A PRIMER ON SUSTAINABILITY ACCOUNTING REPORTING

...WHAT THE CPA NEEDS TO KNOW

Presented by
NYSSCPA Sustainability Committee
August 9, 2016 at NYSSCPA Office from 9:00am to 10:00am.
No charge. One Accounting CPE credit.

This one hour CPE program will define Sustainability, Sustainability Assurance, the differing standards and strategies and certifying organizations, the roles of the CPA in practice and colleges and universities and over 35 opportunities for CPAs to become involved, how the accounting profession has adopted to change, sustainability reporting and certifications, sustainability disclosures in financial reports, and sample attestation reports issued by five CPA firms and attestation organizations. There will also be an extensive resource listing.
A PRIMER ON SUSTAINABILITY ACCOUNTING REPORTING
...WHAT THE CPA NEEDS TO KNOW

NYSSCPA Sustainability Committee
Prepared by Education Sub Committee including
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Assistance provided by Michael Olano

August 9, 2016
ABOUT THE SUSTAINABILITY COMMITTEE
Sustainability Committee

Committee Action Plan

Who We Are:

Society members with an interest in the accounting, reporting and compliance matters developing around the concept of sustainability accounting – the use and presentation of financial and non-financial information to external parties such as capital holders, stakeholders, environmental authorities, government and public interest entities regarding an organization's impact on society, environment, and economy.

What We Do:

- Involve members of the NYSSCPA in the evolving dialogue and financial reporting requirements and disclosures (both voluntary and mandated) that cut across all sectors, including real estate, transportation, energy, water and land use, people (resource management) and compliance (corporate governance, regulatory compliance, board and stakeholder relationships).
- Address and coordinate efforts across financial experts – CPAs, CFOs, controllers and financial analysts – to help inform, define and improve sustainability indicators and help translate them into unified and integrated financial and sustainability corporate reporting.
- Encourage and help develop young professionals in an evolving career track.
- Educate the membership on this fast growing area of corporate reporting.

Who Should Join:

Members in public practice and industry with an expertise in or who have an interest in sustainability should consider joining this committee.

- See more at: http://www.nysscpa.org/membership/committees/committee-information?ID=789#sthash.fB3vYqbw.dpuf
BIOs OF SPEAKERS AND COMMITTEE MEMBERS WORKING ON CPE PROGRAM

Bios of everyone working on program will be inserted for final presentation

Edward Mendlowitz, CPA
Partner, WithumSmith+Brown, PC

Member of AICPA, NYSSCPA and NJSCPA. One of Accounting Today’s 100 Most Influential People. Author of 24 professional books, over 1000 articles and blogs and 250 continuing education courses and speeches. Winner of the Lawler Award for best article published in 2001 in Journal of Accountancy; and article in January 2011 Journal of Accountancy was that year’s most viewed article. Have testified twice before House Ways and Means Committee on tax reduction, equity and reform; admitted to practice before U.S. Tax Court; and was an adjunct MBA instructor for 11 years. Author of twice weekly blog www.partners-network.com
DEFINITION OF SUSTAINABILITY

- Sustainability means creating a business model for an entity, within its specific industry, which addresses all strategic and operational dimensions of the business. The business model aligns social, economic, and environmental concerns with its business goals and core values while meeting the needs of all of its stakeholders and regulatory requirements, and managing to maintain adequate current and future resources to perpetuate its existence.

Sustainability is a catch all word that has gained acceptance and refers to integrated initiatives for better corporate citizenship, social responsibility, climate change, going green programs and a general greater awareness of the long term effect of not acting to conserve what can be done; and actions that capture, measure, and report on efforts to improve the overall environment, and defines and presents ways to reduce risk.

Sustainability is the strategy by which an enterprise demonstrates commitment to its super-longevity. Among the intentional practices utilized are fierce protection of reputation, fair dealings with employees and suppliers, respect for the environment and engagement with the community in which the enterprise is located.

To be effective sustainability needs to be incorporated into core strategies, processes and the organization’s culture.
Some Numbers

1. 15 countries from the G20 have implemented regulation or guidelines on sustainability reporting, exclusions and ESG considerations in the business process.

2. 4,730 companies have published a sustainability report in 2014, up from 294 in 2004.

3. 86% of global stock exchanges offer sustainable indices.

4. 80% of studies show that stock price performance is positively correlated with sustainability.

5. $21.4 trillion is invested in sustainable products.

6. 73% of the 50 largest pension funds globally have made a public commitment to sustainable investing.

7. 79% of CEOs see sustainability as a route to competitive advantage.
SUSTAINABILITY ASSURANCE

With growing awareness of Sustainability and its importance, stakeholders are looking for and requesting greater transparent communications of information about an organizations’ economic, environmental and social impact performance to evaluate the long term viability of the organization. Along with capturing data is the need for independent assurance of the reliability, credibility, validity and accuracy of what is presented and reduces the risk of inaccurate or inappropriate data.

Measurement which starts out with a base line and reports periodic changes is becoming more sophisticated, inclusive and thorough is becoming the key to managing the benefits and procedures that will improve performance, decision making and external reporting. Reporting also creates a basis of comparison between companies in the same or related industries.

GRI’S SUSTAINABILITY REPORTING STANDARDS
Source: www.globalreporting.org

GRI’s Standards help businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues. Some of the distinctive elements of the GRI Standards— and the activity that creates them – include:

**Multi-stakeholder input:** Our approach is based on multi-stakeholder engagement, representing the best combination of technical expertise and diversity of experience to address the needs of all report makers and users. This approach enables us to produce universally-applicable reporting guidance. All elements of the Reporting Framework are created and improved using a consensus-seeking approach, and considering the widest possible range of stakeholder interests which includes business, civil society, labor, accounting, investors, academics, governments and sustainability reporting practitioners.

**A record of use and endorsement:** Of the world’s largest 250 corporations, 92% report on their sustainability performance and 74% of these use GRI’s Standards to do so. With over 23,000 GRI Reports recorded in our database, sustainability reporting using the GRI Standards continues to grow. New audiences for sustainability information, like investors and regulators, are now calling for more and better performance data. Annual growth in the number of reporters is expected to continue, as we work towards a key area of our strategy: more reporters and better reporting.

**Governmental references and activities:** Enabling policy is a key aspect of our overall strategy and we work with governments, international organizations and capital markets to further this agenda. As a result of our work, 35 countries use GRI in their sustainability policies and look to us for guidance as the world’s most widely used sustainability reporting standards. In addition we have long-standing collaborations with over 20 international organizations such as the UNGC, OECD and the UN Working Group on Business & Human Rights.
**Independence**: The creation of the Global Sustainability Standards Board in 2014, and related governance structure changes, have strengthened the independence of the standards aspect of our work. Our funding approach also ensures our independence. GRI is a stichting – in Dutch, a non-profit foundation – with a business model that aims for a degree of self-sufficiency. Funding is secured from diverse sources; governments, companies, foundations, partner organizations and supporters.

**Shared development costs**: The expense of developing GRI’s reporting guidance is shared among many users and contributors. For companies and organizations, this negates the cost of developing in-house or sector-based reporting frameworks.

*Source: McDonalds Corporate Social Responsibility and Sustainability Report*
ESG STRATEGY

Environmental, Social and Governance (ESG) refers to the three central factors in measuring the sustainability and ethical impact or an investment in a company as developed by the Global Reporting Initiative (www.globalreporting.org).

SIX CAPITALS

Myriad resources and relationships are needed to support an organization. Each of these can be considered a form of capital.

- Financial capital
- Manufactured capital
- Social and relational capital
- Human capital
- Intellectual capital
- Natural capital

Source: Six Capitals, or Can Accountants Save the Planet by Jane Gleeson-White

KEYS TO SUSTAINABILITY

Effective use and evaluation of

- People
- Processes
- Technology
- Management

Effective means coordinated and measurable contributions.

TRIPLE BOTTOM LINE (“TBL” OR “3BL”)

Financial, Social and Ecological tri-part ways of evaluating a business’ performance in a broader way to create greater business value. The TBL was developed by John Elkington in 1994.

- Financial affects Profit
- Social affects People
- Ecological affects the Planet
VALUE CREATION

Risk minimization reduces defective products, waste (material and human effort), pollution and contamination, ineffective design, inefficient delivery methods and corrective procedures.

Short termism destroys long term benefits and sets up a future cost of remediation, replacement or reconstruction.

Sustainability sets up a structure that considers long term costs and a way to create maximum overall value without future liability and encumbrance creation that will definitely become due and need to be expended. One issue is that currently this is not measured and accounted for under conventional accounting systems, but that does not mitigate the liability. In some respects the problem is like a can kicked down the road. Doing it right requires taking responsibility.

STAKEHOLDERS

There are multiple stakeholders including the following:

- Investors
- Lenders
- Customers
- Employees
- Management
- Suppliers
- The community
ORGANIZATIONS INVOLVED IN CREATING SUSTAINABILITY

There are many organizations concerned with the reporting, measuring and promoting Sustainability accounting and accountability including the following. Each has extensive and informative web sites. Also Wikipedia searches will provide additional information.

- SASB Sustainability Accounting Standards Board – [www.sasb.org](http://www.sasb.org)
- GRI Global Reporting Initiative G4 Sustainability Reporting Guidelines - [www.globalreporting.org](http://www.globalreporting.org)
- International Integrated Reporting Council (IIRC) <IR> - [www.integratedreporting.org](http://www.integratedreporting.org)
  - “An integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term.”
- Climate Disclosures Standards Board - [www.cdsb.net](http://www.cdsb.net)
- The Sustainability Consortium – [www.sustainabilityconsortium.org](http://www.sustainabilityconsortium.org)
- Sustainability Investment Leadership Conference [www.silcny.com](http://www.silcny.com)
ROLEs OF THE CPA

Practicing CPAs – the emphasis will be on helping practitioners understand the development and current state of Sustainability and Sustainability Auditing and Reporting - - including its expansion beyond that which has been a focus on the Environment to a more inclusive Corporate Social Responsibility which considers other stakeholders (e.g., employees, customers, suppliers, stockholders, communities and environmental/human rights advocates). We will also discuss the business development opportunities that will be created for practitioners as well as the challenges of auditing the process/systems that captures this non-financial information; determining what’s relevant; what metrics will be useful to investors; consistent application within an industry and its various sectors.

Colleges and Universities – this is where many of societies future leaders and accounting professionals will be developed. Sustainability issues can be embedded into existing financial, managerial and auditing curricula as well as perhaps into other business disciplines. Sustainability should not be taught as an abstract concept as if “training” for a task or job. True education is not indoctrination or inculcation. Rather, it’s socially transforming. Educators need to guide these future leaders to acquire critical thinking skills; skills to organize and interpret data; skills to even formulate questions; the ability to analyze issues confronting communities; and, to consider various perspectives and the values whereby they can live sustainable lives.
GROWTH OF ACCOUNTING PROFESSION AND HISTORICAL CONTEXT FOR INVOLVEMENT IN SUSTAINABILITY

Job duties and tasks performed through 125 years of the profession
Adapted from Carousel of Progress / 1887, 1938, 1983, 2012: Four years mark profession’s transformation by Edward Mendowitz and Jeff Drew, June 2012 Journal of Accountancy. Additionally 2016 has been added and included.

1887
Bookkeeping, financial statement preparation and attestation, cost accounting, fraud investigations, establishment of accounting systems and controls

1938
Tax return preparation, financial statement auditing and preparation, business management consulting, cost accounting, establishment and evaluation of accounting systems and controls

1983
Tax return preparation, financial statement auditing and preparation, business management consulting, cost accounting, establishment and evaluation of accounting systems and controls, computer system consulting, configuration, installation and training
AICPA members: 201,764; U.S. population 234 million

2012
Everything in 1983 plus outsourced CFO services, performance measurement attestation, business valuation, forensic accounting and fraud investigations, corporate governance and systems auditing, global business consulting, foreign currency and commodity hedging consulting, industry specific operational consulting, compensation planning and consulting including advising on stock options and restricted stock
AICPA members: 380,000; U.S. population 313 million

2016
Everything in 2012 plus Sustainability consulting and assurance
AICPA members: Over 400,000; U.S. population 323 million

This short travelogue indicates the desire and practice of CPAs being early and eager adapter to what’s new. Sustainability should be no exception.

Additional accounting milestones
3500 BCE – First writing were accounting records done by Cuneiform in Fertile Crescent
1300 BCE- Moses engaged Ithamar to audit contributions to build sanctuary in desert (Exodus 38:21)
100 CE – Matthew (25:19) and Luke (16:2) refer to audits in their Gospels
1492 – Queen Isabella hired Roderigo Sanchez to accompany Columbus on his first voyage to keep track of the riches expected to be amassed
1494 – Luca Pacioli publishes his Summa that includes a chapter on the mathematics of commercial transactions and gave us double entry bookkeeping and the beloved debits and credits
1896 – First CPA certificate issued (in NYS)
1913 – Income tax law enacted
1933 – Price Waterhouse engaged to count balloting for Oscars
1980 – VisiCalc spreadsheet software became available for use on personal computers
1995 – Beginning of widespread use of email
1999 – BlackBerry introduced; iPhone introduced in 2007
2016 – May 6 – First full day Sustainability Conference jointly sponsored by the New York State Society of CPA’s and the New York Hedge Fund Roundtable

BUILDING TODAY FOR TOMORROW’S FUTURE

Tappan Zee Bridge
The bridge was opened in 1955. In 1999 discussions started to replace it; in 2011 legislation was enacted; construction began in 2013 and opening targeted for 2018

Summer Olympics in Rio
Bidding started in 2007; Rio selected in 2009; Games started Aug 5, 2016

Christmas tree in Rockefeller Center
Trees are at least 50 years old

U.S. Moon program
Announced by President Kennedy in 1962. Man landed on Moon July 1969

Sustainability
For tomorrow’s civilization
This section provides illustrations from two sources. Global Reporting Initiative and SASB.

The following is from www.globalreporting.org

This year (2016) the GRI G4 Guidelines will transition to GRI Sustainability Reporting Standards (GRI Standards).

About the transition to standards

The Transition to Standards project initiated in November 2015 by the Global Sustainability Standards Board (GSSB).

The original GRI G4 Guidelines are evolving into a set of modular, interrelated GRI Sustainability Reporting Standards (GRI Standards).

The changes mostly involve improving the structure and format of the content from G4. This is intended to make the GRI Standards easier to keep up-to-date, and even more suitable for referencing in policy initiatives around the world.

The GRI Standards will include all the main concepts and disclosures from G4, enhanced with a more flexible structure, clearer requirements, and simpler language.

The transition aims to make the GRI Standards more accessible for reporting organizations and policymakers, and so to encourage more consistent, higher quality sustainability reporting, focused on material issues.

Updates and features of the GRI standards

The content of the G4 Guidelines and G4 Implementation Manual is being combined and revised to form the new set of GRI Standards.

Most changes focus on the format and presentation – the main content, concepts, and disclosures from G4 will carry through to the GRI Standards.

The GRI Standards will have a modular structure. Three ‘universal’ Standards originate from the Reporting Principles, ‘in accordance’ options, report preparation guidance, Disclosures on Management Approach (DMA) and the General Standard Disclosures in G4. They will be applicable for all organizations preparing a report ‘in accordance’ with the GRI Standards.

Additionally, 33 topic-specific Standards have been developed based on the Aspects and Specific
The GRI Standards are designed to be used as a set for preparing a sustainability report. Similarly to G4, there will be two options for preparing a report ‘in accordance’ with the Standards: a Core and a Comprehensive option.

Organizations will also be able to use individual GRI Standards or their content to report specific information.

**THIS SECTION REPRINTED FROM [WWW.SASB.ORG](http://WWW.SASB.ORG)**

**Why is Disclosure of Material Sustainability Information Important?**

SASB establishes sustainability accounting standards for use by U.S.-listed corporations in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in standard filings to the SEC, such as Form 10-K and 20-F. Disclosure of material sustainability information is important to investors, companies, regulators, and the public for the following reasons:

- The SEC already requires disclosure of material information in Form 10-K, 20-F and other filings used by investors.
- Institutional investors have a fiduciary duty that requires them to consider material, non-financial information.
- Investors need context to help them understand to what extent reported financial information is indicative of future performance.
- Companies have limited resources, and must therefore be able to focus on managing the highest-impact issues.
- The negative social and environmental impacts of companies’ operations present material costs to investors, companies, and society that are not currently accounted for in a company’s financial reporting.
- By more effectively communicating how they address material sustainability risks and opportunities, companies can increase their access to capital and lower its cost.

**SASB Materiality Map™**

The SASB Materiality Map™ is an interactive tool that identifies and compares likely material sustainability issues across different industries and sectors.

<table>
<thead>
<tr>
<th><strong>Corporate Use of Materiality Map™</strong></th>
<th><strong>Investor Use of Materiality Map™</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus sustainability strategies on the most important issues and understand the metrics that underpin each disclosure topic.</td>
<td>Analyze portfolio exposure to specific sustainability risks and opportunities represented by each issue.</td>
</tr>
</tbody>
</table>

The SASB Materiality Map™ analyzes the potential for material impacts of 30 sustainability issues across all industries. Sustainability issues are divided into five dimensions:

- Environment
Currently the SASB Materiality Map™ is available for the sectors for which SASB has released provisional standards. New sectors will be added as additional standards are issued. When completed, the SASB Materiality Map™ will show sustainability profiles for each of the approximately 80 industries within SICST™.
That mission is accomplished through a rigorous process that includes evidence-based research and broad, balanced stakeholder participation.
The Fundamentals Of Sustainability Accounting (FSA) Credential
Level I Exam

WE ASKED:

Primary motivations for registering for the FSA Level I exam?

- Learn about material sustainability information: 64%
- Demonstrate expertise with credential: 73%
- Advance in current career: 61%

How many years of work experience do you have?

- Over 20 years: 28%
- 10-20 years: 21%
- 5-10 years: 28%
- 2-5 years: 18%

COMMON TEST TAKER JOB ROLES

- Consulting
- Investing
- Corporate Sustainability
- Financial Accounting or Assurance

PARTICIPANTS THROUGHOUT THE PROFESSIONAL WORLD

- Chief Investment Officer
- Consultant
- CSR Reporting Director
- Director - Sustainable Business Solutions
- Director of Corporate Responsibility
- ESG Analyst
- ESG Manager
- Global Sustainability Leader
- Head of Finance
- Head of Responsible Investment
- Investment Research Analyst
- Manager in Financial Accounting
- Advisory Partner - Investor Relations Specialist
- Portfolio Manager
- Principal Consultant
- Researcher

"SASB has a lot of momentum and companies want to make sure they’re on top of it."

— Anna Blitz, Consultant, Antea Group

FUNDAMENTALS OF SUSTAINABILITY ACCOUNTING

LEARN MORE ABOUT THE FSA CREDENTIAL AT FSA.SASB.ORG.
Fundamentals of Sustainability Accounting (FSA) Credential

The FSA Credential is designed for professionals who benefit from understanding the link between material sustainability information and a company’s financial performance. The majority of test takers are professionals in investment analysis, consulting, and sustainability.

**LEVEL I**
- Learn how sustainability factors impact financial performance
- Understand the legal context for material sustainability information
- Gain a common language to describe the materiality of sustainability information to finance, legal, and accounting professionals

**LEVEL II**
- Learn how industry-specific sustainability information can inform corporate strategies or investor recommendations
- Gain the skills needed to evaluate corporate performance on sustainability factors
OPPORTUNITIES FOR CPA FIRMS TO BECOME INVOLVED

Advisory

- Create client awareness
- Assist in assembling information
- Become facilitator of project
- Analyze client exposure to risks and opportunities
- Risk management, containment and mitigation
- Strategic development of Sustainability project and initiative
- Assist in implementation of plan
- Quantify impact
- Identify types of sustainability issues for client and broad categories
- Analyze costs and financial benefits of program implementation
- Assist in determining how environmental programs impact investments
- Valuation of ESG risk in investment and asset portfolios
- Perform industry analyses of existing reports
- Review adequacy of supply chains
- Mapping business value changes from sustainability performance
- Develop what if models for client
- Materiality assessments and impact
- Quantification of remediation of existing conditions and segregation of costs and projections of future costs
- Assist in developing key performance and key predictive indicators and improvement targets
- Advocacy on clients’ behalf for effective and acceptable measurement
- Possible assistance to well-meaning and influential elected figures
- Assist clients in this space to secure capital to flush out their designs and grow their businesses
- Coach and train organization owners, directors leaders, managers in ESG standards and compliance
- Assist not-for-profits in developing their “story”
- Involvement anywhere a number is used or should be used

Assurance

- Attest to entire reports or portions of reports
- Development or Attestation of integrated reporting models, formatting and disclosure
- Report on compliance with standards and regulatory requirements
- Audit investment funds for Sustainability initiatives and acknowledgement
- GRI and IR readiness assessments
- Assist management in financial statement and management discussion and analysis disclosure
- Perform Sustainability and GRI due diligence in proposed merger and acquisition transactions
- Assist clients in determining applicable or proper reporting standards
- Renewable energy and green strategy evaluation
Additional

- Be invited to the dance. Show and promote knowledge and involvement in Sustainability

- Oh, and also to try to spread the word about the critical importance, benefits and advantages of Sustainability
Moving From Boilerplate to Metrics

Analysts need metrics and data in order to compare performance and price risk

**Industry:** Alcoholic Beverages  
**Disclosure Topic:** Water Management

**Boilerplate disclosure:**

"Climate change and water availability may negatively affect our business and financial results… Clean water is a limited resource in many parts of the world and climate change may increase water scarcity and cause a deterioration of water quality in areas where we maintain brewing operations. The competition for water among domestic, agricultural and manufacturing users is increasing in some of our brewing communities…. The above risk, if realized, could result in a material adverse effect on our business and financial results."

[Form 10-K filed 12-Feb-15]

**Quantitative disclosure:**

"Overall this year, Diageo has delivered improved performance across all water and other environmental target areas versus the prior year, and progressed towards meeting 2015 goals. **We reduced absolute water use by 9% or 2,268,000 cubic metres while water efficiency improved by 2.4% compared to the prior year. In water-stressed locations, we have reduced water wasted by 12%, an important contribution towards our target of a 50% reduction versus the company’s 2007 baseline.**"

[Form 20-F filed 12-Aug-14]
Report of Independent Accountant
Board of Directors and Stockholders, Intel Corporation

We have reviewed selected quantitative performance indicators (the "Subject Matter") included in the accompanying table below and as presented in Intel Corporation’s ("Intel") 2014 Corporate Responsibility Report (the "Report") for the year ended December 27, 2014. We did not review all information included in the Report. We did not review the narrative sections of the Report, except where they incorporated the Subject Matter. Intel’s management is responsible for the Subject Matter included in the table below and as also presented in the Report, and for selection of the criteria against which the Subject Matter is measured and presented.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our review to obtain reasonable assurance about whether any material modifications should be made to the Subject Matter. A review consists principally of applying analytical procedures, making inquiries of persons responsible for the Subject Matter, obtaining an understanding of the data management systems and processes used to generate, aggregate, and report the Subject Matter, and performing such other procedures as we considered necessary in the circumstances. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether the quantitative performance indicators for the year ended December 27, 2014 are free from material misstatement, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

As described in Note 1, non-financial information contained within corporate responsibility reports is subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used for determining such data. The selection of different but acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary.

Based on our review, nothing came to our attention that caused us to believe that the Subject Matter, referred to above, for the year ended December 27, 2014 is not presented, in all material respects, in conformity with the relevant criteria set forth in the table below.

Ernst & Young LLP
May 21, 2015
San Jose, California

Performance Indicators Reviewed

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Scope</th>
<th>Unit</th>
<th>2014 Value</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 Greenhouse Gas (GHG) Emissionsa</td>
<td>Global</td>
<td>Tons carbon dioxide equivalent (tCO2e)</td>
<td>1,041,000</td>
<td>Global Reporting Initiative (GRI) G4-EN15, the World Resources Institute (WRI)/World Business Council for Sustainable Development’s (WBCSD)/The Greenhouse Gas (GHG) Protocol: A Corporate Accounting and Reporting Standard</td>
</tr>
<tr>
<td>Scope 2 GHG Emissionsb</td>
<td>Global</td>
<td>tCO2e</td>
<td>1,025,000</td>
<td>GRI G4-EN15, the WRI/WBCSD GHG Protocol: Corporate Reporting Standard</td>
</tr>
<tr>
<td>Energy Usec</td>
<td>Global</td>
<td>Billion kilowatt hours (GWh)</td>
<td>5.9</td>
<td>GRI G4-EN15 &amp; EN4, the WRI/WBCSD GHG Protocol: Corporate Reporting Standard</td>
</tr>
</tbody>
</table>

a All figures for the year ended December 27, 2014, unless otherwise noted. Values rounded where appropriate.
b Emissions from heat, light, and fuels are converted to carbon dioxide equivalent using the appropriate Global Warming Potential (GWP) on November. 2014. Emissions from heat, light, and fuels are converted to carbon dioxide equivalent using the appropriate Global Warming Potential (GWP) on November 2014.
c Value represents net renewable energy credits (REC) purchased and sold, calculated by multiplying the total amount of energy purchased in the United States with the following values of the REC. For purchased credits at a rate of one megawatt hour (MWh), the use of the following formula is used: Renewable Energy Credits (REC) = MWh x 0.0015 (using the global average of 

Independent Accountants’ Report

To the Management of The Coca-Cola Company

We have reviewed the selected indicators (the “Subject Matter”) included in the Appendix and as presented in The Coca-Cola Company’s (“Coca-Cola” or the Company) 2014/2015 Sustainability Report (the “Report”) for the year December 31, 2014. We did not review all information included in the Report. We did not review the narrative sections of the Report, except where they incorporated the Subject Matter. Coca-Cola’s management is responsible for the Subject Matter as presented in the Report and included in the accompanying Appendix and is also responsible for selection of the criteria against which the Subject Matter is measured and presented.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our review to obtain limited assurance about whether any material modifications should be made to the Subject Matter. A review consists principally of applying analytical procedures, making inquiries of persons responsible for the Subject Matter, obtaining an understanding of the data management systems and processes used to generate, aggregate and report the Subject Matter and performing such other procedures as we considered necessary in the circumstances.

A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether the Subject Matter for the year ended December 31, 2014, is free from material misstatement, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

As described in the criteria for measurement in the Appendix, non-financial information contained within sustainability reports is subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used for determining such data. The selection of different but acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary.

Based on our review, nothing came to our attention that caused us to believe that the Subject Matter, referred to above, for the year ended December 31, 2014 is not presented, in all material respects, in conformity with the criteria for measurement set forth in the Appendix.

Ernst & Young LLP

July 22, 2015
Boston, Massachusetts
We located a report by Deloitte that will be included in handout. Still searching for KPMG report.
Independent Assurance Statement to Johnson & Johnson

ERM Certification and Verification Services (ERM CVS) was engaged by Johnson & Johnson to provide limited assurance on the reported progress for selected Healthy Future 2015 Goals in the Johnson & Johnson 2014 Citizenship & Sustainability Annual Report (the Report) as set out below.

**Engagement Summary**

**Scope of Our Assurance Engagement**

Whether the reported progress against 14 of the Healthy Future 2015 Goals, as indicated with [ ] in the table on pages 89-93 of the Report, is fairly presented in all material respects.

**Reporting Criteria**

Healthy Future (HF) 2015 Sustainability Goals and related definitions as described in the Report.

**Assurance Standard**


**Assurance Level**

Limited assurance.

**Respective Responsibilities**

Johnson & Johnson is responsible for preparing the Report and for the collection and presentation of the information within it.

ERM CVS responsibility is to provide conclusions on the agreed scope based on the assurance activities performed and exercising our professional judgement.

**Our Conclusion**

Based on our activities, nothing has come to our attention to indicate that the reported progress against the 14 selected Healthy Future 2015 Goals, as indicated with [ ] in the table on pages 89-93 of the Report, is not, in all material respects, fairly presented.

**Our Assurance Activities**

We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our assurance conclusions. A multi-disciplinary team of sustainability and assurance specialists performed assurance procedures as follows:

- A visit to Johnson & Johnson Corporate Offices in New Brunswick, N.J. and three conference calls to interview:
  - relevant staff in order to understand and evaluate the systems and processes (including internal review/audit) used for collecting, evaluating and reporting the performance information and data for the selected HF goals;
  - management representatives responsible for managing the selected HF goals;
  - staff responsible for the internal verification of the reported performance information for each selected HF goals;
  - A review of the internal reporting guidelines for each of the selected HF goals;
  - A high-level review of the greenhouse gas data to confirm the completeness and consistency over time and the restatements of the baseline and prior year data;
  - A review of samples of underlying documentary evidence to support the reported progress including internal and external documents; and
  - A review of the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings.

**The Limitations of Our Engagement**

The reliability of the assured information is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context. In addition, the assured information should be read in conjunction with the boundary and consolidation policies under Report Profile on page 7 and the explanatory footnotes throughout the Report.

Regarding the reporting criteria, while not affecting our conclusions regarding the reporting practices, we draw attention to Johnson & Johnson’s footnotes to the Healthy Future 2015 Goals table regarding limitations in alignment between the reported progress and the original 2015 goal description for three of the HF goals.

**Our Observations**

We have provided Johnson & Johnson with a separate management report with our detailed findings and recommendations. Without affecting the conclusions presented above, we have the following key observations:

- For this first assurance engagement, a broad range of goals were selected across B of the 7 Healthy Future 2015 programs. In 2014, Johnson & Johnson extended and elaborated its stakeholder engagement and materiality process and is currently developing a new set of goals for 2020. In determining future assurance scope we recommend Johnson & Johnson consider the results of the materiality assessment, as well as the new 2020 goals, taking reporting risks into account, in order to maximise the internal and external stakeholder value of the assurance process.

- Johnson & Johnson has developed a sound basis for its reporting with internal reporting templates and verification for progress against each of the goals. We recommend that Johnson & Johnson further improve this system by documenting audit goals and data sources as well as providing training for the internal verifiers to ensure consistency in approach.

_Signature_

Jennifer Iansen-Rogers
Head of Report Assurance
17 June 2015

ERM CVS

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ERM CVS is a member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and audit for training. Our processes are designed and implemented to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS and the ERM staff that have undertaken this engagement work have provided no consulting related services to this client in any respect.
RESOURCES

There are many resources that can be accessed by searching Sustainability on the Internet, on Big 4 accounting firm, university and individual corporate websites. There are also books addressing the category, textbooks and many articles in the CPA Journal and other accounting journals. Our sub-committee is starting to develop a data base of articles.

Following are selected links of sites


http://www.pepsico.com/docs/album/sustainability-reporting/pep_2014GRI.pdf?status=Temp&sfvrsn=0.34197795880027115


http://www.us.bureauveritas.com/home/ This is an organization that certifies sustainability reports. They are multinational with 61,000 employees and 1,300 offices and laboratories. Ticker symbol: BVRDF

http://www.csrwire.com/reports?page=1
