, she gave another insightful presentation on the Giving Voice to Values (GVV) program. Through Mary’s stellar efforts, we have incorporated GVV as a critical tool in our efforts to work with faculty in their efforts to bring ethics into the classroom and their discipline-based courses.

Among my many Bentley colleagues, without whose continued effort and support the symposium series and follow-on teaching workshop would not have been possible, I would, once again, particularly like to thank Tony Buono, Michael Hoffman, Bob Frederick, Jeff Moriarty, Jill Brown, Tracy Noga, Mary Chiasson, Gail Sands, Jenna Burke, Jace Garrett, Andrew Stuart and Terry Tierney.

As has been the case with all of our past symposia, we were faced with a number of difficult choices in capturing the essence of the ideas exchanged during the program. As we have done with the Proceedings for our earlier Symposia we chose to focus on the remarks made by and exchanges between our panelists, unfortunately bypassing a wealth of ideas that were raised during interaction with the audience. I encourage interested parties to visit the video links included in the following panel listings to view full footage of the day. Jenna Burke, my graduate research assistant, provided invaluable assistance in viewing these videos of the different sessions, culling key points and ideas, and helping to draft the proceedings – and was our behind the scenes tweet-master.

I’d like to thank all of those who followed along and interacted with our live tweeting of the Symposium throughout the day. We were able to capitalize on an increasingly dynamic communication channel and plan to leverage this even further in the future.

On a closing note, I have benefitted greatly from the unmatched planning and enthusiasm of my predecessor, Tony Buono, without whom my first symposium as director would not have been possible. He is always a willing ear and more helpful and responsive than any individual I have had the pleasure to work with. It has been a wonderful experience and I am truly grateful for the opportunity.

Planning is in progress for our 2015 Bentley - State Street Foundation Global Business Ethics Symposium and Teaching Workshop, which will focus on sustainability and social responsibility in a Scandinavian context.

I look forward to seeing you in 2015!

Cynthia E. Clark
Bentley University
Waltham, Massachusetts
• Additional information on the Bentley Alliance for Ethics & Social Responsibility can be found at:
  http://www.bentley.edu/alliance

• Further information on the Bentley Global Business Ethics Symposium series sponsored by State Street Foundation can be found at:
  http://www.bentley.edu/symposium

SPEAKERS AND PANELISTS

Welcome:

Anthony F. Buono, Professor of Management and Sociology, Bentley University

Cynthia E. Clark, Associate Professor of Management, Director of BAESR and Harold S. Geneen Institute of Corporate Governance, Bentley University

Video Link: http://videos.bentley.edu/?p=298

Keynote Speaker:

Scott Powers, Chief Executive Officer, State Street Global Advisors

Video Link: http://videos.bentley.edu/?p=287

The Future of Integrated Reporting: Why does it matter?

Moderator: W. Michael Hoffman, Executive Director of Center for Business Ethics and Hieken Professor of Business and Professional Ethics, Bentley University

Panelists: Andreas Rasche, Professor of Business in Society, Copenhagen Business School

Ana Blanco, Reporting Manager, United Nations Global Compact

Leigh Roberts, Project Director, Integrated Reporting, The South African Institute of Chartered Accountants
Alan Teixeira, Senior Director, International Accounting Standards Board

Video Link: http://videos.bentley.edu/?p=304

Preparing the Report: Trials and tabulations

Moderator: Jill Brown, Associate Professor of Management, Bentley University

Panelists: Maryann Holsberg, Corporate Responsibility Director, PwC

Sandy Nessing, Managing Director, Sustainability & ENS Strategy & Design, American Electric Power

Faith Taylor, Senior Vice President, Sustainability and Innovation, Wyndham Worldwide

Evan Harvey, Managing Director, Corporate Sustainability, NASDAQ OMX

Video Link: http://videos.bentley.edu/?p=301

Legal and Ethical Implications of Reporting

Moderator: Jeffery Moriarty, Associate Professor and Chair, Philosophy, Bentley University

Panelists: Jette Steen Knudsen, Professor, Political Science, University of Copenhagen

Adam Sulkowski, Associate Professor, Business Law and Sustainable Development, UMass Dartmouth

Joe Sibilia, Chief Executive Officer, CSRWire

Video Link: http://videos.bentley.edu/?p=307
Assurance and Credibility

Moderator: Sylvia Maxfield, Dean, Providence College School of Business

Panelists: Anna Nefedova, Senior Manager, Sustainability Services, Deloitte & Touche LLP

Rich Goode, Senior Manager, Climate Change and Sustainability Services, Ernst & Young

Gwen White, Associate Professor, Accounting, Ball State University

Video Link: http://videos.bentley.edu/?p=295

The Market for ESG information

Moderator: John Hansen, Executive Fellow, Center for Business Ethics, Bentley University

Panelists: Chris McKnett, Vice President, Head of ESG, State Street Global Advisors

Bahar Gidwani, Co-founder and CEO, CSRHub

Michael Muyot, President and Founder, CRD Analytics

Madison Brown, ESG Analyst, Bloomberg L.P.

Video Link: http://videos.bentley.edu/?p=292