
**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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Global Head, Sustainable
Business and Finance –
Bloomberg LP



A Growing Demand for Effective Disclosure

Global megatrends, economic evolution create challenges for companies, investors

REGULATORY PRESSURE

- Mandates in multiple markets (E.U., China, India, etc.)
- Exchange listing requirements and guidance
- Financial Stability Board (FSB) Task Force on Climate Risk
- Regulation S-K Compliance

INVESTOR PRESSURE

- Shareholder resolutions
- Questionnaire fatigue
- Calls for divestment
- Increasing engagement

ECONOMIC PRESSURE

- Resource constraints and volatility
- Financial impacts of climate related risk
- Changing valuations and the rise of intangibles
- Transition to low carbon economy

STATE OF DISCLOSURE

- Proliferation of boilerplate disclosures
- Inability to discern material information or benchmark
- Inconsistent quality of data
- Inappropriate use of “materiality” in corporate communications

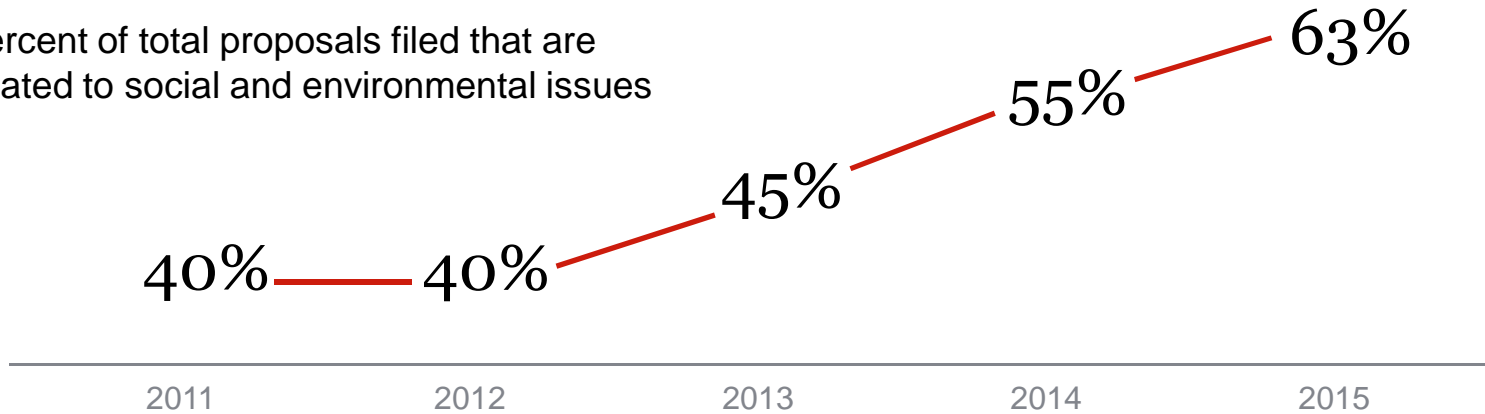


Investor Interest

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



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

GLOBAL INSTITUTIONAL INVESTORS

89% Will request sustainability information directly from the company

67% More likely to consider ESG information if common standards used




50% "Very likely" to sponsor or co-sponsor a shareholder proposal

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

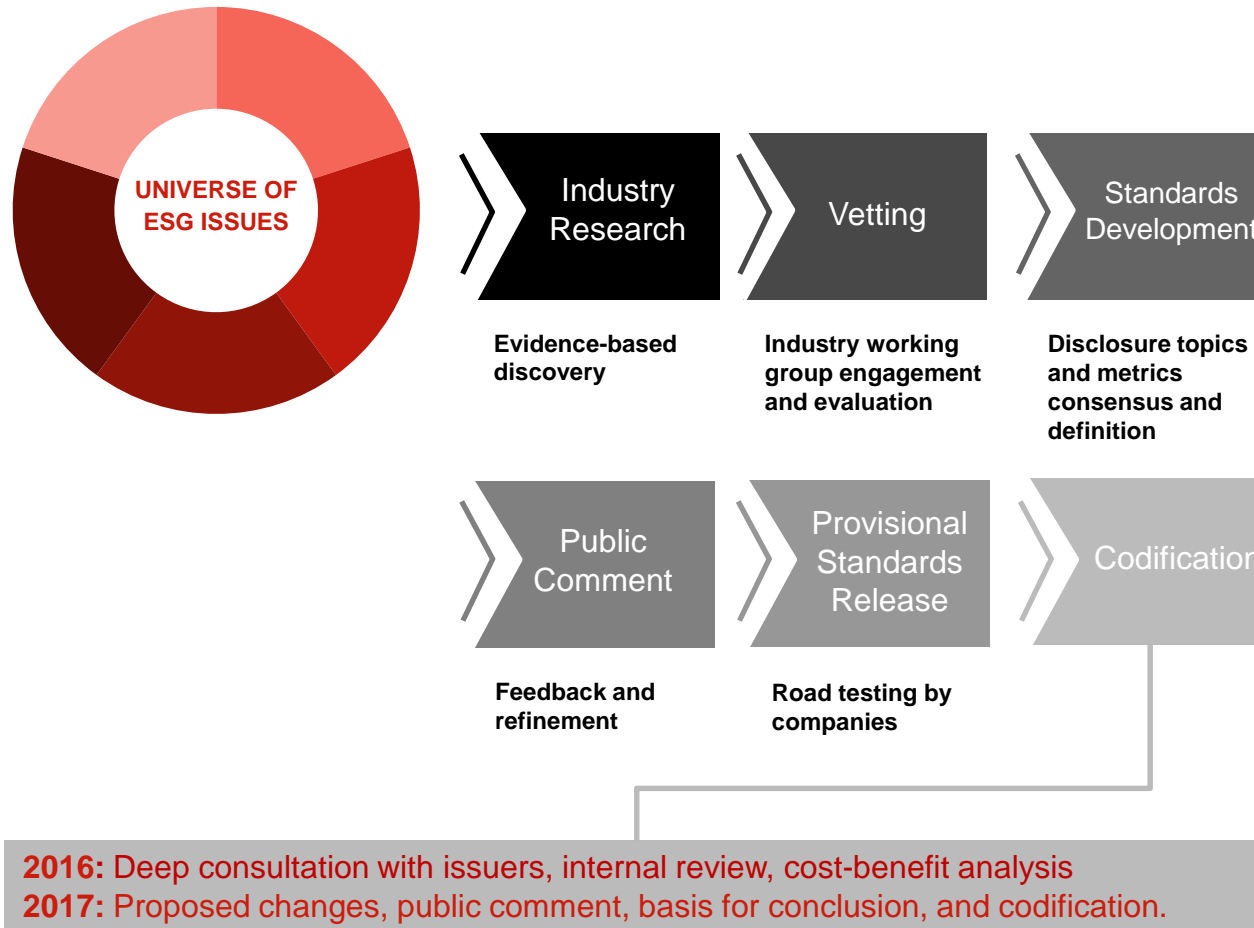
Leadership and governance

- 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.

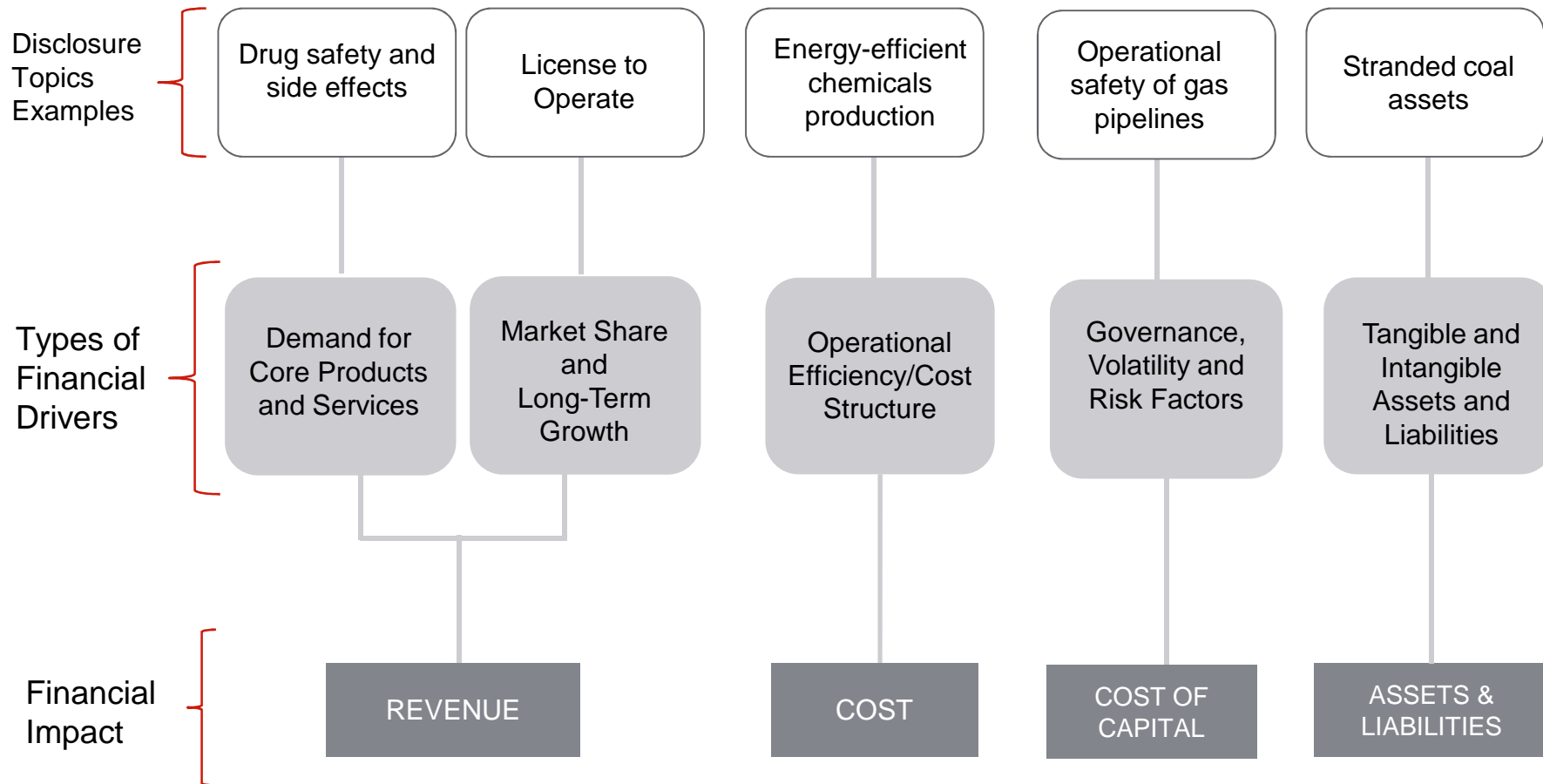


The Conceptual Framework and Rules of Procedure governing the Codification Phase are open for Public Comment until July 6, 2016. Please comment at www.sasb.org.



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

http://www.tblanalysts.com/rt/chemicals/compare
Sustainability Accounting Stan...
TBL Analysts - Google Search x



Sustainability Fundamentals: Chemicals Industry

Sector

Industry

View

This view compares the company you have selected to other companies in the same industry. Click on the column heading to sort the report on any of the metrics shown.

Company Name & Ticker	<u>GHG Emissions</u>	<u>Air Quality</u>			<u>Energy & Feedstock Management</u>			<u>Water Management</u>		<u>Hazardous Waste Management</u>			<u>Health, Safety & Emergency Management</u>	
	Scope 1 GHG Emissions <small>Mill. mtCO₂e</small>	Nitrogen Oxide Emissions <small>Th metric tons</small>	Sulfur Oxide Emissions <small>Th metric tons</small>	VOC Emissions <small>Th metric tons</small>	Total Energy Consumed <small>Th MWh</small>	Electricity Used <small>Th MWh</small>	% Electricity <small>%</small>	Total Water Use <small>Th m³</small>	Total Water Withdrawal <small>Th m³</small>	Total Waste <small>Th metric tons</small>	Hazardous Waste <small>Th metric tons</small>	% Hazardous Waste <small>%</small>	Total Recordable Incident Rate <small>Rate</small>	Total Fatalities <small>Number</small>
Dow Chemical DOW	27.7	17.1	2.0	8.8	165,361.0	--	--	--	3,121,000.0	1,500.0	615.0	41%	0.2	0.0
DuPont DD	13.6	7.9	9.9	8.1	44,583.4	6,265.1	14.1%	20,193.8	20,193.8	--	405.2	--	0.6	1.0
LyondellBasell LYB	--	8.1	2.2	7.3	92,777.8	--	--	139,000.0	--	1,740.0	1,110.0	64%	0.2	--
Braskem BAK	9.8	--	--	--	52,893.1	306.6	0.6%	70,854.2	--	70.4	27.9	40%	0.4	0.0
Monsanto MON	1.5	3.8	1.6	0.1	6,972.2	2,438.9	35.0%	1,338,000.0	964,000.0	--	--	--	0.6	1.0
Syngenta AG SYT	0.7	0.5	--	0.5	2,758.3	683.3	24.8%	37,800.0	37,800.0	379.0	236.0	62%	0.3	2.0
FMC Corp FMC	--	--	--	--	8,250.5	--	--	21,433.0	--	29.6	--	--	0.5	0.0
Average	5.3	5.3	1.9	3.2	25,761.8	3,624.3	27.6%	212,269.5	324,730.8	13,333.1	166.6	37%	0.7	0.4
Median	9.8	7.9	2.1	7.3	44,583.4	3,122.2	19.5%	54,327.1	500,900.0	379.0	405.2	52%	0.4	1.0

Peer comparison

Consistent units

Complete data set

Benchmarking



Making an Impact

SASB standards draw wide interest across the global capital markets

>60,000

STANDARDS
DOWNLOADS
by

>6,000

USERS
in

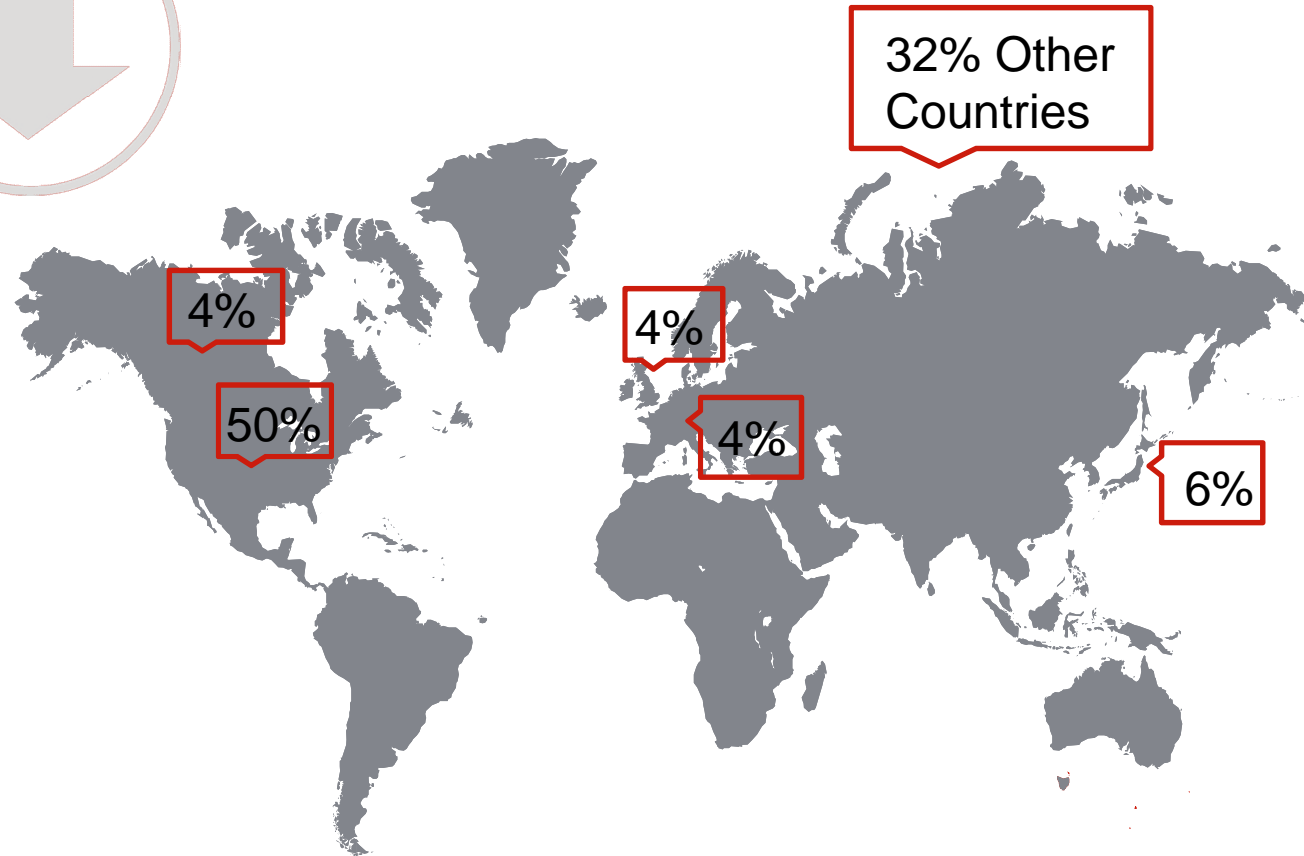
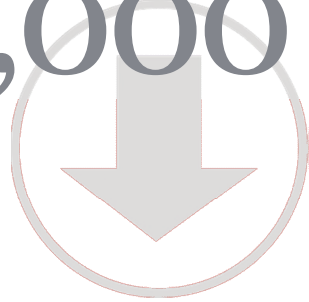
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COUNTRIES

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




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*

