Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

33rd SESSION
4 - 6 October 2016
Room XVIII, Palais des Nations, Geneva

Wednesday, 5 October 2016
Morning Session

Agenda item 4. Enhancing the role of reporting in attaining the Sustainable Development Goals: Integration of environmental, social and governance information into company reporting

Presented by

Steve Gunders
Board Member
Sustainability Accounting Standards Board

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Sustainability Accounting Standards Board

The market standard for disclosure of material sustainability information to investors

Steve Gunders, CPA, MBA
The SASB Mission
Improved sustainability disclosure enhances market efficiency

SASB’s mission is to develop and disseminate sustainability accounting standards that help companies disclose material, decision-useful information to investors in a cost-effective way.

That mission is accomplished through a rigorous, transparent process that includes evidence-based research and broad, balanced stakeholder participation.

Facts about SASB

- Independent 501(c)(3) non-profit
- American National Standards Institute (ANSI) accredited standards developer
- Develops standards for 79 industries in 10 sectors for use in mandatory filings such as the Form 10-K and 20-F
Strong Support for SASB Vision
SASB’s Board is informed by experience, character, and commitment

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Philanthropist, Founder of Bloomberg LP, and the 108th Mayor of New York City

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Promontory Advisory Board Vice Chair
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Kevin Parker
CEO – Sustainable Insight Capital Management

Aulana Peters, JD
Former Commissioner – SEC

Arnie Pinkston, JD
General Counsel, Allergan (Retired)

Curtis Ravenel
Global Head, Sustainable Business and Finance – Bloomberg LP

Jean Rogers, PhD, PE
Chief Executive Officer & Founder – SASB (Ex-officio)

Laura Tyson, PhD
Director, Institute for Business and Social Impact – Berkeley Haas School of Business

Elisse Walter, JD
Former Chairman – SEC

Edward D. White, JD
Managing Partner – Fahr LLC
### A Growing Demand for Effective Disclosure

Global megatrends, economic evolution create challenges for companies, investors

<table>
<thead>
<tr>
<th>REGULATORY PRESSURE</th>
<th>ECONOMIC PRESSURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandates in multiple markets (E.U., China, India, etc.)</td>
<td>Resource constraints and volatility</td>
</tr>
<tr>
<td>Exchange listing requirements and guidance</td>
<td>Financial impacts of climate related risk</td>
</tr>
<tr>
<td>Financial Stability Board (FSB) Task Force on Climate Risk</td>
<td>Changing valuations and the rise of intangibles</td>
</tr>
<tr>
<td>Regulation S-K Compliance</td>
<td>Transition to low carbon economy</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INVESTOR PRESSURE</th>
<th>STATE OF DISCLOSURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder resolutions</td>
<td>Proliferation of boilerplate disclosures</td>
</tr>
<tr>
<td>Questionnaire fatigue</td>
<td>Inability to discern material information or benchmark</td>
</tr>
<tr>
<td>Calls for divestment</td>
<td>Inconsistent quality of data</td>
</tr>
<tr>
<td>Increasing engagement</td>
<td>Inappropriate use of “materiality” in corporate communications</td>
</tr>
</tbody>
</table>
Investor Interest
SASB standards address business issues on which investors are already engaged

SHAREHOLDER PROPOSALS
Percent of total proposals filed that are related to social and environmental issues

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>40%</td>
<td>40%</td>
<td>45%</td>
<td>55%</td>
<td>63%</td>
</tr>
</tbody>
</table>

Sources: EY, 2011-2014, As You Sow, 2015

GLOBAL INSTITUTIONAL INVESTORS

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>89%</td>
<td>Will request sustainability information directly from the company</td>
</tr>
<tr>
<td>67%</td>
<td>More likely to consider ESG information if common standards used</td>
</tr>
<tr>
<td>50%</td>
<td>“Very likely” to sponsor or co-sponsor a shareholder proposal</td>
</tr>
</tbody>
</table>

Source: PwC, 2014
The SASB Difference

SASB standards are created for the market, by the market

- Material Factors
- Industry-Specific
- Decision-Useful
- Cost-Effective
- Evidence-Based
- Market-Informed
Evaluation of the Materiality of Sustainability Issues in Each Industry

SASB’s research and prioritization starts with a broad set of sustainability issues

Environment
• GHG emissions
• Air quality
• Energy management
• Fuel management
• Water and wastewater management
• Waste and hazardous materials management
• Biodiversity impacts

Social capital
• Human rights and community relations
• Access and affordability
• Customer welfare
• Data security and customer privacy
• Fair disclosure and labeling
• Fair marketing and advertising

Human capital
• Labor relations
• Fair labor practices
• Diversity and inclusion
• Employee health, safety, and wellbeing
• Compensation and benefits
• Recruitment, development, and retention

Business model and innovation
• Lifecycle impacts of products and services
• Environmental and social impacts on assets and operations
• Product packaging
• Product quality and safety

Leadership and governance
• Systemic risk management
• Accident and safety management
• Business ethics and transparency of payments
• Competitive behavior
• Regulatory capture and political influence
• Materials sourcing
• Supply chain management
A Rigorous, Transparent Process has led to Provisional Standards

SASB has entered a phase of deep consultation, analytics, field testing, and cost benefit analysis prior to codification of the standards for 79 industries.

Materiality in Practice as a Basis for Standards Setting

SASB standards include issues with demonstrated evidence of impacts on the financial condition and operating performance of a company.
Complete, Reliable Data Sets are Essential for Investor Use

SASB standards enable peer-to-peer comparisons and industry benchmarking.

### Sustainability Fundamentals: Chemicals Industry

<table>
<thead>
<tr>
<th>Sector</th>
<th>Industry</th>
<th>View</th>
</tr>
</thead>
<tbody>
<tr>
<td>RT</td>
<td>Chemicals</td>
<td>Company Compare</td>
</tr>
</tbody>
</table>

#### GHG Emissions

<table>
<thead>
<tr>
<th>Company Name &amp; Ticker</th>
<th>Scope 1 GHG Emissions</th>
<th>Air Quality</th>
<th>Energy &amp; Feedstock Management</th>
<th>Water Management</th>
<th>Hazardous Waste Management</th>
<th>Health, Safety &amp; Emergency Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dow Chemical DOW</td>
<td>27.7</td>
<td>17.1</td>
<td>2.0</td>
<td>8.8</td>
<td>165,361.0</td>
<td>--</td>
</tr>
<tr>
<td>DuPont DD</td>
<td>13.6</td>
<td>7.9</td>
<td>9.9</td>
<td>8.1</td>
<td>44,583.4</td>
<td>6,265.1</td>
</tr>
<tr>
<td>LyondellBasell LYB</td>
<td>--</td>
<td>8.1</td>
<td>2.2</td>
<td>7.3</td>
<td>97,778.8</td>
<td>--</td>
</tr>
<tr>
<td>Braskem BAK</td>
<td>9.8</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>52,893.1</td>
<td>308.8</td>
</tr>
<tr>
<td>Monsanto MON</td>
<td>1.5</td>
<td>3.8</td>
<td>1.6</td>
<td>0.1</td>
<td>6,972.2</td>
<td>2,438.9</td>
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<tr>
<td>Syngenta AG SYT</td>
<td>0.7</td>
<td>0.5</td>
<td>--</td>
<td>0.5</td>
<td>2,758.3</td>
<td>683.3</td>
</tr>
<tr>
<td>FMC Corp FMC</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>8,250.5</td>
<td>--</td>
</tr>
<tr>
<td>Average</td>
<td>5.3</td>
<td>5.3</td>
<td>1.9</td>
<td>3.2</td>
<td>25,761.8</td>
<td>3,624.3</td>
</tr>
<tr>
<td>Median</td>
<td>9.8</td>
<td>7.9</td>
<td>2.1</td>
<td>7.3</td>
<td>44,583.4</td>
<td>3,122.2</td>
</tr>
</tbody>
</table>

**Key Features:**
- **Peer comparison**
- **Complete data set**
- **Consistent units**
- **Benchmarking**
Making an Impact
SASB standards draw wide interest across the global capital markets

>60,000
STANDARDS
DOWNLOADS
d by

>6,000
USERS
in

>110
COUNTRIES

Top Equity Markets
1. U.S. ($26.1T)
2. E.U. ($7.6T)
3. China ($6.3T)
4. Japan ($4.5T)
5. India ($3.3T)

Equity Market Source: WFE, January 2016

Figures represent percentage of total standards downloads by region

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Toward a Market Standard

Standardization promotes market efficiency, reduced risk and improved outcomes

SASB provides a market standard for the public disclosure of material sustainability information

SASB standards are designed for use by investors, supplying information that is material, decision-useful, and cost-effective

SASB standards are developed through a rigorous process, that is evidence-based, transparent, and involves broad market participation