



Sustainability Accounting Standards Board

World Environment Center – Executive Roundtable

Janine Guillot
CEO

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Sustainability Disclosure Landscape



Major Factors Driving a Focus on ESG

A range of motivations and considerations

INVESTORS

- Increasing belief that ESG factors drive long-term risk and return
- Growing number of investors interested in how their portfolios can deliver specific impacts, including achieving the Sustainable Development Goals

BANKERS

- Evaluating credit and underwriting risk at both the individual company and overall portfolio level

COMPANIES

- Managing needs and interests of multiple stakeholders
- Growing interest from investors and bankers in the connection between ESG factors and enterprise value and risk

REGULATORS

- Stability and resilience of capital markets
- Capital markets as a tool to achieve public policy goals
- Information needs to measure progress toward policy goals

The Non-Financial Information and Analytics Landscape

A complex and thriving landscape with many non-profit and for-profit providers playing different roles

MULTIPLE ORGANIZATIONS

SASB / TCFD / CDSB / GRI / Bloomberg /
MSCI / CDP / TruValue Labs / RepRisk /
Sustainalytics / Refinitiv / DJSI / FTSE4Good

FIT IN 4 DISTINCT GROUPS:

1 Publish guidance for voluntary disclosure, often with company feedback loops



2 Request data from companies via questionnaires



Now a Part of S&P Global



3 Aggregate publicly-available data from companies



4 Create assessments of companies based on public and/or private information to sell to investors



Field Rationalization: Progress in 2020



Global Developments Shaping the Future of the Sustainability Disclosure Field

From 2019-2021:

1. **There has been a groundswell of demand from all stakeholders** to understand the connection between sustainability topics and financial risk and opportunity, along with the contribution of business to achieving the SDGs
2. **Regulators, accounting standard-setters, and policy-makers are moving** to determine their response
3. **Large, mainstream investors are increasingly integrating sustainability information into investment decisions** and calling for improved disclosure
4. The independent sustainability standard-setters, together with the integrated reporting framework provider, are collaborating **to present their frameworks and standards as a coordinated solution**

Major efforts underway to shape the future corporate reporting landscape:

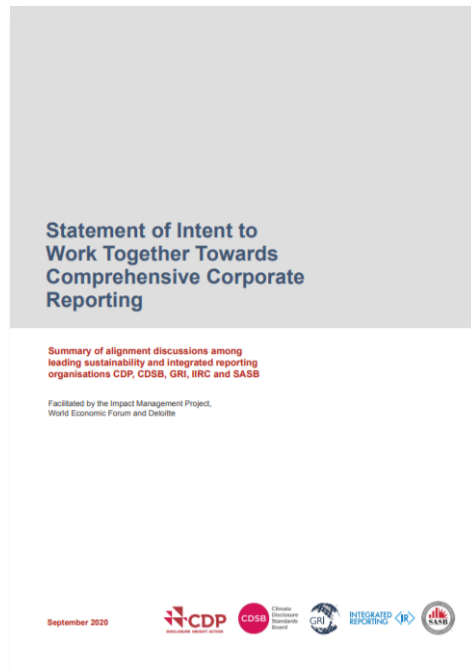
- | | |
|-----------------|---|
| Jan 20 | The European Commission is developing its European non-financial reporting standards with focus on 'double materiality' (Deliverable in Q1 2021). |
| Apr 20 / Oct 20 | IOSCO has set up a Task Force on Sustainable Finance. Through its Chair, IOSCO has committed to play a leading and critical role in the endeavour of a comprehensive global corporate reporting system and to continue to collaborate closely with the sustainability and integrated reporting standard-setters and the IFRS Foundation. |
| Sept 20 | The IFRS Foundation Trustees issued a consultation about possible ways the Foundation might contribute by using its experience in international standard-setting, its well-established and supported standard-setting processes and its governance structure. |
| Sept 20 | The leading international sustainability and integrated reporting standard-setters have set out a vision for a comprehensive corporate reporting system and committed to work together, and with other stakeholders, to achieve global sustainability standards. |
| Sept 20 | WEF International Business Council "Stakeholder Capitalism Metrics" final report was published. |

Towards a Comprehensive Corporate Reporting System

Five private sector standard-setters and frameworks articulate a common vision

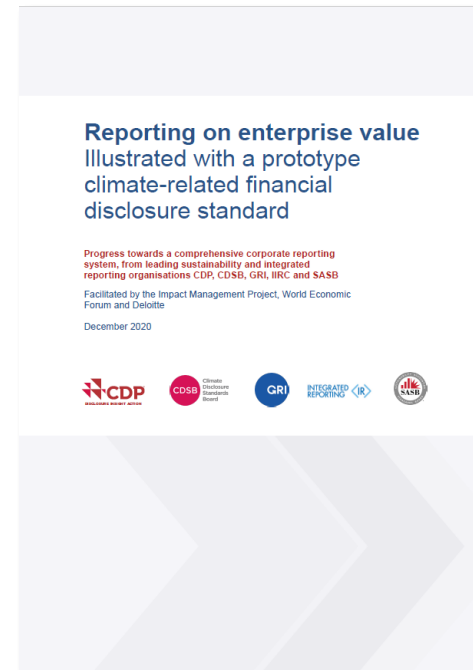
'A shared vision'

September 2020



'Reporting on enterprise value'

December 2020



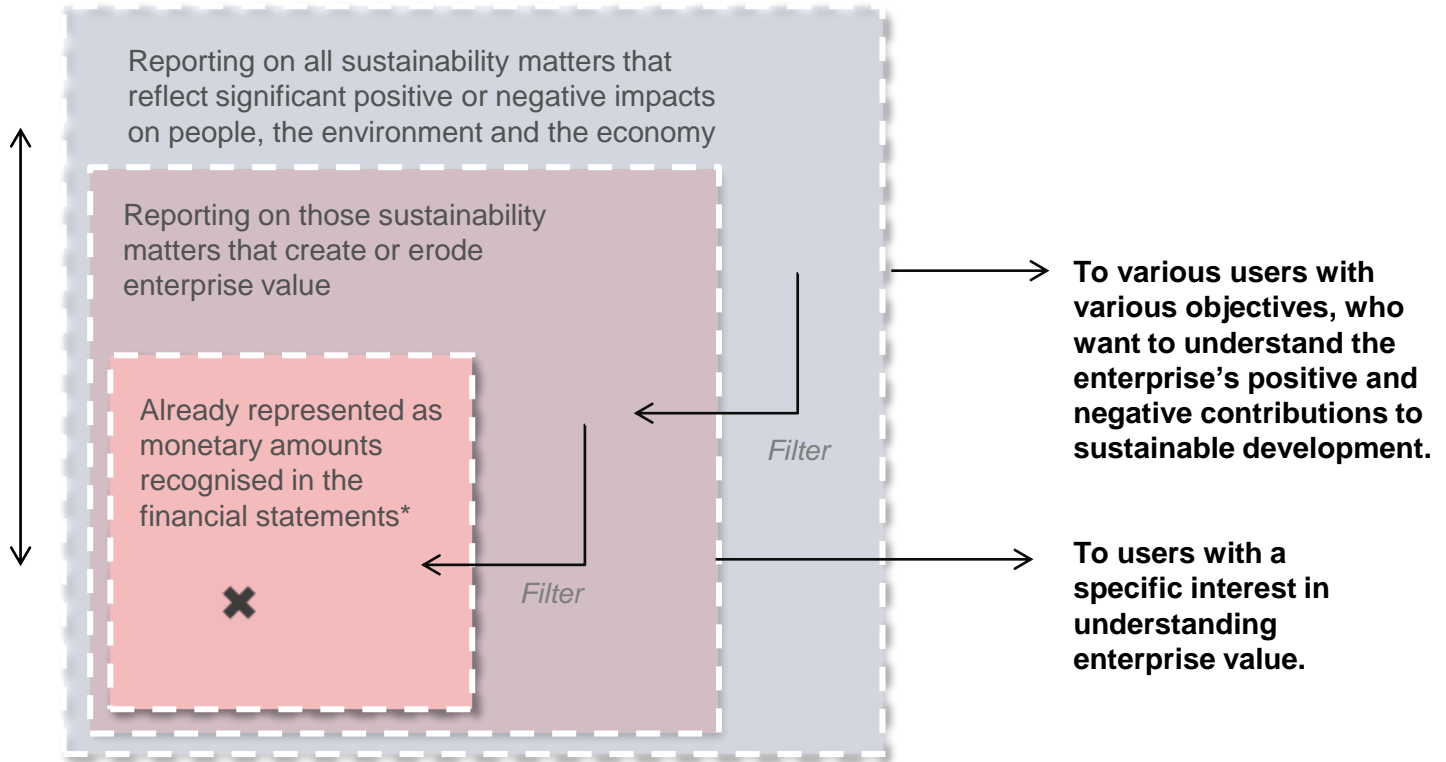
Provide joint market guidance on how our frameworks and standards can be applied in a compatible and additive way.

Demonstrate a commitment to working together toward a coherent, comprehensive corporate reporting system.

Comprehensive Corporate Reporting

Nested and dynamic materiality concepts recognize different users and use cases

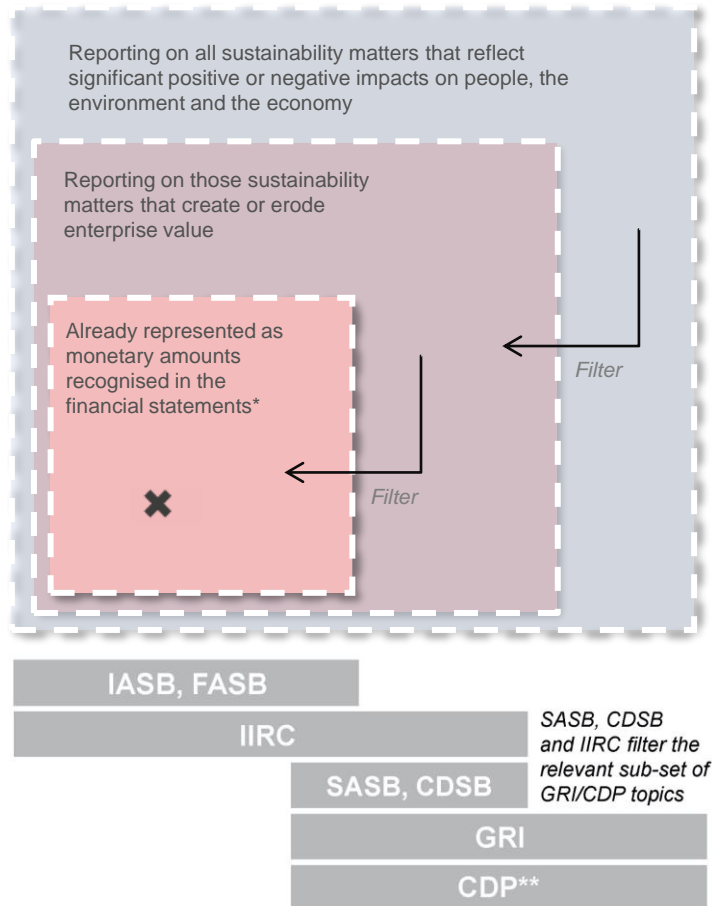
Dynamic materiality:
Sustainability matters can move between boxes over time. For example, carbon emissions enters the big box perspective as society becomes aware of global warming, the middle box as investors start to factor net zero transition into capital market pricing, and the small box as financial consequences are felt in net asset values.



* Including assumptions and cash flow projections

Standards and Frameworks Designed to Be Used Together

Opportunity to consolidate frameworks and standards that have similar conceptual underpinnings



* Including assumptions and cash flow projections

** Reflects the scope of the CDP survey, insofar as it functions de facto as a disclosure standard for climate, water and forests, as well as the scope of CDP's data platform

Source: "Statement of Intent to Work Together Towards Comprehensive Corporate Reporting," CDP, CDSB, GRI, IIRC, and SASB, 2020

IIRC/SASB Merger is a Step Toward a more Coherent System

The Value Reporting Foundation



A major advancement towards building a comprehensive and holistic reporting system.



SASB's Role in the Disclosure Ecosystem



The Sustainability Accounting Standards Board

Non-profit standard-setting organization established in 2011



SASB connects businesses and investors on the financial impacts of sustainability



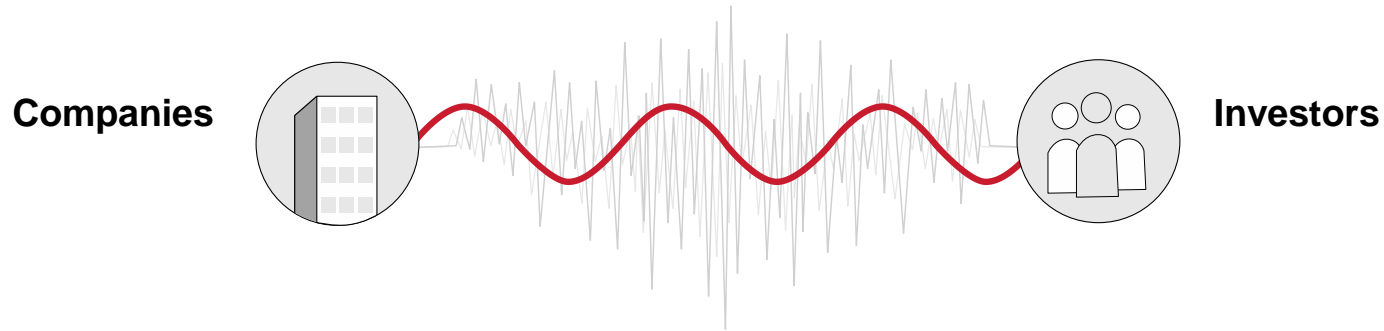
77 industry-specific disclosure standards

Used by companies and investors globally



SASB Cuts through the Noise

SASB standards are created for the market, by the market

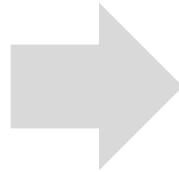


- Financially Material
- Decision-Useful
- Cost-Effective
- Industry-Specific
- Evidence-Based
- Market-Informed

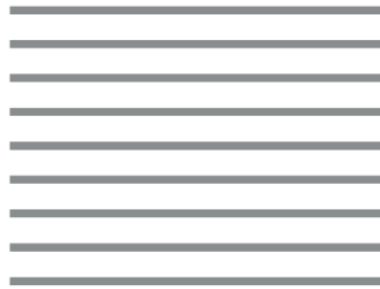
Designed for Communications to Investors

Meet investor needs for comparable, consistent, reliable data

Financial
Accounting
Standards



Communications
to Investors



International Financial Reporting Standards (IFRS) or US Generally Accepted Accounting Principles (GAAP) govern presentation of the financial statements

- **Integrated Reports**
- **Annual Reports**
- **Regulatory Filings**
- **Other Investor Communications**

SASB Disclosure Topics and Metrics designed to guide management's discussion and analysis, risk analysis, strategic analysis as appropriate



SASB standards are acknowledged by the EU as a framework for use to provide information pursuant to *Directive 2014/95/EU* on non-financial reporting.

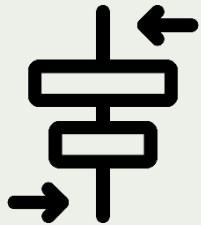


Efficient and Cost-Effective for Companies

SASB provides a cost-effective way to report on financially material ESG topics



SASB standards average 6 topics and 13 metrics (74 percent quantitative) per industry



SASB metrics are aligned with more than 200 existing frameworks, regulations, and certifications

What to expect in 2021?



What to Expect in 2021

- **Continued action in the EU** on three major disclosure-related initiatives:
 - Non-Financial Reporting Directive (NFRD)
 - Sustainability Disclosure Regulation
 - EU Taxonomy Regulation
- **Continued progress from the “Group of 5” on harmonizing the ESG reporting space**
 - SASB-IIRC to complete merger by mid-2021
 - GRI & SASB joint publication to be issued Q1
- **IFRS Foundation could decide to move forward to provide a global solution for investor-oriented disclosure**
 - 500+ respondents to the IFRS Foundation consultation
 - SASB supports, in principle, the Foundation’s proposal to create a new Sustainability Standards Board (SSB) under the governance structure of the IFRS Foundation
- **US Policy** - With the change in administration, it is expected that climate disclosure will become a top priority in the US



Panel Discussion

