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

36th SESSION

30 October – 1 November 2019
Room XIX, Palais des Nations, Geneva

Wednesday, 30 October 2019
Morning Session

High-Level panel
**Impact of sustainability and the 2030 Agenda on Sustainable
Development on financial and non-financial enterprise
reporting**

Presented by

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Chief Executive Officer
Sustainability Accounting Standards Board, United States of America

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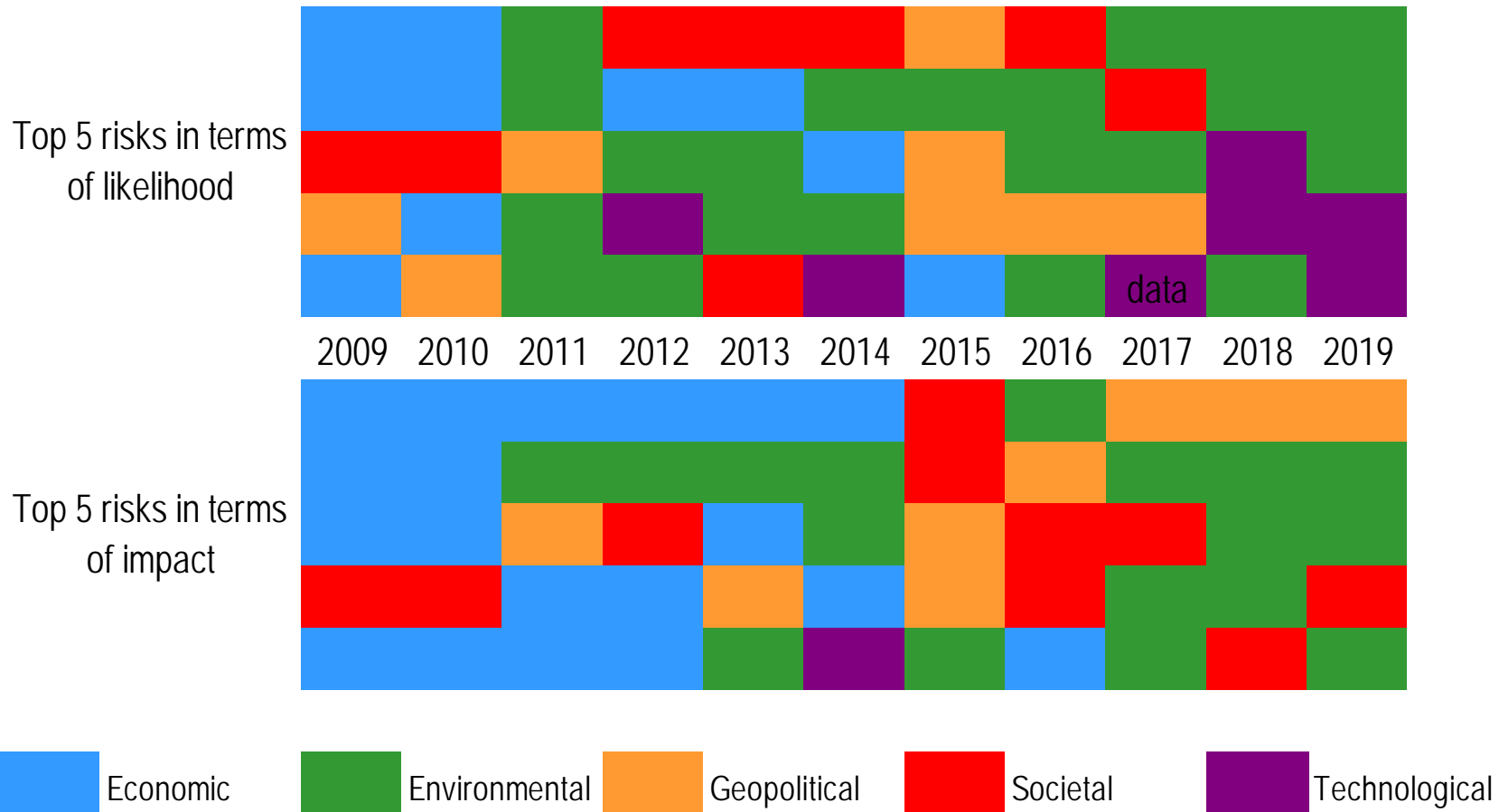
The Sustainability Accounting Standards Board

Madelyn Antoncic, PhD
CEO, SASB Foundation



An Evolving Risk Landscape

The global risk profile has shifted from economic to environmental & social challenges



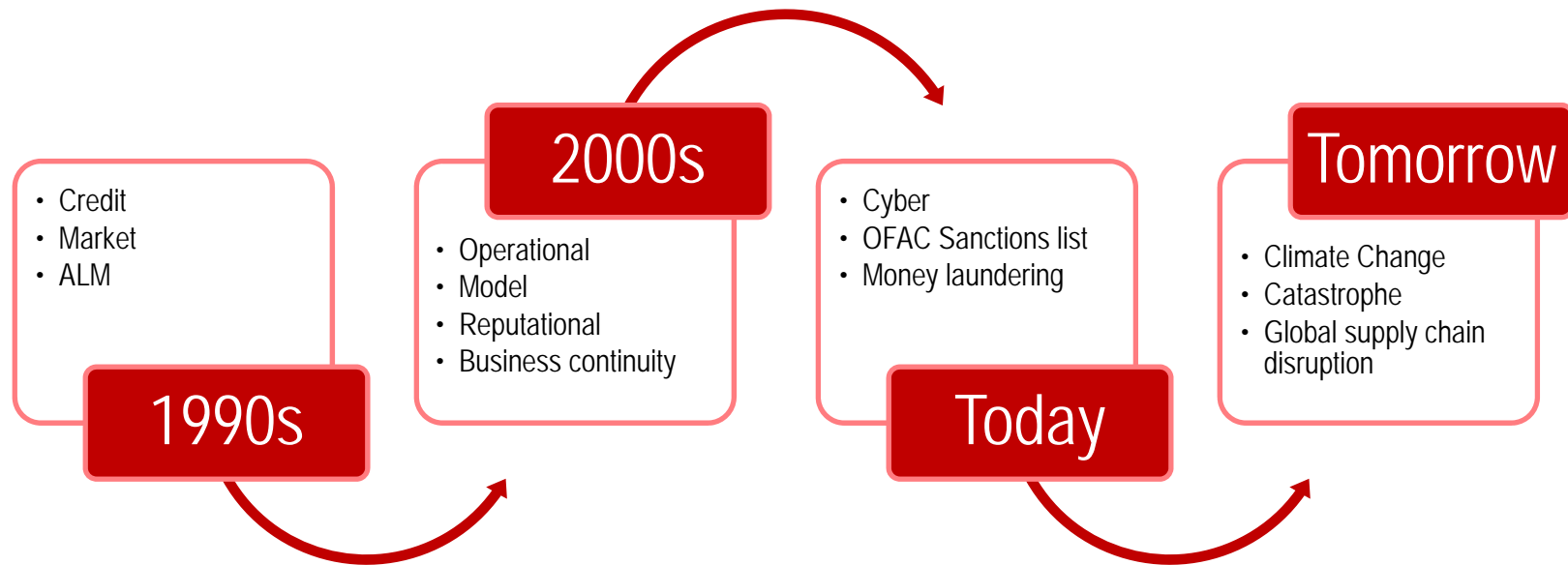
Source: World Economic Forum (January 2019), *The Global Risks Report 2019*, 14th Edition.



Risk Management Has Evolved, Too

Risk management has adapted to changing markets over the last few decades

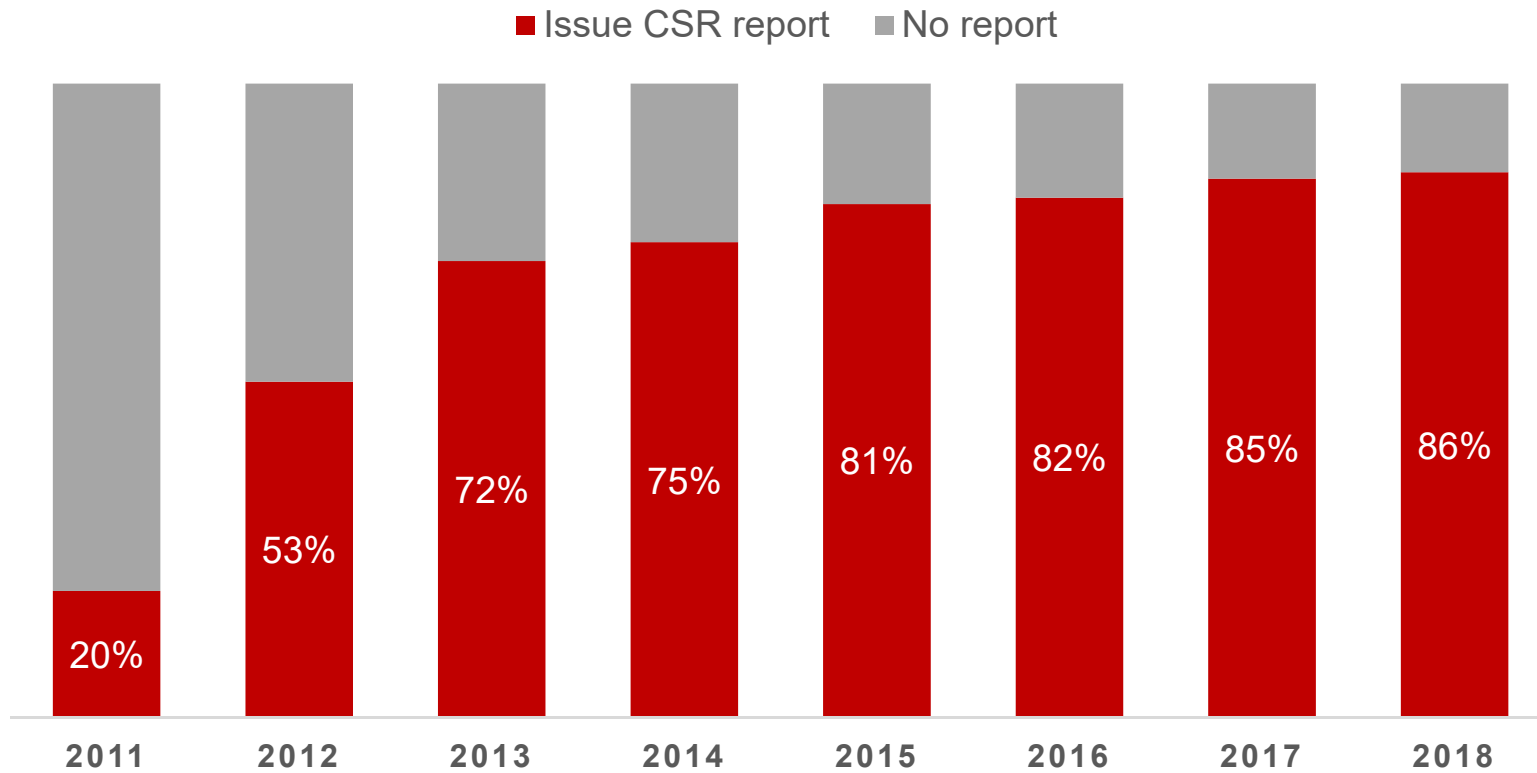
Where risk management once meant focusing on market risk, credit risk, and asset/liability mismatch risk, today it covers a much broader array of risks



ESG-Related Information Abounds

The rapid rise of CSR reporting has given researchers new data sets to study

From a minority of the S&P 500 in 2011 ...



... to a clear majority in 2018.

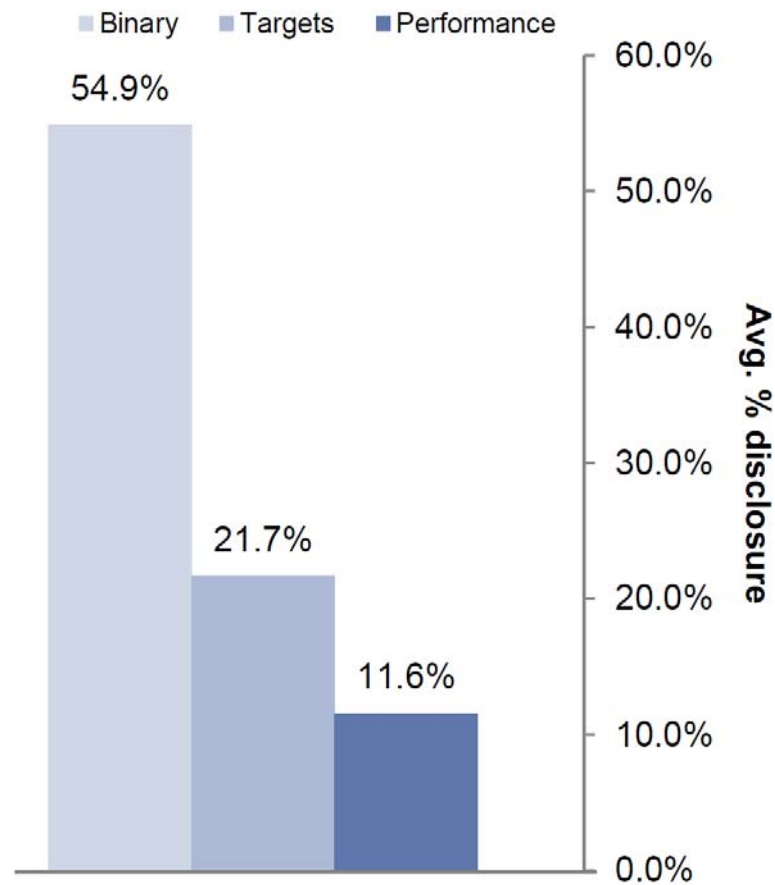
Source: Governance and Accountability Institute



Data Quality Lags Data Volume

Most ESG reporting covers policies and targets—not performance—limiting usefulness

Goldman Sachs
found only
11.6% of metrics
were performance
data



Source: Goldman Sachs Global Investment Research, *The PM's Guide to the ESG Revolution*, April 18, 2017.



Comparability Is Also Limited

Even when data are numeric, they aren't always comparable across companies

Example: 24 different metrics used across 50 Fortune 500 companies to 'quantify' 1 ESG topic

In disclosing information regarding employee health and safety, a random sample of 50 large, publicly listed, Fortune 500 companies used the following metrics:

- | | |
|---|--|
| 1. Lost time incident rate (per 100, 5,000, 200,000) | 13. Number of accidents |
| 2. Lost time frequency rate | 14. Number of accidents without lost time |
| 3. Injuries resulting in lost time | 15. Number of lost workdays |
| 4. Accident rate | 16. Number of severe accidents occurred |
| 5. Accidents requiring time off | 17. Rate of injury per 200,000 hours worked |
| 6. Days lost due to injury | 18. Reduced working days caused by work-related injuries |
| 7. Financial loss due to accidents | 19. Time loss claims |
| 8. Injuries resulting in more than 1 day lost | 20. Lost time |
| 9. Injury rate | 21. Incident numbers of occupational disease |
| 10. Lost day rate | 22. Occupational illness rate |
| 11. Lost time of fewer than 61 days due to occupational illness or injury | 23. Occupational illness cases |
| 12. Lost time incident severity rate | 24. Occupational disease rate |



Uncomparable metrics

Unclear methodologies

Different units of measurement

Limited usefulness

Source: Kotsantonis, Sakis, Serafeim, George. "Four Things No One Will Tell You About ESG Data" Journal of Applied Corporate Finance (2019)



Investor Needs vs. Issuer Reporting

The users and providers of ESG information have starkly different perspectives

Investor Satisfaction

% Investors Satisfied

Disclosure of ESG-related risk/opportunity that could affect business models	7%
Ease of comparing peer companies based on ESG data disclosed	8%

Sources: EY, *Is your non-financial performance revealing the true value of your business*, 2017;

Investor Confidence vs. Issuer Confidence

Investor confidence in the quality of the ESG information received from issuers	29%
Issuer confidence in the quality of the ESG information reported	100%

Sources: PwC, *Sustainability Goes Mainstream*, May 2014; *ESG Pulse*, 2016.

Alphabet Soup: Who's Who in the Disclosure Space

Of six major disclosure frameworks, only two set reporting standards

	SASB	CDP	CDSB	GRI	IIRC	TCFD
Subject	Sustainability	Environment	Environment	Sustainability	Sustainability and Financial	Climate Change
Type of Guidance	Standards	Questionnaires	Framework	Standards	Framework	Framework
Scope	Financial Materiality Industry-Specific	General and industry-specific	General	Materiality General and industry-specific	General	General and industry-specific
Target Audience	Investors	Investors, customers, and policy makers	Investors	All stakeholders	Investors	Investors
Reporting Channel	Core comms to investors	Online portal	Annual report	Sustainability report	Integrated report	Mainstream financial filings



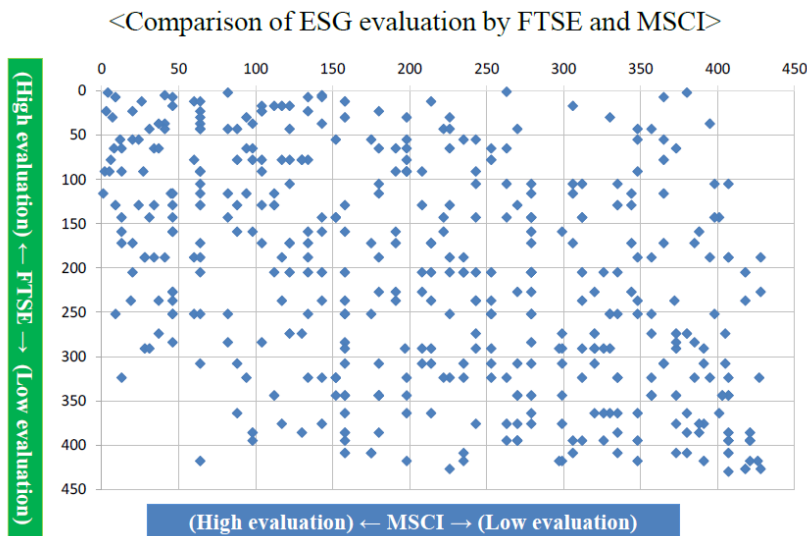
Raters Seek 'Signals' but Fall Short, Yielding Uncorrelated Ratings

ESG ratings can only be as useful as the underlying data and methodologies

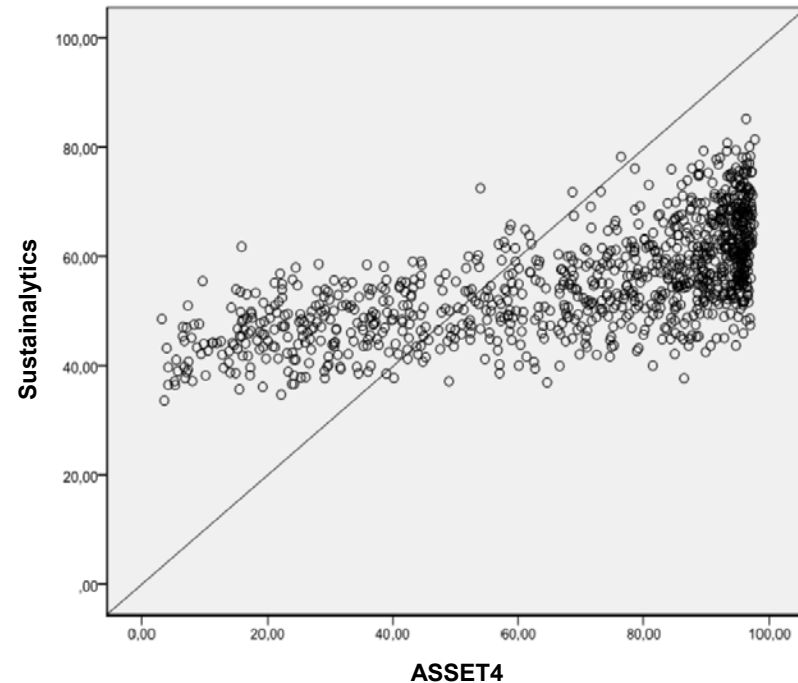
Figure 1
ESG Scores are Different Across Providers
 (Cross Sectional Correlation for Constituents of the MSCI World Index, June 30, 2017)

	Sustainalytics	MSCI	RobecoSAM	Bloomberg ESG
Sustainalytics	1	0.53	0.76	0.66
MSCI		1	0.48	0.47
RobecoSAM			1	0.68
Bloomberg ESG				1

Source: *The ESG Data Challenge*, SSGA, March 2019



Source: *Results of ESG Index Selection*, GPIF, July 2017



Source: *How Robust Are CSR Benchmarks? Comparing ASSET4 with Sustainalytics*, Tilburg University, October 2018



SASB Making an Impact

SASB standards are increasingly used across the global capital markets

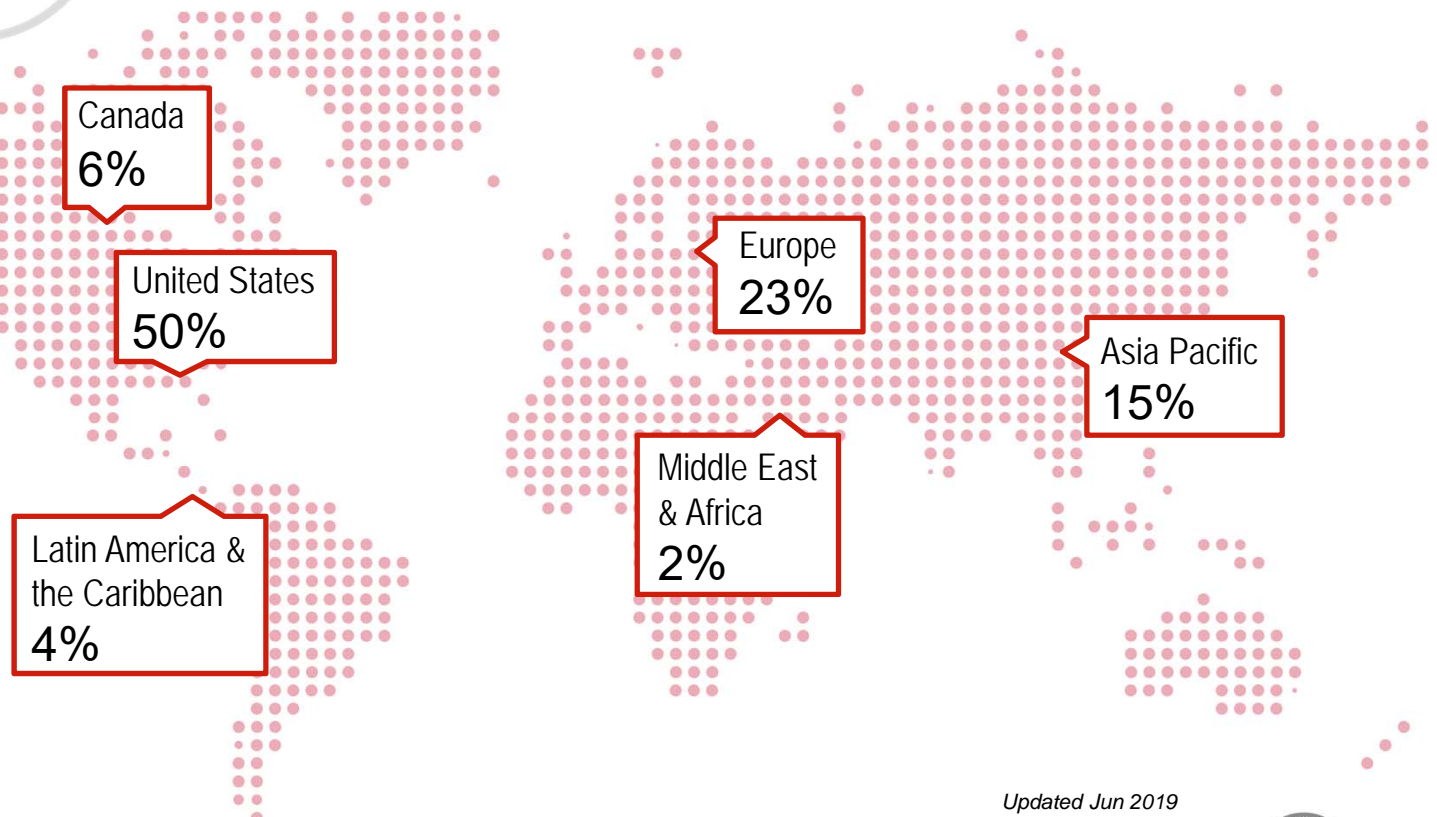
>235,000

STANDARDS
DOWNLOADS
by

>19,000

USERS
in

>140
COUNTRIES

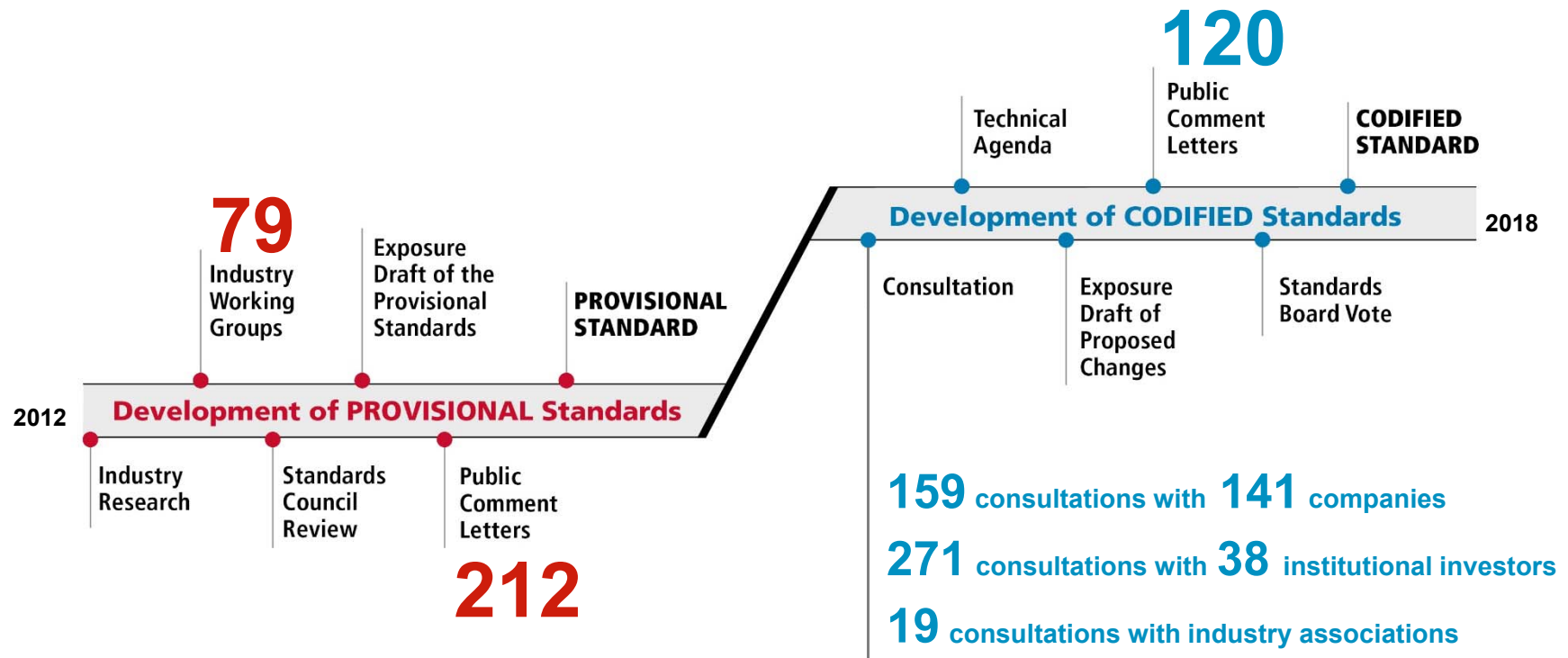


Updated Jun 2019



SASB Standards: Created For the Market, By the Market

Market input has strengthened the standards throughout their development



Over 6 years, thousands of corporate professionals, investors, and industry experts have provided input on the standards



SASB Membership and Advisory Bodies

Extensive involvement shows the standards are a product of global market forces

SASB Alliance	Investor Advisory Group (IAG)	Standards Advisory Group (SAG)
<p><i>SASB's membership organization: provides education and resources to members for an annual fee</i></p> <ul style="list-style-type: none">▪ Corporate, investor and individual members▪ Explore ESG best practices▪ Member events and networking	<p><i>Leading investors who publicly support improved ESG disclosure</i></p> <ul style="list-style-type: none">▪ Global asset owners and asset managers▪ Engage with companies to support material ESG disclosures▪ Advise on SASB strategy as needed	<p><i>SAG to advise Standards Board on standards content</i></p> <ul style="list-style-type: none">▪ Diverse industry experts representing companies, investors and other stakeholders▪ Advise on implementation and emerging issues for Standards development
<p>98 Organizational Members 12 countries</p>	<p>44 Members \$33T AUM 11 countries</p>	<p>174 Members 24 countries</p>



The SASB Difference

What sets SASB apart from the rest of the 'alphabet soup'?

-  **Financially Material**
-  **Decision-Useful**
-  **Cost-Effective**
-  **Industry-Specific**
-  **Evidence-Based**
-  **Market-Informed**

SASB's New Lens

SICS® groups industries by resource intensity and sustainability impacts



Consumer Goods

- Apparel, Accessories & Footwear
- Appliance Manufacturing
- Building Products & Furnishings
- E-Commerce
- Household & Personal Products
- Multiline and Specialty Retailers & Distributors
- Toys & Sporting Goods



Extractives & Minerals Processing

- Coal Operations
- Construction Materials
- Iron & Steel Producers
- Metals & Mining
- Oil & Gas - Exploration & Production
- Oil & Gas - Midstream
- Oil & Gas - Refining & Marketing
- Oil & Gas – Services



Financials

- Asset Management & Custody Activities
- Commercial Banks
- Consumer Finance
- Insurance
- Investment Banking & Brokerage
- Mortgage Finance
- Security & Commodity Exchanges



Food & Beverage

- Agricultural Products
- Alcoholic Beverages
- Food Retailers & Distributors
- Meat, Poultry & Dairy
- Non-Alcoholic Beverages
- Processed Foods
- Restaurants
- Tobacco



Health Care

- Biotechnology & Pharmaceuticals
- Drug Retailers
- Health Care Delivery
- Health Care Distributors
- Managed Care
- Medical Equipment & Supplies



Infrastructure

- Electric Utilities & Power Generators
- Engineering & Construction Services
- Gas Utilities & Distributors
- Home Builders
- Real Estate
- Real Estate Services
- Waste Management
- Water Utilities & Services



Renewable Resources & Alternative Energy

- Biofuels
- Forestry Management
- Fuel Cells & Industrial Batteries
- Pulp & Paper Products
- Solar Technology & Project Developers
- Wind Technology & Project Developers



Resource Transformation

- Aerospace & Defense
- Chemicals
- Containers & Packaging
- Electrical & Electronic Equipment
- Industrial Machinery & Goods



Services

- Advertising & Marketing
- Casinos & Gaming
- Education
- Hotels & Lodging
- Leisure Facilities
- Media & Entertainment
- Professional & Commercial Services



Technology & Communications

- Electronic Manufacturing Services & Original Design Manufacturing
- Hardware
- Internet Media & Services
- Semiconductors
- Software & IT Services
- Telecommunication Services



Transportation

- Air Freight & Logistics
- Airlines
- Auto Parts
- Automobiles
- Car Rental & Leasing
- Cruise Lines
- Marine Transportation
- Rail Transportation
- Road Transportation

Focused But Comprehensive

SASB's research process starts with a broad universe of sustainability issues

Environment

- GHG Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts

Leadership & Governance

- Business Ethics
- Competitive Behavior
- Management of the Legal & Regulatory Environment
- Critical Incident Risk Management
- Systemic Risk Management



Business Model & Innovation

- Product Design & Lifecycle Management
- Business Model Resilience
- Supply Chain Management
- Materials Sourcing & Efficiency
- Physical Impacts of Climate Change

Social Capital

- Human Rights & Community Relations
- Customer Privacy
- Data Security
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labeling

Human Capital

- Labor Practices
- Employee Health & Safety
- Employee Engagement, Diversity & Inclusion

SASB Materiality Map: The Holy Grail

Sustainability metrics for 77 industries across 26 risk and opportunity categories



SASB Materiality Map®

SASB's Materiality Map® identifies sustainability issues that are likely to affect the financial condition or operating performance of companies within an industry. In the left-hand column, SASB identifies 26 sustainability-related business issues, or General Issue Categories, which encompass a range of Disclosure Topics and their associated Accounting Metrics that vary by industry. For example, the General Issue Category of Customer Welfare encompasses both the Health and Nutrition topic in the Processed Foods industry and the Counterfeit Drugs topic in the Health Care Distributors industry. For commercial use terms of the Materiality Map, [please contact us](#).

Sector Level Map

- Issue is likely to be material for more than 50% of industries in sector
- Issue is likely to be material for fewer than 50% of industries in sector
- Issue is not likely to be material for any of the industries in sector

Industry Level Map

- Not likely a material issue for companies in the industry
- Likely a material issue for companies in the industry

		Consumer Goods	Extractives & Minerals Processing	Financials	Food & Beverage	Health Care	Infrastructure	Renewable Resources & Alternative Energy	Resource Transformation	Services	Technology & Communications	Transportation
Dimension	General Issue Category [®]	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand
Environment	GHG Emissions		■		■						■	■
	Air Quality		■									■
	Energy Management		■		■							■
	Water & Wastewater Management	■	■		■				■			■
	Waste & Hazardous Materials Management		■		■				■			■
Social Capital	Ecological Impacts		■		■							■
	Human Rights & Community Relations					■						
	Customer Privacy			■	■						■	
	Data Security			■	■	■			■		■	
	Access & Affordability				■	■					■	
Human Capital	Product Quality & Safety	■			■	■			■			■
	Customer Welfare				■	■						
	Selling Practices & Product Labeling			■	■	■						
Business Model & Innovation	Labor Practices		■		■							■
	Employee Health & Safety		■		■							■
	Employee Engagement, Diversity & Inclusion		■		■							■
	Product Design & Lifecycle Management	■	■		■		■		■			■
Leadership & Governance	Business Model Resilience		■		■		■					■
	Supply Chain Management	■	■		■							■
	Materials Sourcing & Efficiency		■		■							■
	Physical Impacts of Climate Change		■		■							■
Leadership & Governance	Business Ethics		■		■				■			■
	Competitive Behavior		■		■	■					■	■
	Management of the Legal & Regulatory Environment		■		■						■	■
	Critical Incident Risk Management		■		■						■	■
	Systemic Risk Management		■		■						■	■



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		Consumer Goods	Extractives & Minerals Processing	Financials						Food & Beverage	Health Care	Infrastructure	Renewable Resources & Alternative Energy	
Dimension	General Issue Category®	Click to expand	Click to expand	Asset Management & Custody Activities	Commercial Banks	Consumer Finance	Insurance	Investment Banking & Brokerage	Mortgage Finance	Security & Commodity Exchanges	Click to expand	Click to expand	Click to expand	Click to expand
Environment	GHG Emissions		■								■			
	Air Quality		■								■			
	Energy Management		■								■			
	Water & Wastewater Management	■	■								■			
	Waste & Hazardous Materials Management	■	■								■			
Social Capital	Ecological Impacts		■								■			
	Human Rights & Community Relations		■								■			
	Customer Privacy	■	■								■			
	Data Security	■	■			■					■			
	Access & Affordability	■	■			■					■			
Human Capital	Product Quality & Safety		■		■						■			
	Customer Welfare	■	■								■			
	Selling Practices & Product Labeling	■	■								■			
Business Model & Innovation	Labor Practices		■			■			■		■			
	Employee Health & Safety	■	■			■					■			
	Employee Engagement, Diversity & Inclusion	■	■			■					■			
	Product Design & Lifecycle Management	■	■			■					■			
Leadership & Governance	Business Model Resilience	■	■				■			■	■			
	Supply Chain Management	■	■					■			■			
	Materials Sourcing & Efficiency	■	■								■			
Leadership & Governance	Physical Impacts of Climate Change	■	■								■			
	Business Ethics		■				■		■		■			
	Competitive Behavior		■				■		■		■			
	Management of the Legal & Regulatory Environment		■								■			
Leadership & Governance	Critical Incident Risk Management		■											■
	Systemic Risk Management		■											■
	Systemic Risk Management		■											■



SASB Materiality Map: The Holy Grail

Sustainability metrics for 77 industries across 26 risk and opportunity categories



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	Extractives & Metals	Food & Beverage	Health Care	Infrastructure	Renewable Resources & Alternative Energy
Dimension	General Issue Category®				
Environment	GHG Emissions		expand	Click to expand	Click to expand
	Air Quality				
	Energy Management				
	Water & Wastewater Management				
	Waste & Hazardous Materials Management				
Social Capital	Ecological Impacts				
	Human Rights & Community Relations				
	Customer Privacy				
	Data Security				
Human Capital	Access & Affordability				
	Product Quality & Safety				
	Customer Welfare				
	Selling Practices & Product Labeling				
Business Model & Innovation	Labor Practices				
	Employee Health & Safety				
	Employee Engagement, Diversity & Inclusion				
	Product Design & Lifecycle Management				
Leadership & Governance	Business Model Resilience				
	Supply Chain Management				
	Materials Sourcing & Efficiency				
	Physical Impacts of Climate Change				
	Business Ethics				
	Competitive Behavior				
	Management of the Legal & Regulatory Environment				
	Critical Incident Risk Management				
	Systemic Risk Management				
	Systemic Risk Management				

Industry: Insurance Prev 1 of 2 Next

General Issue Category: Physical Impacts of Climate Change Prev 3 of 4 Next

Disclosure Topic: Environmental Risk Exposure

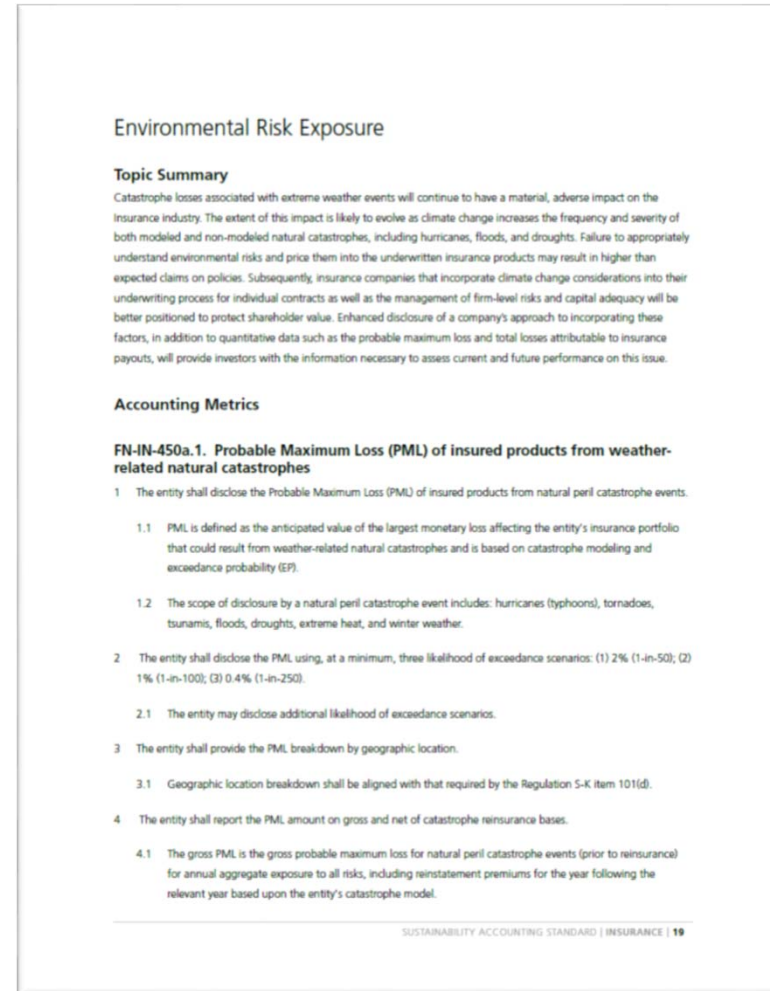
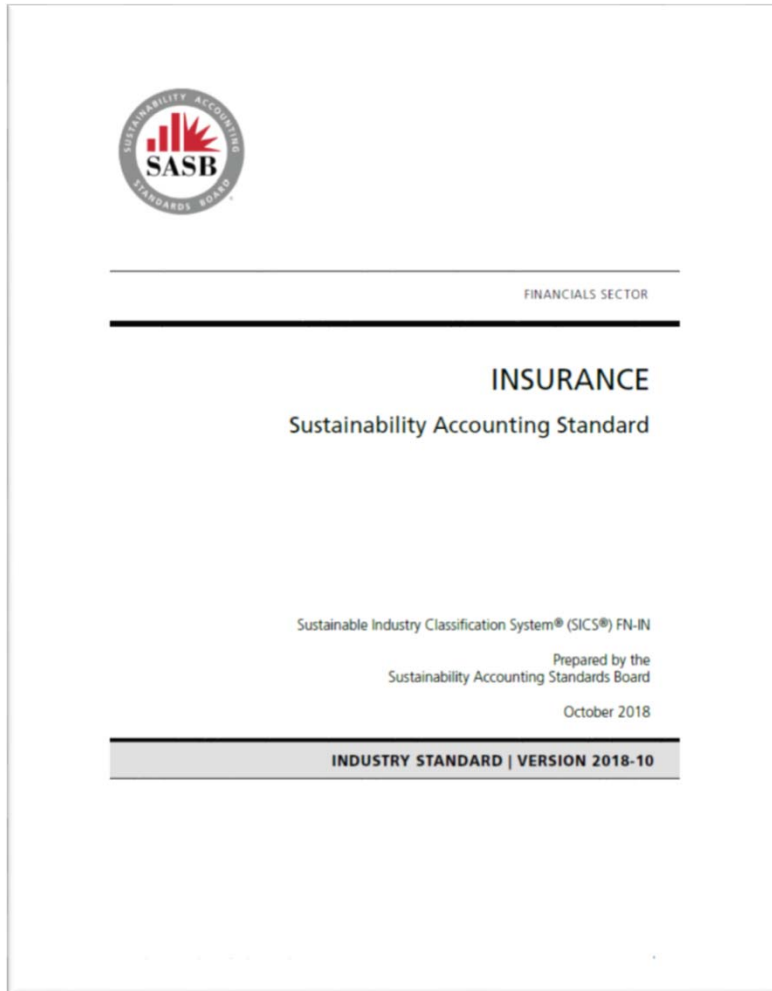
Accounting Metric(s)

- FN-IN-450a.1: Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes
- FN-IN-450a.2: Total amount of monetary losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modeled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)
- FN-IN-450a.3: Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy



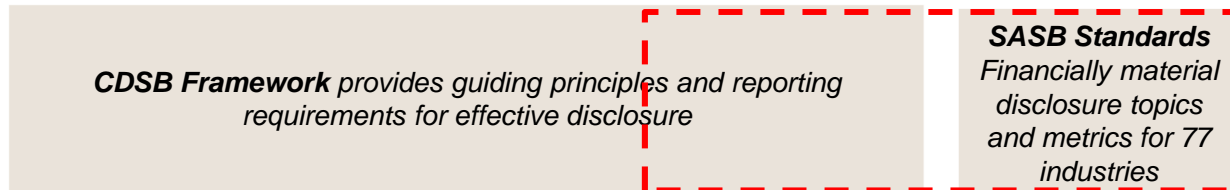
Rigorous Metrics

Detailed technical protocols ensure SASB metrics are consistent, comparable & reliable



TCFD/CDSB/SASB

Comprehensive approach for disclosure of climate risks and opportunities aligned to the TCFD



- Combine foundational elements:**
- CDSB Guiding Principles and Reporting Requirements (climate & environment);
 - SASB Conceptual Framework, Rules of Procedure, Standards Application Guidance;
 - Map combined foundational elements to TCFD's 11 Recommended Disclosures



TCFD and SASB: SASB Standards Are a Tool to Implement TCFD

SASB provides detailed, industry specific climate metrics for TCFD disclosures



TCFD Recommendations cover four broad areas:

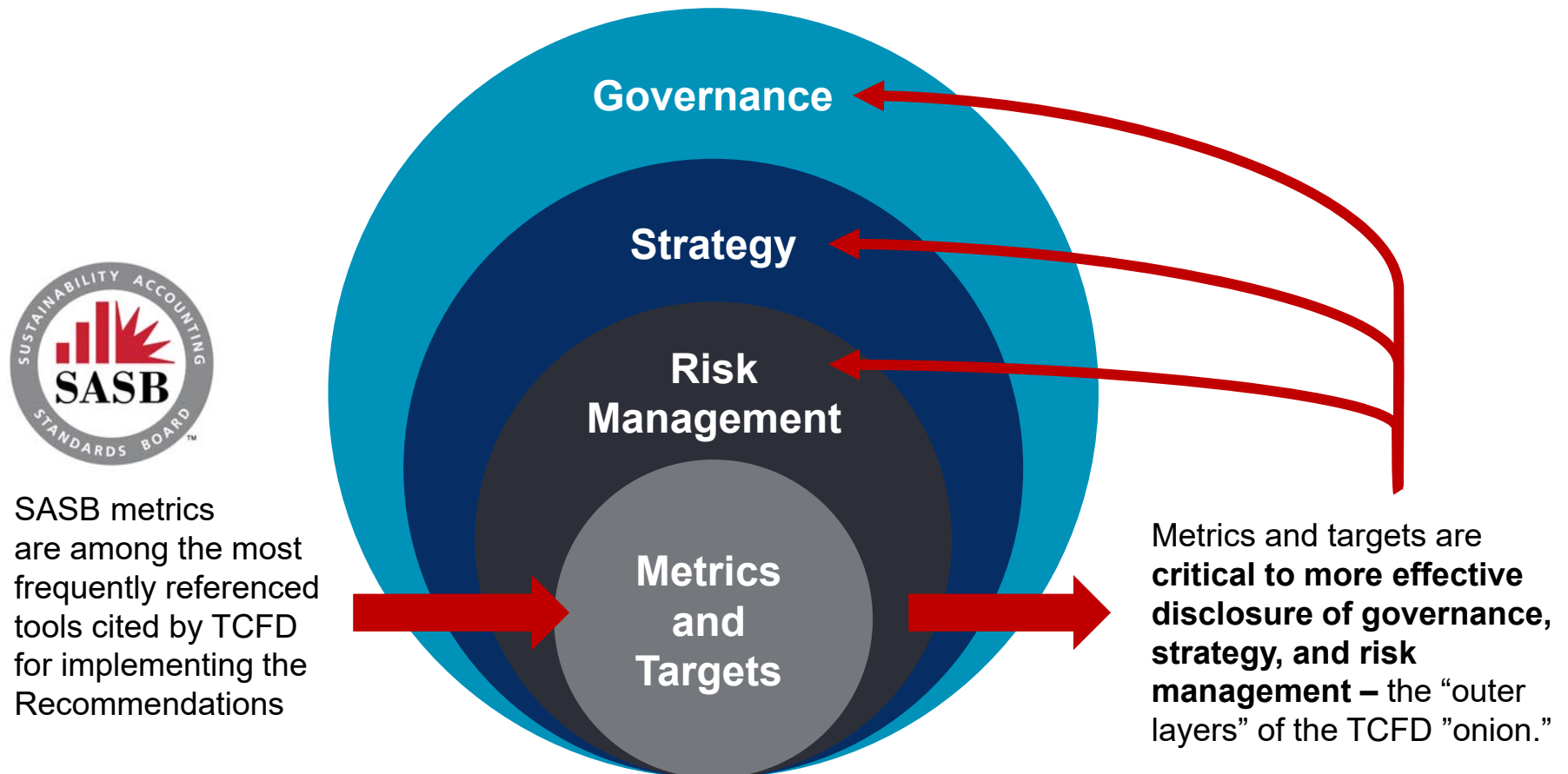


SASB Standards provide industry specific metrics for use in TCFD disclosures. SASB's metrics are among the most frequently cited metrics in TCFD's Implementation Guidance.



Industry-Specific Disclosure Is the Core of TCFD

SASB metrics sit at the heart of the recommendations, powering effective disclosure



Large-Scale Challenges Call for Large-Scale Solutions

Only by harnessing the power of markets can global efforts be equal to the task

Markets need to be **fit for purpose** to face daunting macroeconomic trends such as climate change, resource constraints, population growth, technological innovation, globalization, and more.

At SASB, we believe our standards are a key piece of this new, **21st century market infrastructure.**

By finding the common ground where business incentives are aligned with societal interests, we enable **win-win solutions** that transcend zero-sum naysaying and create shared value.





**Accounting for a
Sustainable Future**