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

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Tuesday, 29 October 2019

**Practical implementation of climate-related financial
disclosures and their relationship to the SDGs**

Presented by

Madelyn Antoncic
CEO
SASB Foundation Board

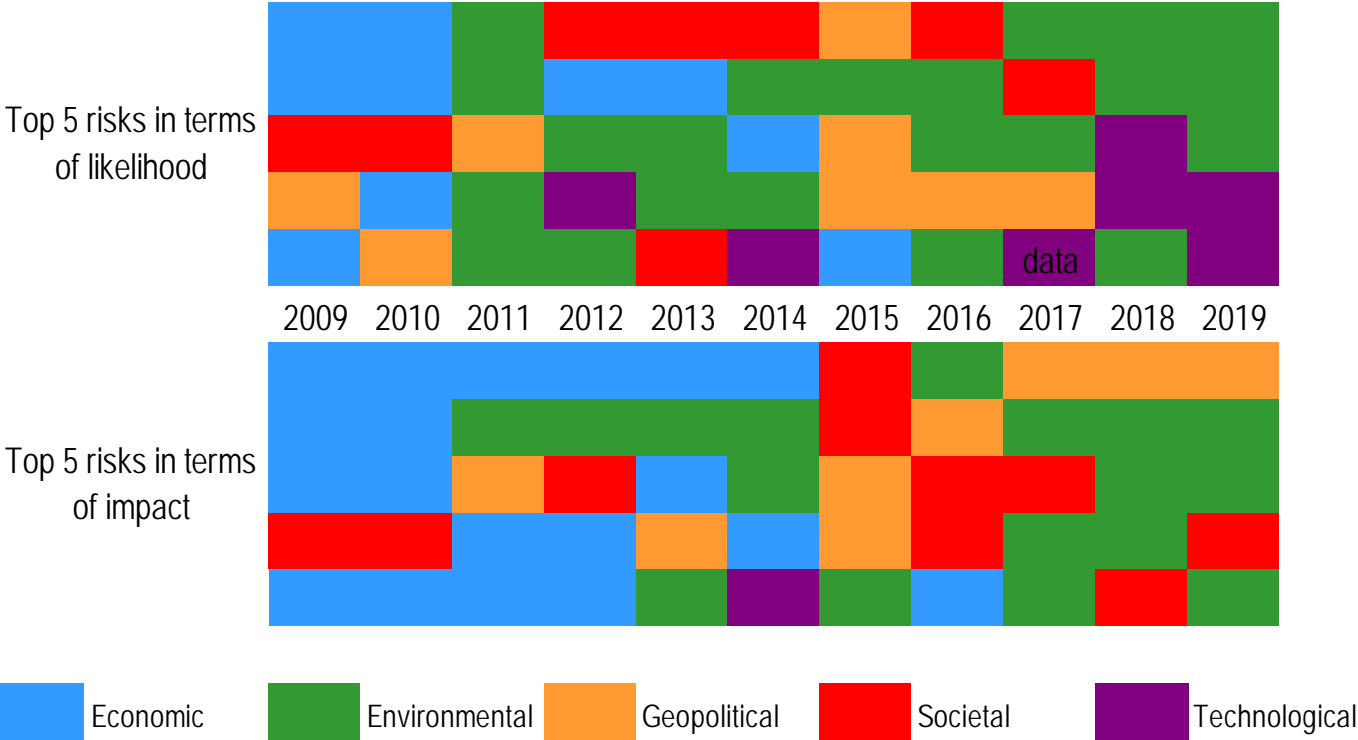
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Madelyn Antoncic, CEO, The SASB Foundation



An Evolving Risk Landscape

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



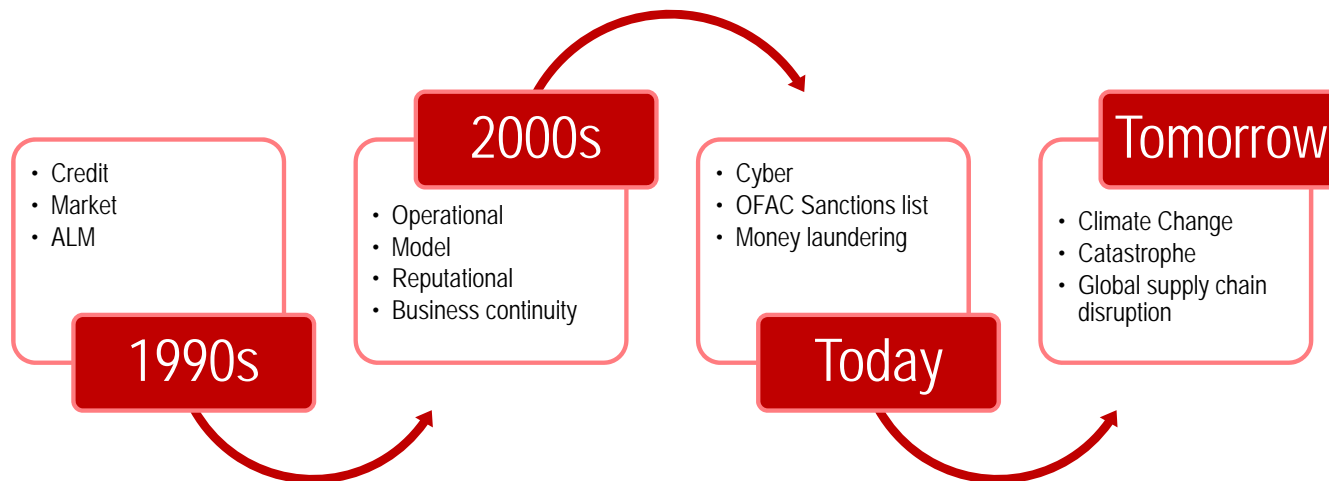
Source: World Economic Forum (January 2019), *The Global Risks Report 2019*, 14th Edition.



Risk Management Has Evolved, Too

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

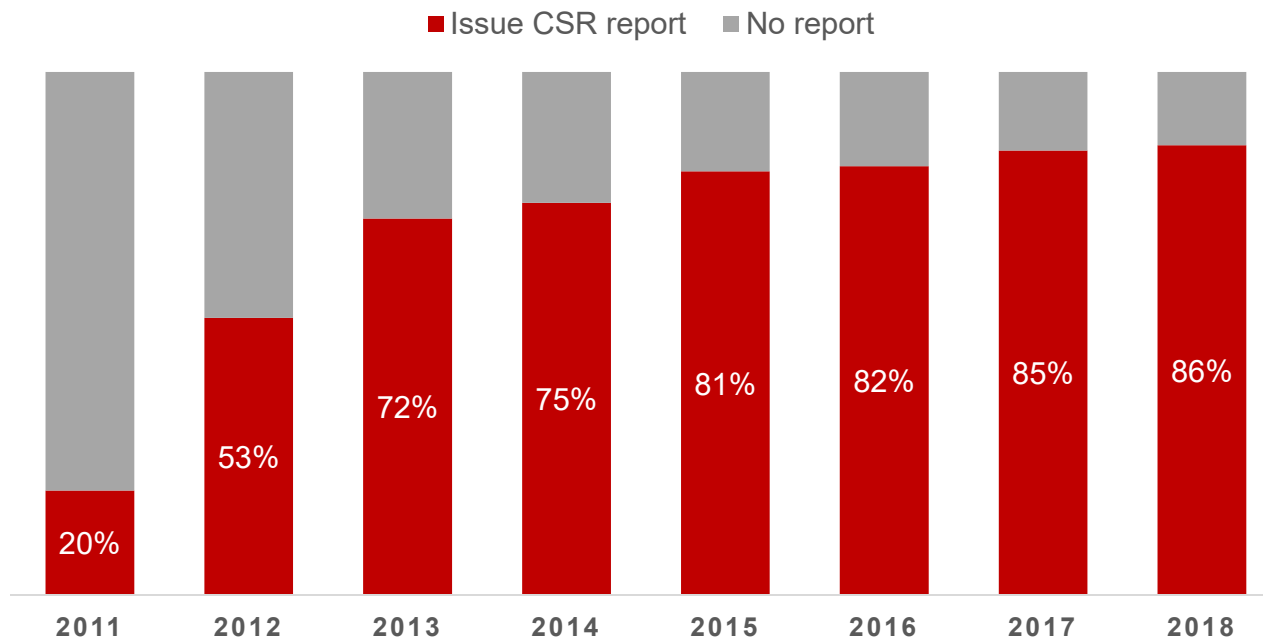
Where risk management once meant focusing on market risk, credit risk, and asset/liability mismatch risk, today it covers a much broader array of risks



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.

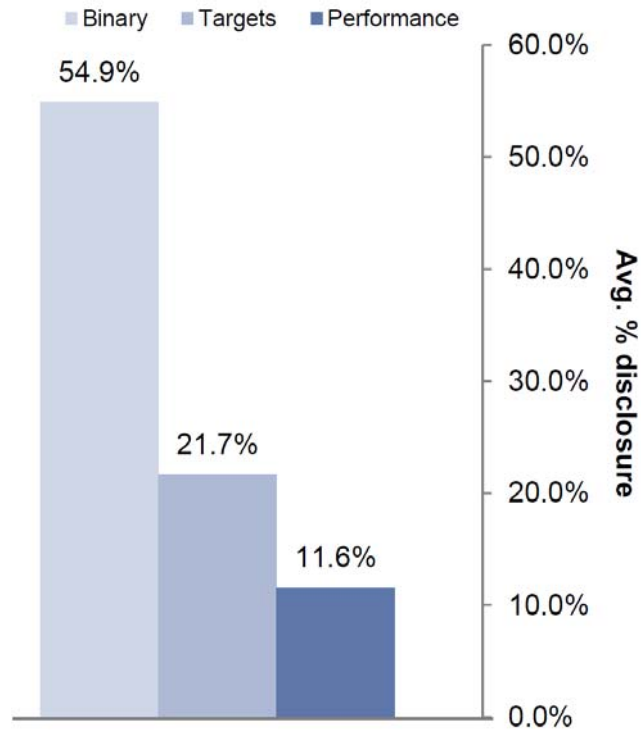
Source: Governance and Accountability Institute



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



SASB Making an Impact

SASB standards are increasingly used across the global capital markets

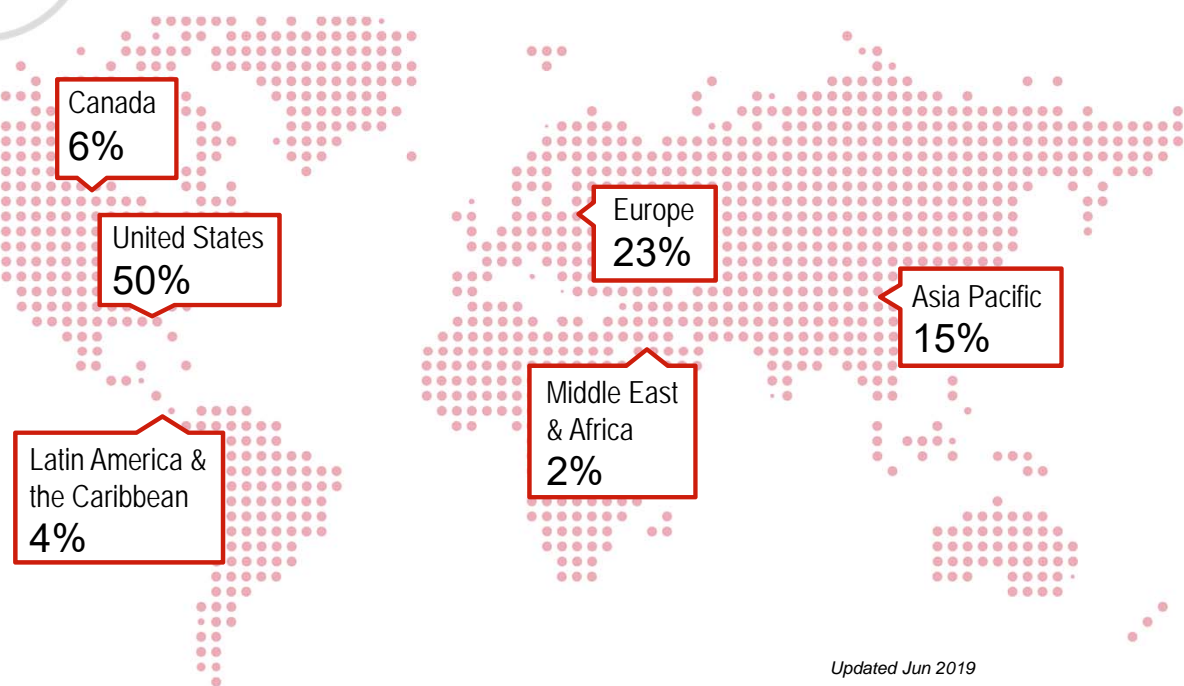
>235,000

STANDARDS
DOWNLOADS
by

>19,000

USERS
in

>140
COUNTRIES

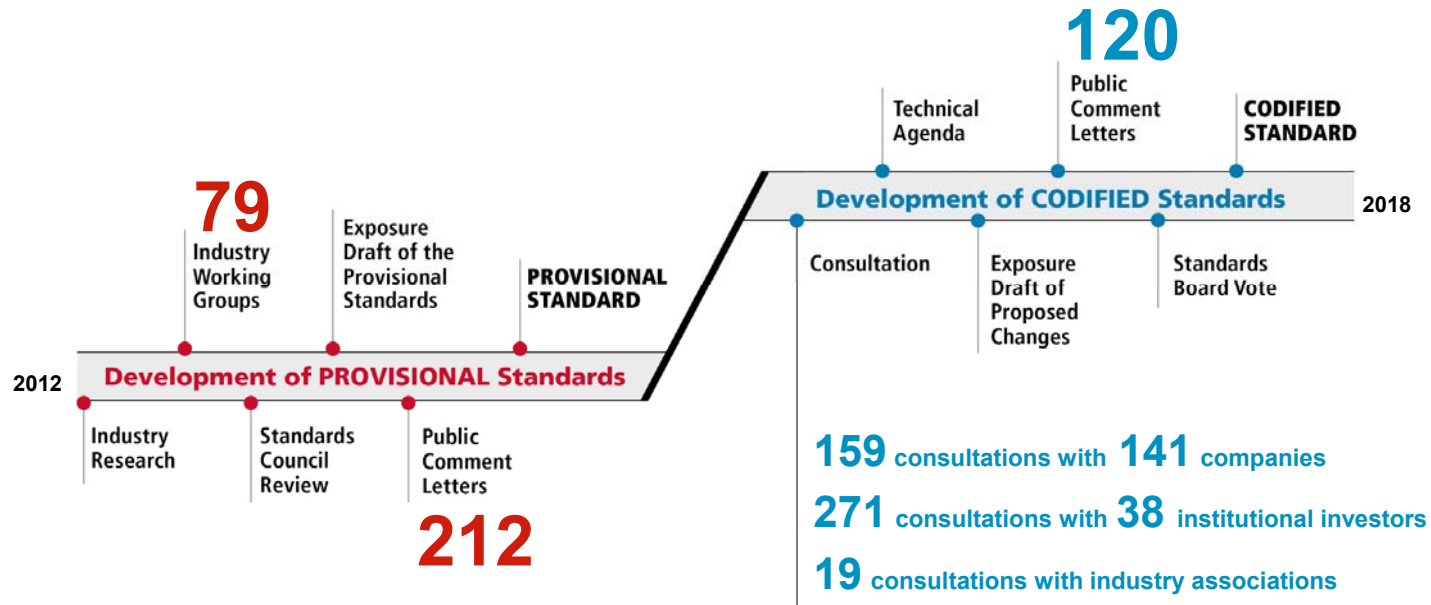


Updated Jun 2019



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

Sustainability Risk Metrics for 77 Specific industries Across 26 Risk Topics



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											
	Labor Practices											
Business Model & Innovation	Employee Health & Safety											
	Employee Engagement, Diversity & Inclusion											
	Product Design & Lifecycle Management											
	Business Model Resilience											
	Supply Chain Management											
Leadership & Governance	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											



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Sustainability Risk Metrics for 77 Specific Industries

Across 26 Risk Topics



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Industry Level Map

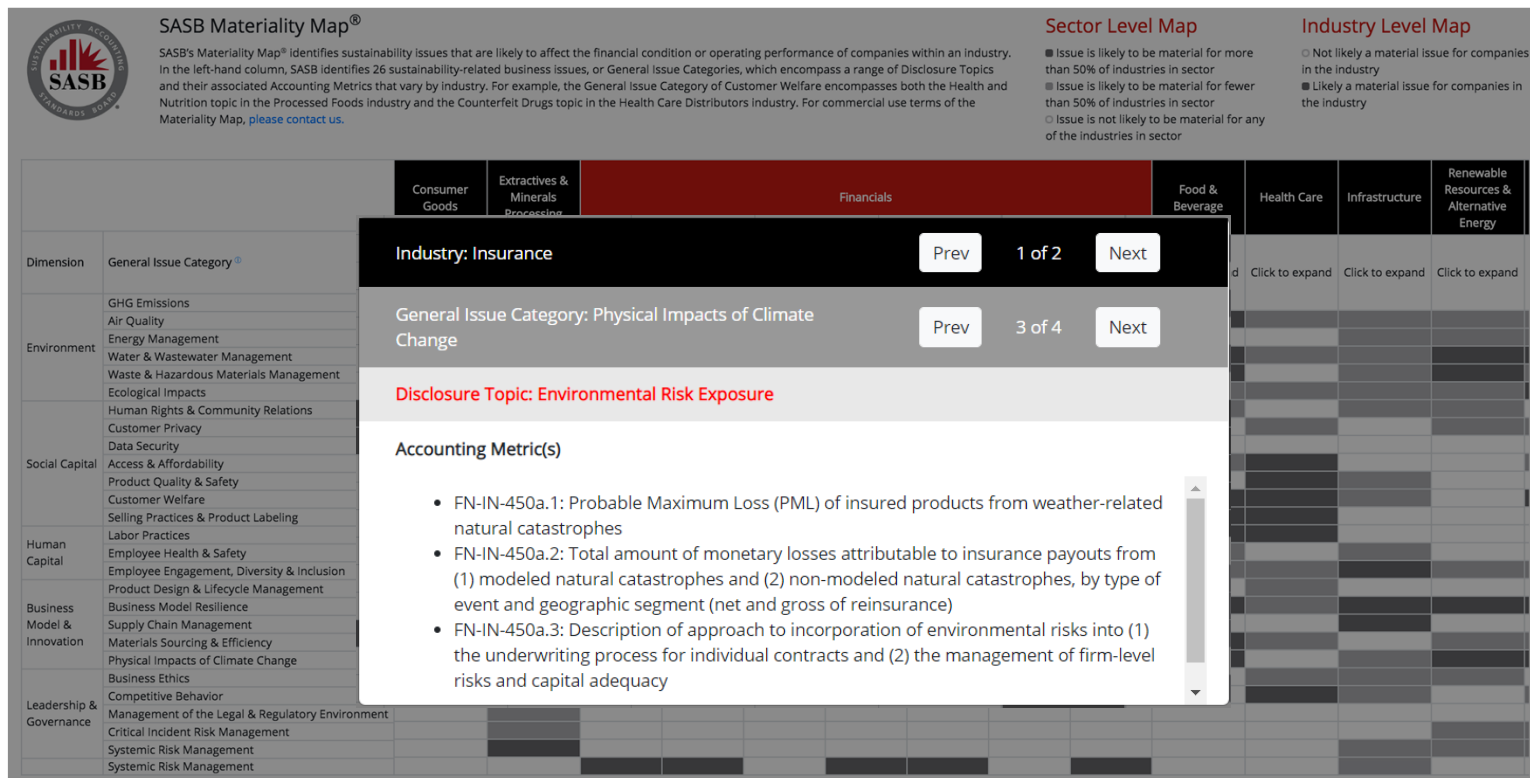
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		Consumer Goods	Extractives & Minerals Processing	Financials							Food & Beverage	Health Care	Infrastructure	Renewable Resources & Alternative Energy
Dimension	General Issue Category	Click to expand	Click to expand	Asset Management & Custody Activities	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													
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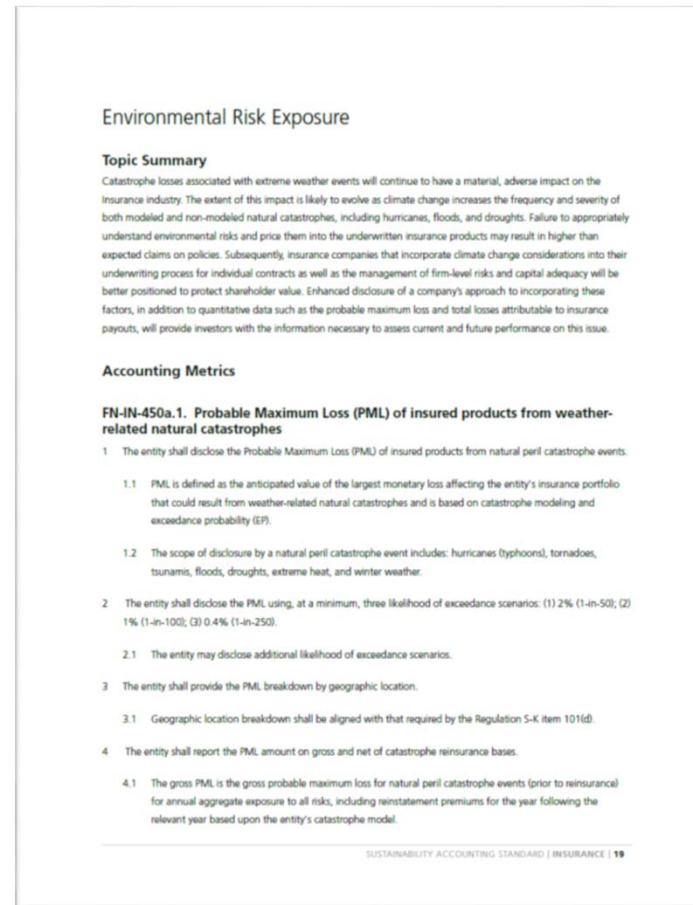
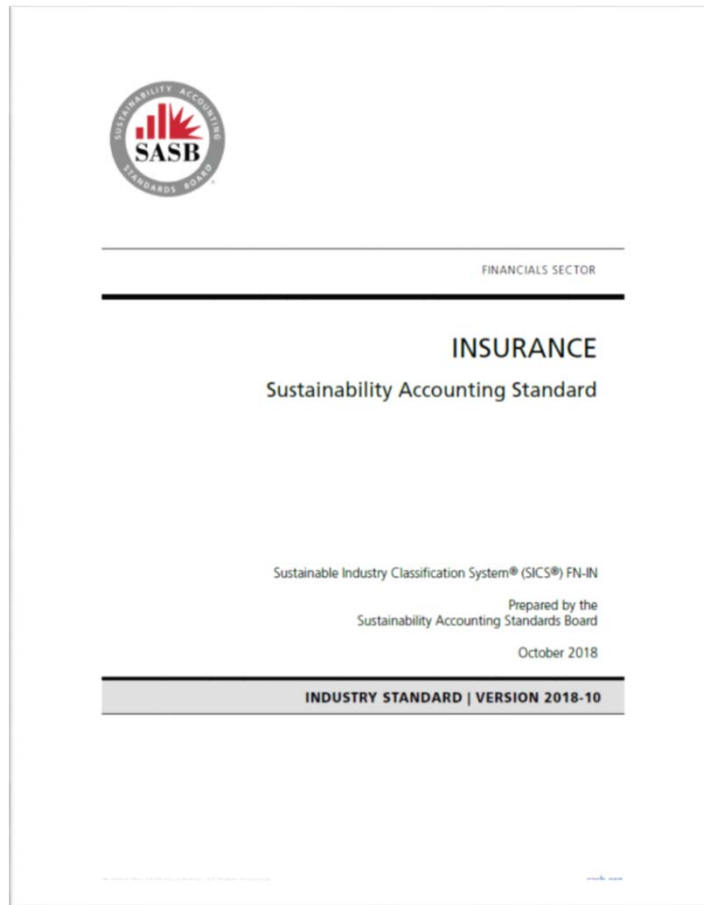


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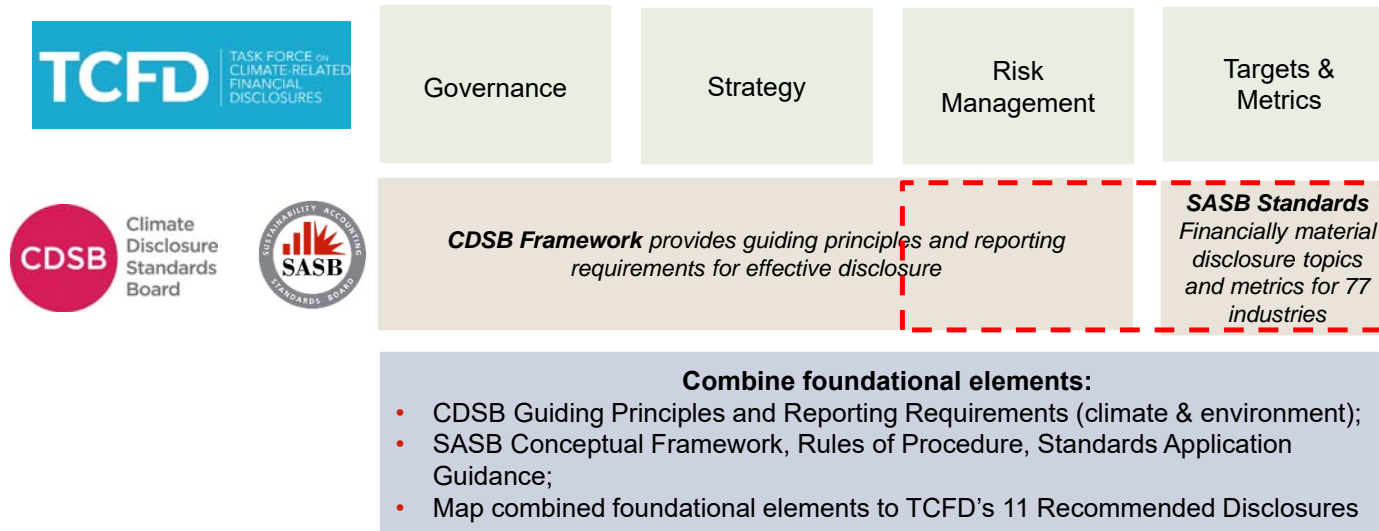


Insurance Industry SASB Standard



TCFD/CDSB/SASB

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



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:

Governance*

Strategy*

Risk
Management*

Targets &
Metrics

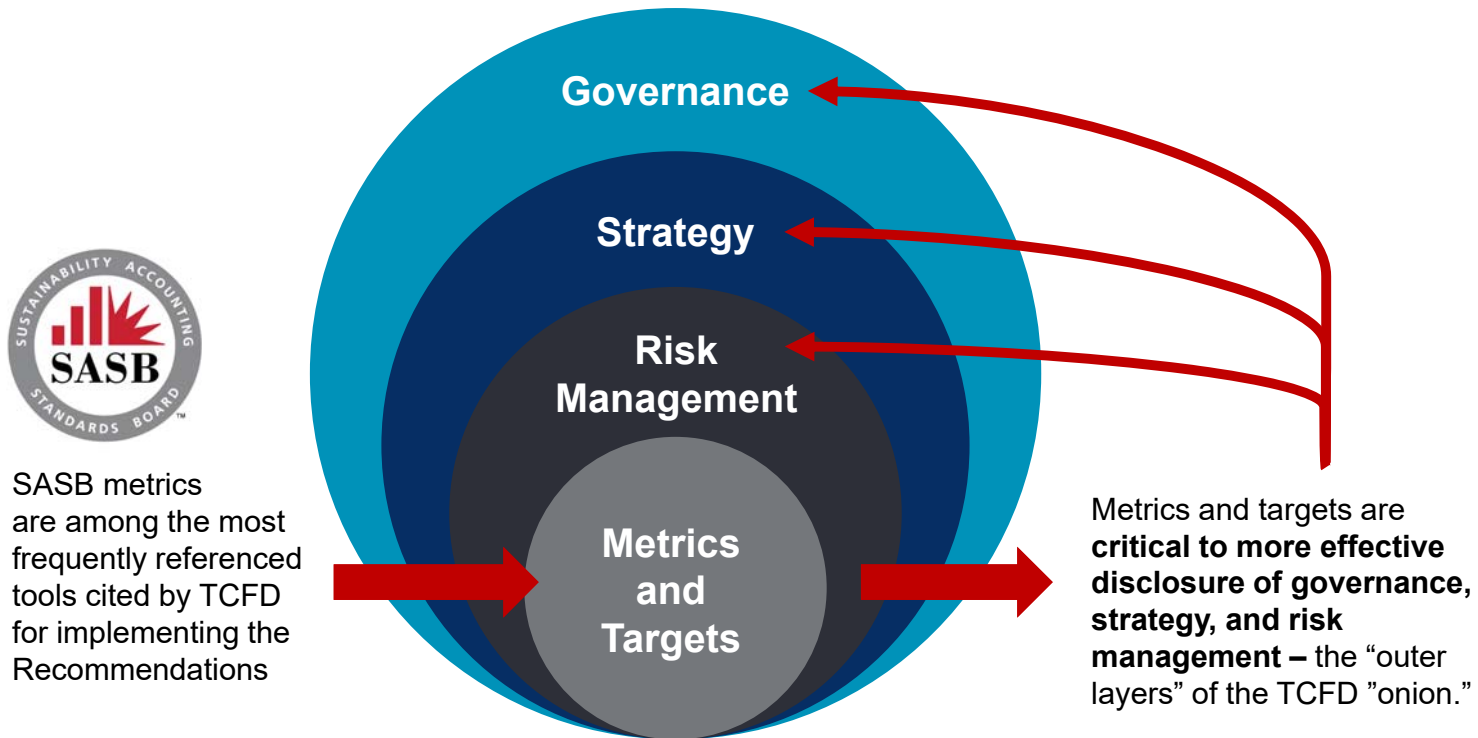


SASB Standards provide industry specific metrics for use in TCFD disclosures. SASB's metrics are among the most frequently cited metrics in TCFD's Implementation Guidance.



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.

