

# TURNING ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) REPORTING RISK INTO OPPORTUNITY

# AGENDA

- Introductions and About CohnReznick
- ESG Reporting in Higher Education
- Stakeholders and Their Expectations
- Frameworks and Standards
- Risks and Opportunities with ESG Reporting
- ESG in Construction Management
- ESG in Investing - Bank of America



**INTRODUCTIONS AND  
ABOUT COHNREZNICK**

# SPEAKERS

## CohnReznick

**Pat McGowan**, CPA, Partner, Higher Education Industry Practice Leader

**George Gallinger**, CIA, CFE, Principal, Risk Advisory Practice Leader

**Jack Callahan**, CPA, Partner, Construction Industry Practice Leader

**Allison Guttenplan**, CPA, Senior Manager, Risk Advisory

**Sam Stroup**, CPA, Manager, Risk Advisory

## Bank of America

**Jim Spanarkel**, CPFA, CFP®, CIMA®, CIMC®, Senior Vice President, Wealth Management Advisor

**Danielle M. Ward**, CFA, CAIA, CSRIC, Managing Director, Institutional Client Executive

**William Jarvis**, Managing Director, Philanthropic Executive, Strategy & Delivery



# ABOUT COHNREZNICK



**Leading**  
advisory, assurance,  
and tax firm  
in the United States



Approximately  
**275**  
partners/principals

**2,700+**  
employees



More than  
**\$670 million**  
in annual revenue



**24**  
offices globally

**International reach**  
via Nexia International  
in more than  
**100 countries**



# WHO WE SERVE

CohnReznick serves a diverse array of higher education clients.

## Private Not-for-Profit Colleges and Universities

We work with private not-for-profit colleges and universities to develop strategic plans to strengthen long-term viability, integrate technology to enhance operational efficiency, improve accountability and transparency, identify and mitigate risks, and ensure proper compliance with Federal and state funds.

## College and University Foundations

We help foundations navigate the complex accounting and reporting standards related to donor giving and planned giving programs, implement practices to strengthen corporate governance and transparency independent of the related school while balancing financial sustainability with supporting the college/university.

## For-Profit Colleges and Universities

We help for-profit colleges and universities leverage their investment and maximize return while maintaining proper governance, compliance and internal controls and strengthening long-term viability.

## Affiliated Entities

CohnReznick provides expertise to any college or university involved in activities such as facility rentals, camps and other programs, real estate development, construction and management, research and development, retail and hospitality. We provide the needed advisory, tax and assurance services to ensure proper organizational structure, tax planning, internal control, cyber security and financial reporting.

## Public Colleges and Universities

We assist public colleges and universities with protecting taxpayer funds through effective internal control systems, contract monitoring and compliance testing and monitoring.





# REPRESENTATIVE HIGHER EDUCATION CLIENTS

## Advisory/Consulting Services

- Columbia University
- Connecticut College
- Drew University
- Farleigh Dickinson University
- Fashion Institute of Technology
- Kean University
- Marymount Manhattan College
- Pratt Institute
- Quinnipiac University
- Research Foundation of CUNY
- Rutgers University
- Sacred Heart University
- School of Visual Arts
- The College of New Jersey
- The Jewish Theological Seminary of America
- Wesleyan University



## Integrity Monitoring

- Adelphi University
- Columbia University
- Connecticut College
- Connecticut State Colleges & University System
- University of Connecticut

## Foundation Audits

- California State University, Channel Islands
- California State University, Northridge
- California State University, Los Angeles



## Employee Benefit Plan Audits

- Albertus Magnus College
- Berkeley College
- CUNY School of Law
- Farleigh Dickinson University
- Felician University
- Fitchburg State University
- Georgetown University
- Goodwin University
- Monmouth University
- New York Academy of Art
- Research Foundation of CUNY
- Springfield College
- The Jewish Theological Seminary of America
- University of Hartford
- University of New Haven



## Financial Audits

- Albertus Magnus College
- Berkeley College
- Career Training Specialists, LLC (Stone Academy)
- Felician University
- Fitchburg State University
- Goodwin University
- New York Academy of Art
- Springfield College
- The Jewish Theological Seminary of America

## Compliance Audits

- Albertus Magnus College
- Berkeley College
- Career Training Specialists, LLC (Stone Academy)
- Felician University
- Fitchburg State University
- Goodwin University
- New York Academy of Art
- Springfield College
- The Jewish Theological Seminary of America



## Tax Services

- Adelphi University
- Albertus Magnus College
- Berkeley College
- Empire Education Group
- Felician University
- Fitchburg State University
- Goodwin University
- New York Academy of Art
- Sacred Heart University
- Springfield College
- The Jewish Theological Seminary of America



## Real Estate Services

- Bucknell University
- Fitchburg State University
- Old Dominion University
- Washington University








# HELPING HIGHER ED INSTITUTIONS ACHIEVE THEIR VISION

CohnReznick's Not-for-Profit & Education team provides the industry insight, technical capability, and speed-of-action needed for higher education institutions to realize their mission. We deliver:



## Right Team. Right Capabilities.

-  **Mature not-for-profit industry practice** with a strong higher education bench
-  Nimble and responsive, we **mobilize on-demand** to address time-critical situations
-  Diverse team of **creative problem solvers** that provide **quality services at a fair price**
-  **Engagement team continuity** to retain institutional knowledge






## Tailored Solutions

-  Tailored services and deliverables to **match the needs of your mission**
-  **Understanding the unique issues** of higher education institutions
-  **Expertise in providing out-of-the box solutions** through our advisory services
-  Offer observations and insights to **accelerate growth and sustainability**



## Connected Leaders

-  **Deep connections** to leaders across all sectors of not-for-profits
-  **Respected industry leaders** holding board/officer positions on numerous not-for-profit boards
-  **Established thought leaders** who publish and present on issues such as financial management, governance, technology, and more.





# LEADERSHIP TEAM CONTACT INFORMATION



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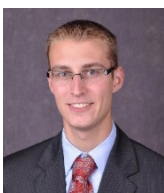
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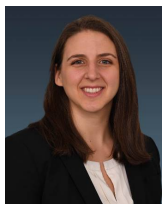
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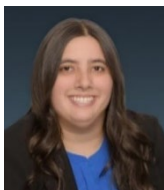
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**ESG REPORTING IN  
HIGHER EDUCATION**



# ESG AND ITS ELEMENTS

“ESG” has had many names over the years (e.g., sustainability, corporate social responsibility, business ethics, etc.), but today’s term incorporates these three important elements (paraphrased from MSCI and Robeco definitions):

- Environmental - climate change, natural resources, pollution and waste, energy efficiency, etc.
- Social - human rights and social justice, labor standards, workplace health and safety, integration/impact on the local community, diversity/equity/inclusion, etc.
- Governance - rules or principles that define responsibilities and expectations of corporate governance, corporate behavior, and strategy execution among an organization’s various stakeholders; board oversight, ethics, executive compensation, org culture, etc.

There are both risks and opportunities to these concepts and there is interrelatedness among them

Let’s take a deeper look...



# WHY IS IT IMPORTANT

- Stakeholder expectations (staff, students, Board, donors, communities, etc.)
- Reputational risk (or opportunity)
- More common, prevalent issues
- Derived from and/or can impact an organization's strategy, operations, and/or financial position
- Competitors
- Impact on funding
- Changes and trends in charitable giving
- Strategy, mission, and enterprise risk management (ERM)
- Disclosures and reporting requirements
- Environmental concerns
- Social equity and justice concerns
- Financial viability
- Transparency and accountability



**STAKEHOLDERS AND  
THEIR EXPECTATIONS**



# HIGHER ED STAKEHOLDER GROUPS

- Current Students
- Future/Prospective Students
- Alumni
- Donors
- Staff and Faculty
- Board and Committees
- Rating Agencies (e.g., STARS)
- Creditors
- Communities
- Vendors and Other Third-Party Partners
- Private Grantors
- City/State/Federal Funders and Regulators
- Others???



# MEETING EXPECTATIONS

- Identify stakeholders
- Identify their expectations via interviews, surveys, industry pulse/trends
  - Their focus on specific elements of ESG
  - Qualitative and quantitative goals
  - Reporting formats
- Assess how to develop ESG reporting to meet/exceed expectations by explaining goals and progress towards them in an effective way





**FRAMEWORKS AND  
STANDARDS**



# FRAMEWORKS AND STANDARDS FOR HIGHER ED

*No one framework/standards like financial reporting but progress is being made!*

- **STARS (the Sustainability Tracking, Assessment & Rating System)**
  - A program of Association for the Advancement of Sustainability in Higher Education (AASHE)
  - “A transparent, self-reporting, voluntary framework for colleges and universities to measure their sustainability performance and progress”
  - Assigns ratings (Platinum, Gold, Silver, Bronze) to over 600 colleges and universities
- **SASB (Sustainability Accounting Standards Board) - Education Industry**
- ISO 14001:2015 Environmental Management System Standards
- **U.N. Sustainable Development Goals (SDGs)**
- Global Reporting Initiative (GRI)
- **ISSB (International Sustainability Standards Board)**, created as an independent board charged with the development of a unified, global standard for climate change and broader ESG disclosures
  - CDSB (Climate Disclosure Standards Board)
  - IIRC (International Integrated Reporting Council)
  - **WEF (World Economic Forum) ESG Metrics**
  - IOSCO
  - SASB
  - TCFD
- **COSO/WBCSD’s Guidance for Applying Enterprise Risk Management to Environmental, Social and Governance-related Risks**
- And more!



# ESG REPORTS

## Example Report Types:

- Separate Sustainability Report
- Section in Annual Report
- Website page
- Scorecard/checklist provided to reporting/rating agency (e.g., STARS)

## Elements of Typical

### ESG/Sustainability Reports:

- Both quantitative metrics and qualitative descriptions
- Strategies and goals
- Progress towards goals and key performance indicators/metrics
- Governance and controls over meeting goals and reporting

## ESG measures can include the following:

- Greenhouse gas emissions
- Land, water, energy use
- Food and dining
- Facilities, Grounds, and Construction
- Health and safety
- Labor practices
- Pay equality
- Investments
- Diversity, equity and inclusion (board, staff, students, vendors)
- Board composition
- Vendors, Supply Chain, and Purchasing
- Academics, Curriculum, and Research
- Campus and community engagement
- Ethical behavior
- Employee training
- Planning and reporting

## Processes to prepare reports include determining the following:

- Strategies and goals - based on stakeholder expectations
- Materiality considerations
- Data points already being measured, data points not yet being measured
- Industry benchmarks/comparables - many already exist and are publicly available
- Processes and controls over compiling and validating data
- Effective presentation of data
- Use of technology to prepare reports



# PROCESSES AND CONTROLS FOR ESG REPORTING

Processes and controls should be in place to ensure reporting relevancy, reliability, completeness, and accuracy

- For STARS, pre-submission assurance is recommended (independent assurance is an emerging best practice and counts as STARS Innovation & Leadership bonus points)
- EU has proposed requiring limited assurance of ESG reporting and SEC going in that direction too

Assurance can include review of the following:

- Availability and quality of data
- Processes and controls to collect the data
- Mapping data
- Preparing reports consistently, accurately, and effectively
- Validation of the completeness and accuracy of data reported against supporting documentation

An Internal Audit Assessment can be performed, especially as it relates to ERM program and broader perspective of an organization, and could include:

- Current state assessment
- Risk and priorities identification
- Stakeholder and their needs identification
- Identification of applicable, relevant frameworks and standards
- Data availability and collection
- Data assurance and validation
- Alignment with reporting frameworks/standards
- Reporting efficiency and effectiveness
- Technology used



**RISKS AND  
OPPORTUNITIES**



# RISKS TURNED INTO OPPORTUNITIES

- Knowing and appealing to stakeholder demands
- “Taking credit” and/or effectively reporting what is already being done
- Accurate, relevant, and contextualized reporting
- Identifying areas for improvement in establishing and meeting ESG goals
- Curriculum development
- New/increased funding sources
- Embedding ESG into ERM program, strategy setting, and operationalization
- Investing based on risk and strategy
- Leveraging technology to measure progress
- Take advantage of quantitative and qualitative information
- Consider assurance over reported data
- Engaged Board, Audit Committee, and Leadership
- Lasting changes and impact!



**ESG IN CONSTRUCTION  
MANAGEMENT**



# ESG AND SCHOOL CAPITAL PROGRAMS

- Capital projects are large % of dollar spend
- With these large capital programs, there is a chance for the university to be aggressive and set strong goals for Diversity and Inclusion in the construction process
- Donors (investors, alumni) are going to demand accountability
- If there are any federal/state grants and assistance, ensure they are in compliance with regulatory requirements





# THE CHALLENGES FACED BY HIGHER EDUCATION CONSTRUCTION OWNERS

To compete for the best teachers and students, universities are driving capital expansion programs and investing in facilities development initiatives to provide superior experiences. The size and complexity of these projects have increased the risks of fraud, waste, and abuse.

- Construction costs have risen dramatically
  - Cost of financing has increased
  - Limited availability of qualified contractors
  - Fluctuating materials costs raise operating costs
- Economics are driving contractors to accept contracts with smaller profit margins
- Complex contractual relationships between parties involved in the project
- Intricate compliance requirements (e.g. MWBE, prevailing wage)
- Longer project lifecycles have created a greater risk of price and timeline overruns
- Facilities planning and development, Accounting, and Finance teams often lack the internal controls and infrastructure to effectively monitor construction activity while simultaneously managing the increased cost accounting burden of major construction projects.





# THE COST OF CONSTRUCTION FRAUD

- Fraud, waste, abuse of contracts, and other criminal behaviors add as much as 25 percent to the total cost of construction projects
- Likely much more costly is the potential breach of donor trust, increased scrutiny by regulators/law enforcement officials, negative publicity and the impact of a tarnished image





# SOLUTIONS TO MANAGE CONSTRUCTION RISK

CohnReznick provides independent construction audit and monitoring services to mitigate construction risk. Our solutions establish risk management protocols, identify weaknesses in internal and project controls, and monitor for signs of project leakage.

## **Construction Risk Assessments**

We analyze the construction portfolio, project specifications and contracts. Using our expertise developed by serving as construction auditors and fiscal monitors on many of the nation's largest construction projects, we identify the areas of highest risk. This assessment can be used to establish compliance and cost control frameworks and focus construction fiscal monitoring activities.

## **Construction Control Framework**

We design and implement a system of financial and operational controls and establish appropriate policies and procedures designed to prevent non-compliant behaviors in key risk areas. Our specialists will integrate these new control activities into existing risk management and construction/facilities functions.

## **Damage Recovery**

CohnReznick can provide litigation support and other services to enable clients to recover damages, receive refunds, and achieve project objectives.

## **Financial Investigations**

We investigate potential breaches of contract and violations of applicable law. Our investigations routinely cover such activities as monitoring for prevailing wages, examining job sites and records for proper equipment and materials billing, site security, environmental and safety compliance, and subcontractor usage.

## **Construction Fiscal Monitoring**

Once a control environment has been established, our team of construction accounting and monitoring specialists provides independent visible, on-site construction experts to monitor compliance with contracts, labor and employment law, and other applicable statutes governing contractor performance throughout the typical project stages.



**ESG IN INVESTING**

# INSTITUTIONAL INVESTMENTS & PHILANTHROPIC SOLUTIONS

## ESG INVESTING

**Presenters:**

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**Danielle M. Ward**, CFA, CAIA, CSRIC, Managing Director, Institutional Client Executive

**William Jarvis**, Managing Director, Philanthropic Executive, Strategy & Delivery

NOVEMBER 22, 2021

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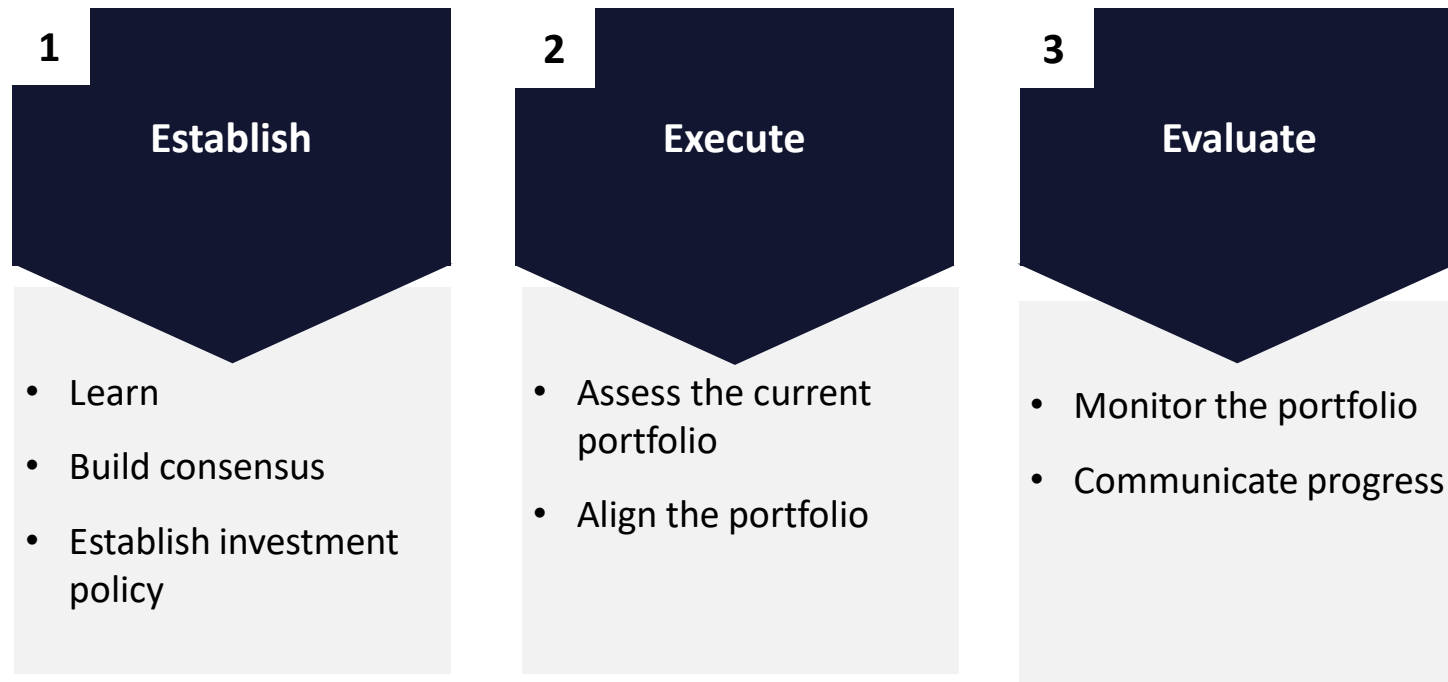
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# IMPLEMENTING A SUSTAINABLE INVESTING STRATEGY

We work collaboratively with each client to develop an implementation strategy that fits with their investment objectives, risk appetite and mission.





# SUSTAINABLE AND IMPACT INVESTING THEMES

## People

Commitment to engaged and healthy workers



- Good health & well-being
- Empowerment & inclusion



## Planet

Contributions to climate and environmental sustainability



- Climate action
- Natural resources



## Principles of Governance

Commitment to ethics and societal benefit



- Corporate governance
- Corporate behavior



## Prosperity

Contributions to equitable, innovative economic growth and sustainable communities



- Employment & economic vitality
- Sustainable communities



Note: These themes help identify strategies that could address investor preferences, but not all themes may be implementable in a client's portfolio at this time. Both themes and sub-themes have the potential to grow and change over time. Bank of America Corporation supports the United Nations Sustainable Development Goals.



# HOW YOU CAN IMPLEMENT SUSTAINABLE AND IMPACT INVESTMENTS IN YOUR PORTFOLIO

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You can choose the type of impact that is important to you — from avoiding harm, to benefiting favorable business practices, to contributing to measurable outcomes — or a combination of all three. In an evolving world, your investments have the potential to drive positive change and provide competitive returns.

## Avoid



Seek to reduce negative social or environmental effects and manage risk by limiting certain exposures

## Benefit



Seek to support positive social or environmental practices and enhance potential for long-term competitive financial returns

## Contribute



Seek to advance positive measurable social or environmental outcomes and target opportunities where impact is intrinsic to financial performance

Risk management processes seek to mitigate, but cannot eliminate risk, nor do they imply low risk.

The information presented here is not intended to be either a specific offer to sell or provide, or a specific recommendation to buy any particular product or service.

The “A-B-C” framework that helps classify the impact objective of a sustainable strategy was adapted from The Impact Management Project. The Impact Management Project is a forum for building global consensus on how to measure, compare and report ESG risks and positive impacts.

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# SUSTAINABLE INVESTING IS NOT AN ALL OR NOTHING PROPOSITION



## INCREASING ADOPTION OF SUSTAINABLE INVESTING PRACTICES

**Complement your existing portfolio**  
by adding new investments that focus on a specific sustainability theme or by creating a complementary, multi-asset sustainability portfolio

**Substitute some of your existing holdings**  
by selling them and using the proceeds to invest in companies or investment managers that have a sustainable focus

**Transition all your assets to sustainable strategies**  
by directing uninvested cash to sustainable strategies and replacing current holdings with multi-asset, sustainable investments over time