

ESG audits

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Open questions

- What do investors do with the ESG metrics, even if audited?
 - Are ESG metrics correlated with future earnings, cash flows and perhaps even current stock returns?
- How credible are the new ESG auditors (non-Big 4)?
 - Few staff members
 - How much primary work do they actually do?
 - The fees they take is not disclosed.
 - I can't see their balance sheets and don't know much about their reputation. Can these firms withstand even one lawsuit?
- What does “default” mean for ESG indicators in bond contracts? Or equity arrangements?

Open questions

- Who will hold firms and ESG funds accountable for ESG promises made but broken?
- Who will police the inevitable conflicts of interest are also becoming common?
 - E.g., Sustainalytics acts as an auditor. As you know, they also put out ESG ratings. There is no PCAOB to check these conflicts.
- Quid pro quo of mandatory assurance of ESG for audit process data for fin reports in the U.S.?
 - E.g., more access to work papers?

Open questions

More reading:

- <https://www.forbes.com/sites/shivaramrajgopal/2021/05/03/who-audits-the-auditors/?sh=79d51c0d1fb5>
- <https://www.forbes.com/sites/shivaramrajgopal/2021/06/01/the-how-of-carbon-reporting-in-the-us/?sh=21c56923fecd>