

LIVE WEBINAR

# SASB Standards 101:

Integrating SASB into your ESG strategy



# Our speakers

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# SASB Standards

Connecting businesses and investors on the financial impacts of sustainability



**SASB  
STANDARDS**

**77 industry-specific  
disclosure standards**

**Used by companies and  
investors globally**



# Global interest

SASB Standards are drawing interest across global capital markets

1,000,000+

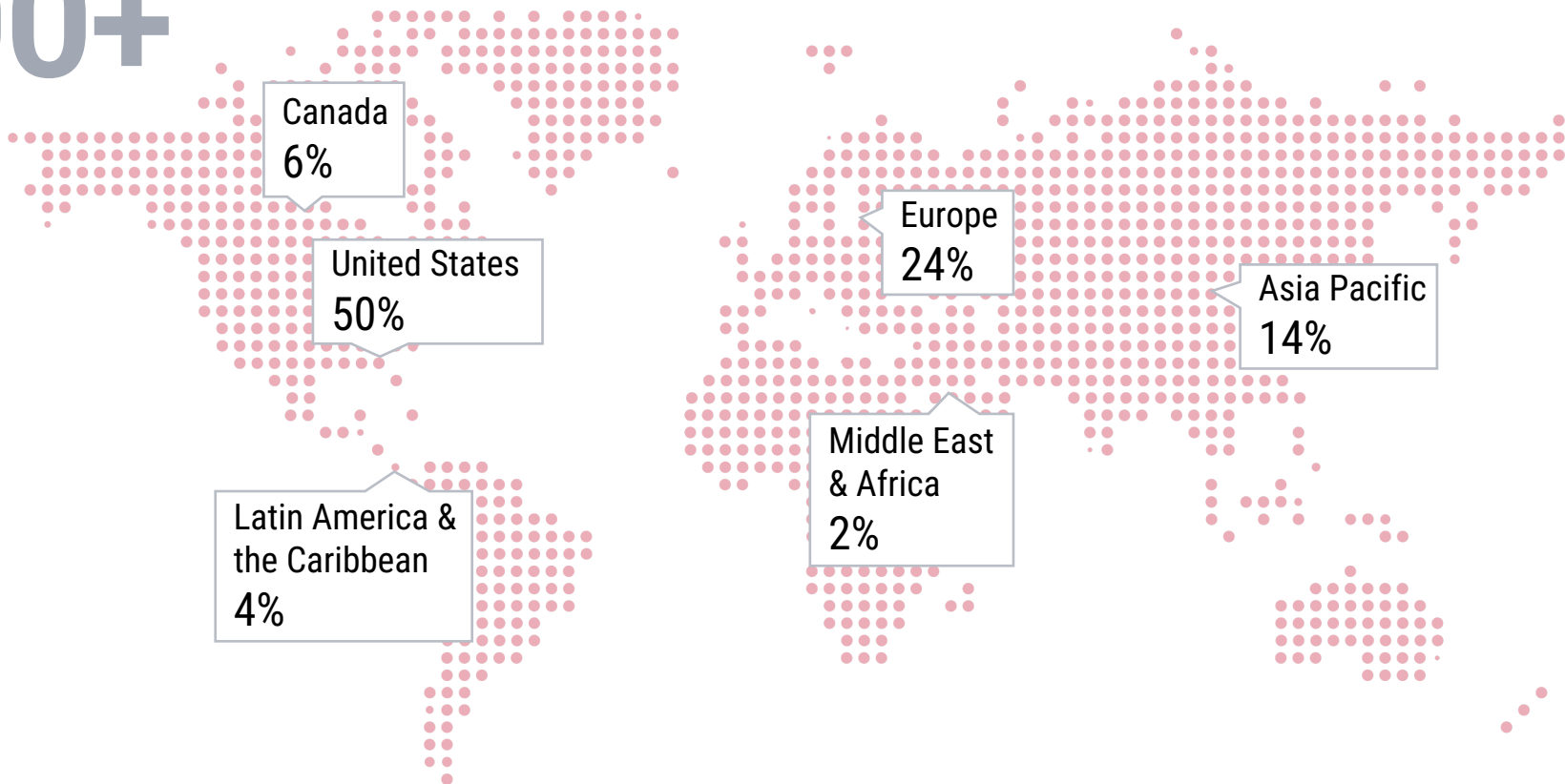
STANDARDS  
DOWNLOADS  
by

83,000+

USERS  
in

170+

COUNTRIES



# Increasing corporate use

Hundreds of leading firms use SASB Standards to guide investor communications



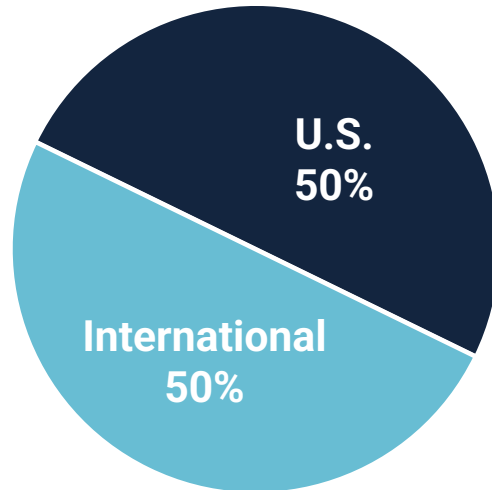
*Companies represented are a sampling of the companies disclosing to all the topics in the SASB standards*



# Rapidly growing number of SASB Standards reporters

137% growth in SASB Standards unique reporters year over year

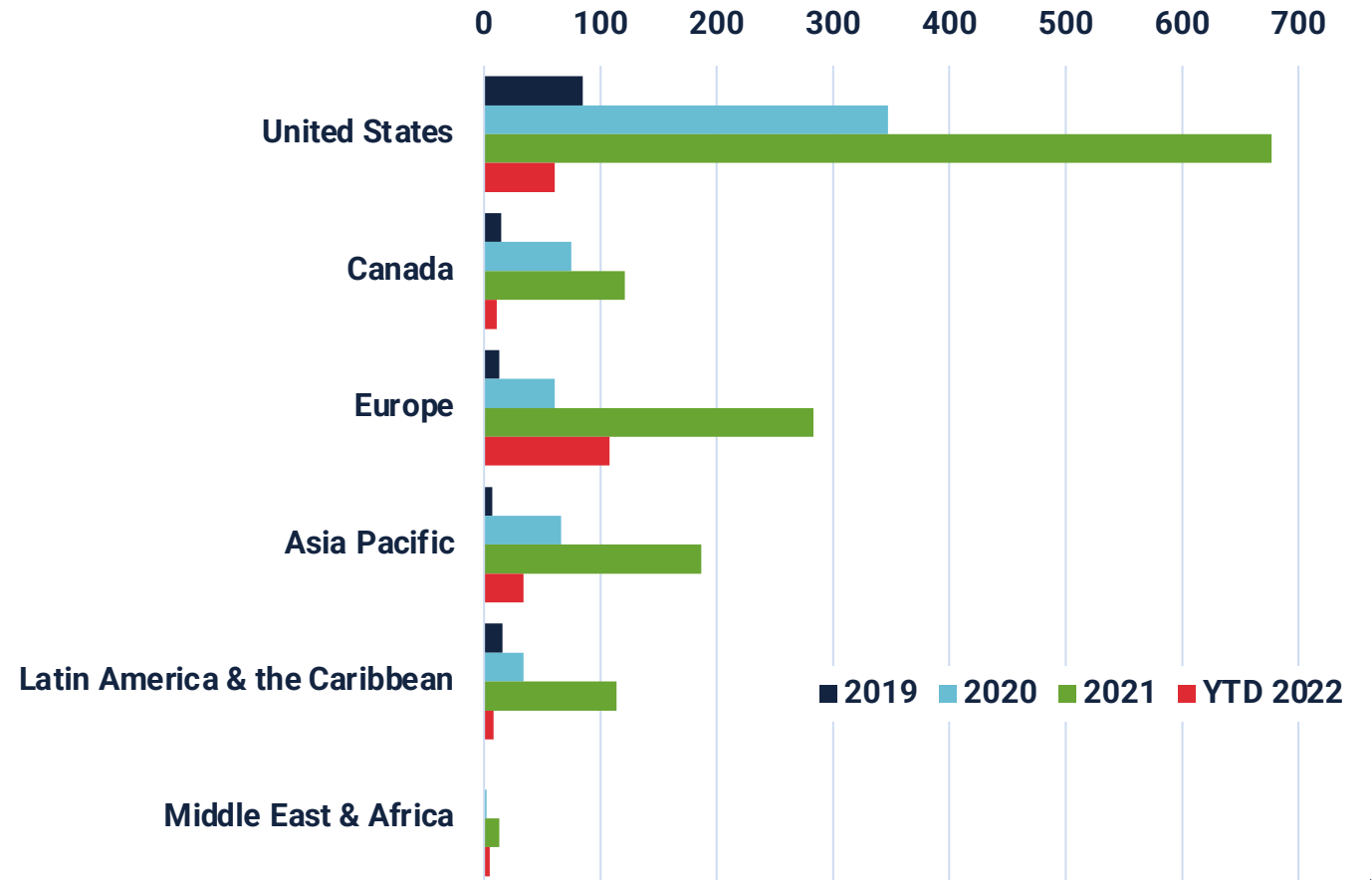
SASB Reporters  
since 2020



- 1,577 SASB Reporters since 2020
- 696 in S&P Global 1200 Index
- 78% of SASB's 2025 adoption target.

As of 28 February 2022

GROWTH IN SASB UNIQUE REPORTERS BY REGION



# SASB Standards by the numbers

Global use of and support for SASB Standards

**55%**

**companies referencing SASB Standards in their communications domiciled outside the USA\***

**50%**

**SASB Standards reporters are domiciled outside the USA\***

**39%**

**SASB Standards Investor Advisory Group members domiciled outside the USA**

**41%**

**Organizations licensing SASB Standards domiciled outside the USA**

**39%**

**SASB Standards Advisory Group members domiciled outside the USA**



# More Than Half of S&P Global 1200 Now Disclose Using SASB Standards



- S&P Global 1200 index captures approximately 70% of global market capitalization
- Milestone represents growing international momentum around ESG disclosure to investors

S&P Global 1200 Breakdown by Index	Unique Companies	SASB Reporters	Adoption Rate
S&P 500	500	367	73.4%
S&P Asia 50	50	19	38.0%
S&P Euro 350	350	183	52.3%
S&P LATAM 40	40	25	62.5%
S&P TOPIX 150	150	31	20.7%
S&P/ASX All Australian 50	50	12	24.0%
S&P/TSX 60	60	44	73.3%
	<b>1200</b>	<b>681</b>	<b>56.8%</b>

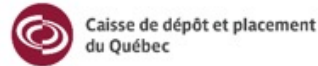




# SASB's Investor Advisory Group Supports Improved ESG Disclosure

57 members and \$48T in assets

## Asset Owners



## Asset Managers





# SASB Standards' Approach Validated by External Research

Independent analysis demonstrates the value of focusing on financial materiality

**Multiple studies show that performance on financially material ESG issues identified by SASB is a better predictor of risk-adjusted returns than traditional ESG issues.**

Differences in four-factor alphas  
(High – Low Quintile Performance)

		SASB-based ESG issues	Immaterial ESG issues	Total ESG issues
 <b>HARVARD BUSINESS SCHOOL</b> "Corporate Sustainability: First Evidence on Materiality" <sup>1</sup>	MSCI KLD Data (1991-2013)	<b>4.18%</b>	3.37%	2.93%
	 <b>Russell Investments</b> "Materiality Matters" <sup>2</sup>	Sustainalytics Data (2012-2017)	<b>1.19%</b>	0.30%

Sources:

1. Mozaffar Khan, George Serafeim, and Aaron Yoon, The Accounting Review, Vol. 91, No. 6, Nov. 9, 2016. Results for value-weighted portfolios of firms scoring at the bottom and top quintiles of the total, material, and immaterial sustainability indexes.
2. Emily Steinbarth, Scott Bennett, Russell Investment Management Ltd., Feb. 2018. Differences in the four-factor alphas of high and low portfolios formed on the basis of Material and Immaterial Sustainability Issues.



# What differentiates SASB Standards?

SASB Standards are created for the market,  
by the market

- **Financially material**
- **Decision-useful**
- **Cost-effective**
- **Industry-specific**
- **Evidence-based**
- **Market-informed**



# SASB Standards are organized by industry

SASB Standards identify the issues most likely to be financially material for each of 77 industries



## 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



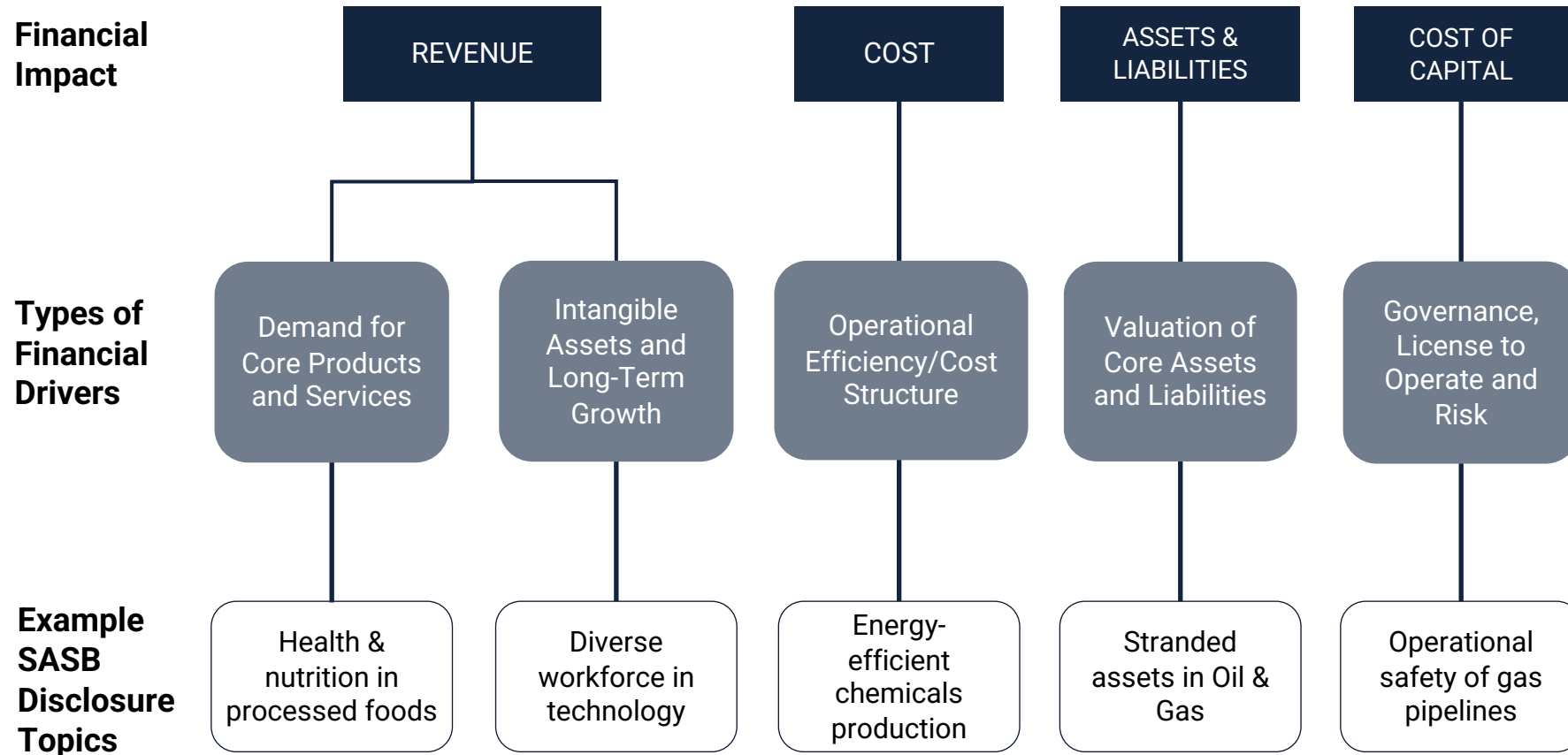
# Designed for communications to investors

Meet investor needs for comparable, consistent and reliable data



# Disciplined focus on direct financial impacts

SASB Standards include disclosure topics with evidence of impact on financial condition, operating performance, or risk



# A starting point: five broad dimensions of sustainability

Research underlying SASB Standards begins with a universe of ESG issues, then applies the industry lens

## 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

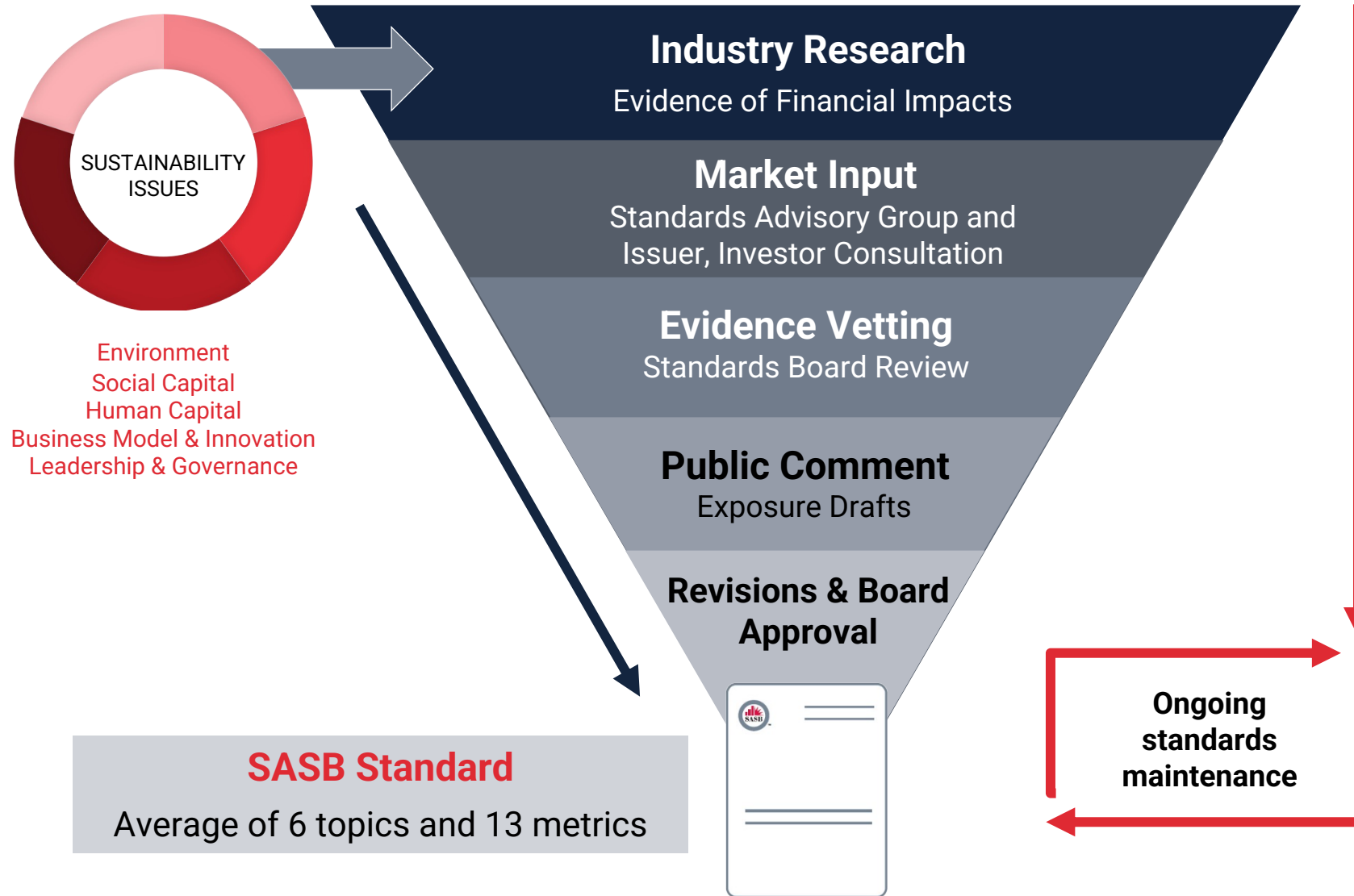
## Human Capital

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



# Rigorous process drives SASB Standards

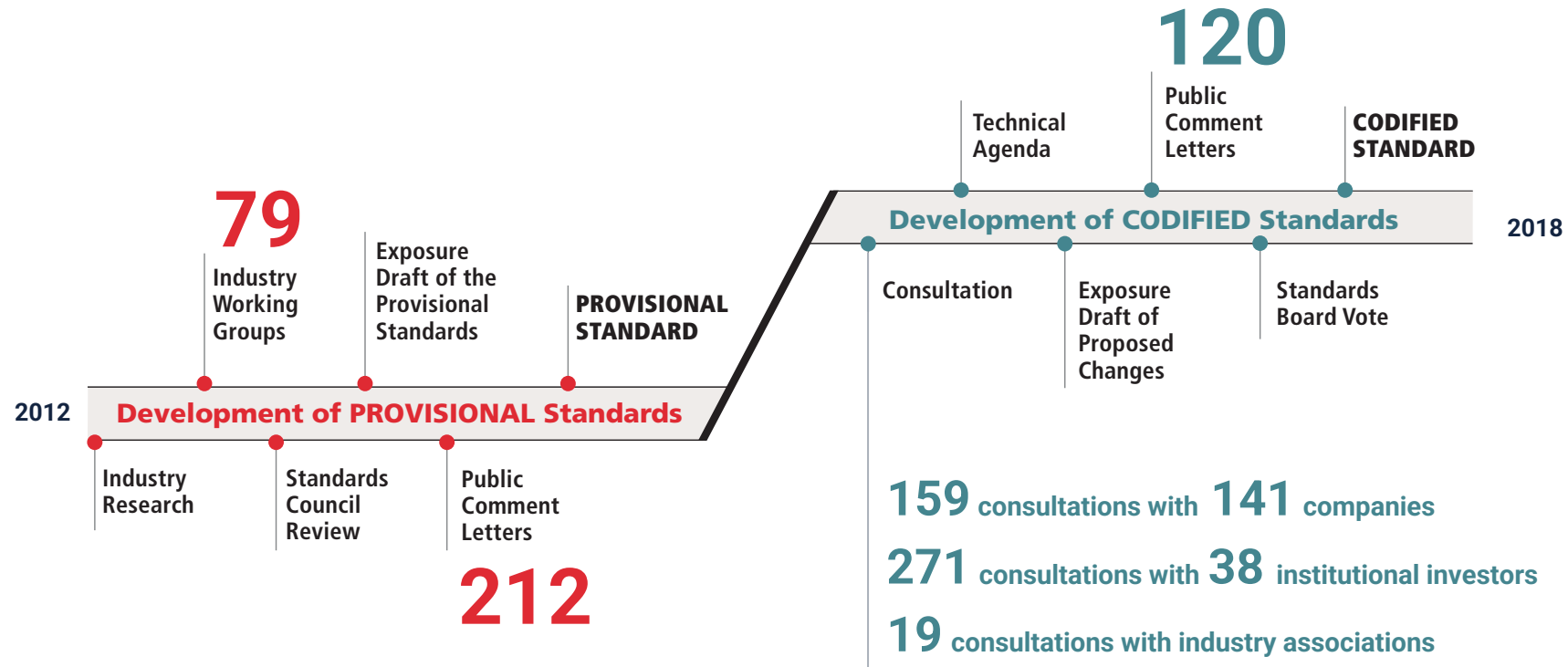
Standards for each industry are rooted in evidence and shaped by market input





# SASB Standards reflect significant market input

Market feedback has strengthened the Standards throughout their development

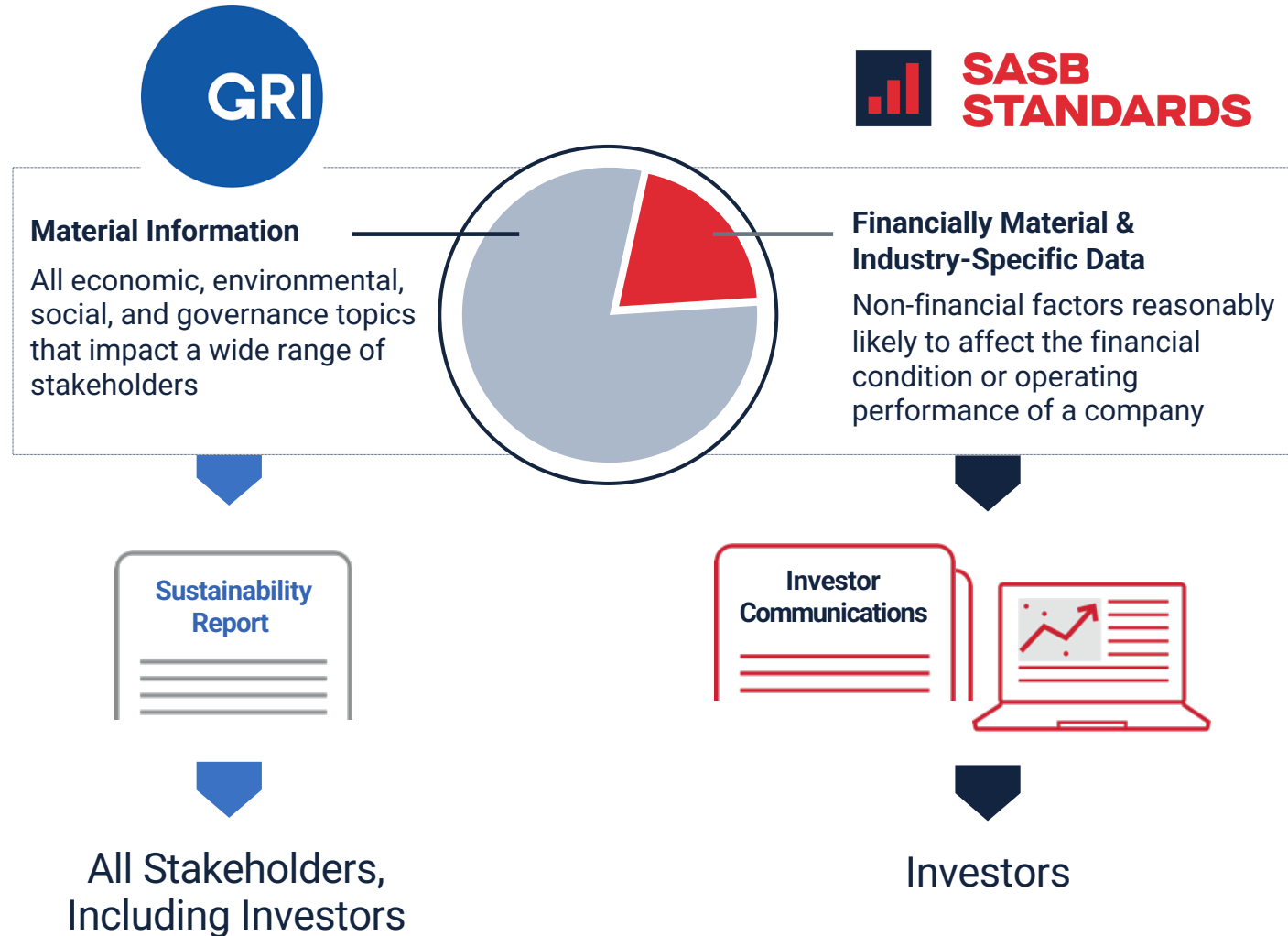


Over 6 years, thousands of corporate professionals, investors, and industry experts have provided input on the standards



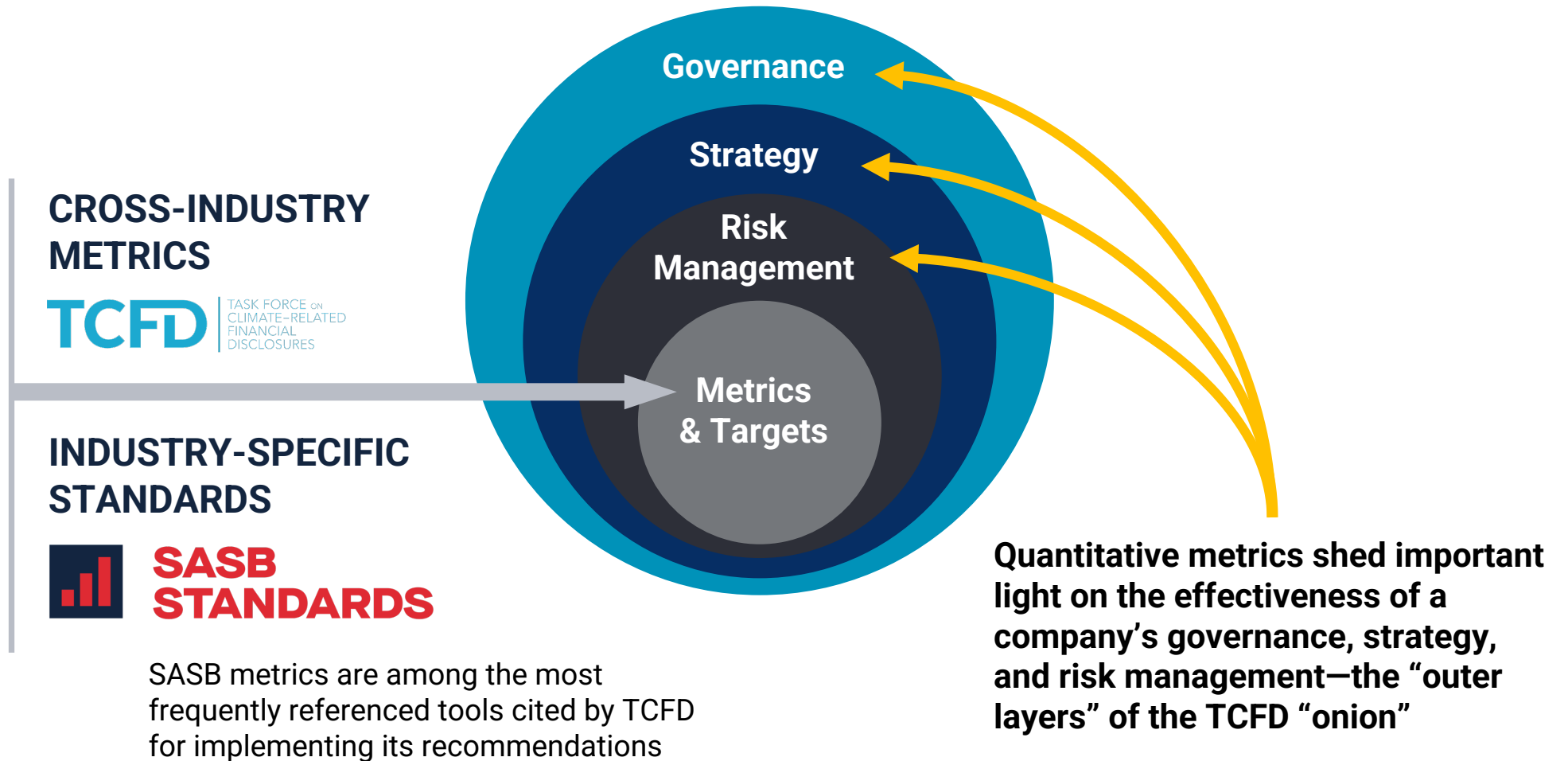
# Complementary Standards

GRI and SASB Standards are complementary and often used together



# SASB Standards Enable Robust TCFD Implementation

Industry-specific standards provide actionable information on climate risk



# At COP26, IFRS Foundation announced:



**UN CLIMATE  
CHANGE  
CONFERENCE  
UK 2021**

IN PARTNERSHIP WITH ITALY



**1. Formation of the  
International  
Sustainability Standards  
Board (ISSB)**



**2. Consolidation with  
CDSB (completed Feb  
2022) & Value Reporting  
Foundation (June 2022)**



**3. Publication of climate  
and general disclosure  
prototype requirements**

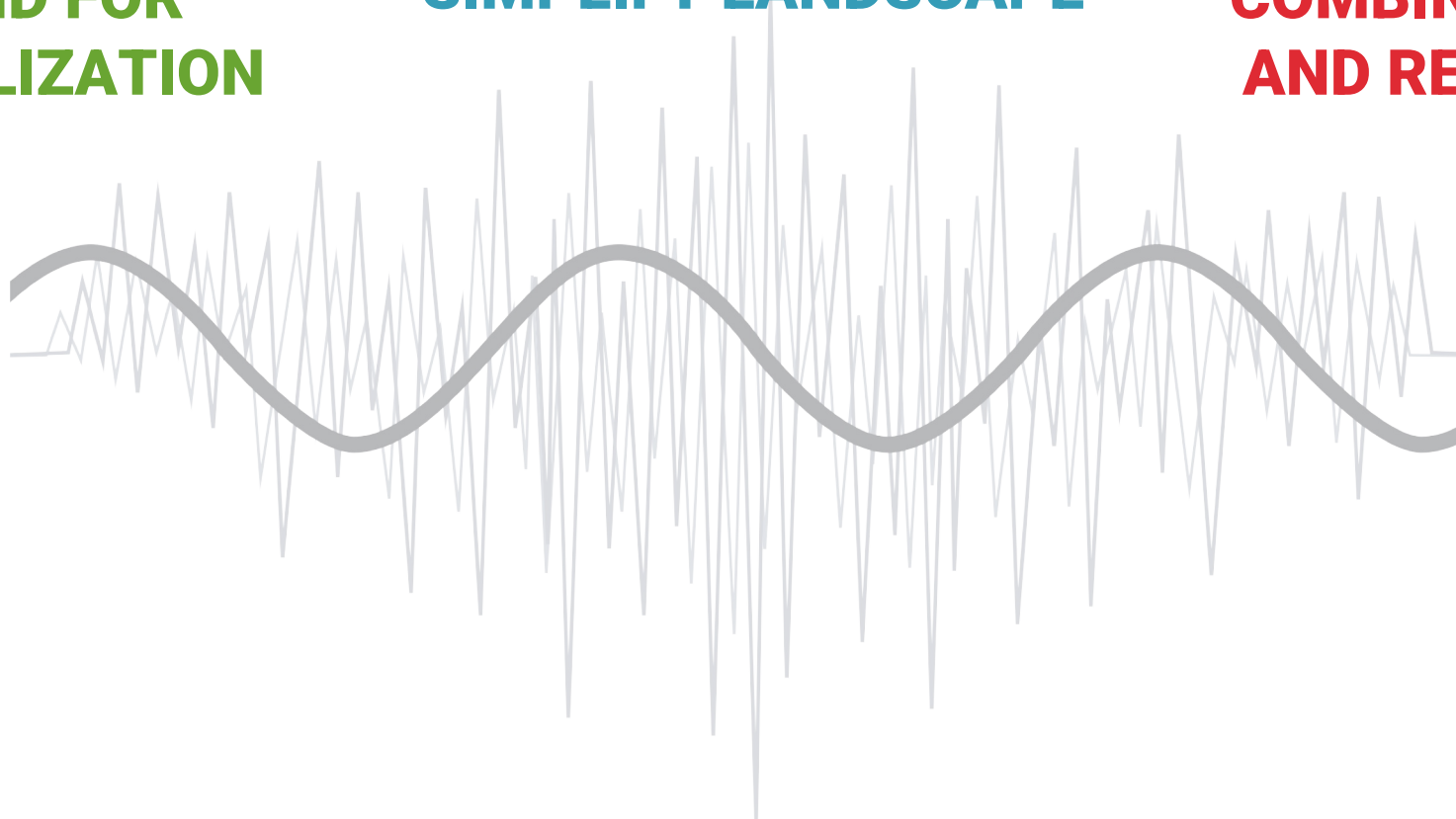


# Why did the Value Reporting Foundation agree to consolidate with IFRS?

**DEMAND FOR  
RATIONALIZATION**

**DISRUPTION NEEDED TO  
SIMPLIFY LANDSCAPE**

**COMBINE RESOURCES  
AND RELATIONSHIPS**



\* Same factors that drove the IIRC and SASB Foundation merger.



# International Sustainability Standards Board



**Develop global baseline of sustainability disclosure standards**



**Focus on meeting the information needs of investors**



**Companies provide comparable, consistent and reliable sustainability information for global capital markets**



**Building block approach: Facilitate the addition of requirements that are jurisdiction-specific or aimed at a broader group of stakeholders.**



# Streamlining disclosure



# What does this mean for report preparers?

- **IN THE SHORT TERM:** No change – continue to use the <IR> Framework, SASB Standards and/or TCFD Recommendations as usual
- **IN THE MEDIUM TERM:** Share your **thoughts** on an ongoing basis as IFRS Sustainability Disclosure Standards and the conceptual framework connecting sustainability and financial disclosure are developed

- **IN THE LONG TERM:** We aim for a **streamlined landscape** for reporting to investors, consisting of IFRS Sustainability Disclosure Standards, financial accounting standards (either IFRS or US GAAP), and a connecting framework for describing a company's governance, strategy, risk management and business model.





# Private Equity Example

- Company X:
  - AUM = \$2B
  - Employees = 30 employees
  - Fund 'A1' Strategy: Healthcare Companies with \$5-15M in EBITDA



## Goal 1:

Use SASB to engage with portfolio companies



## Goal 2:

Use SASB to respond to DDQs (due diligence questionnaires) from multiple investors

# Identifying SASB Metrics Effectively

## 1. Start with a top-down approach:

- a) Focus on SASB's a) Health Care, and b) Asset Management & Custody Activities Sectors only
- b) Read industry descriptions and choose the most relevant industries
- c) Review all topics and associated metrics yet prioritize based on business models from portfolio companies (PCs) such as geographical reach, customer base, horizontal vs vertical integration of their businesses, etc.

## 2. Check other relevant topics/metrics through a bottom-up approach:

- a) Focus on Sustainability Topics first based on PCs' business models (especially the topics already identified in step 1)
- b) Prioritize the most relevant metrics

# Sample Metrics: Scope

- TOP-DOWN: Choose the relevant industries within the Healthcare Sector
  - a. Biotechnology & Pharmaceuticals
  - b. ~~Health Care Delivery~~
  - c. ~~Health Care Distributors~~
  - d. ~~Managed Care~~
  - e. Medical Equipment & Supplies
  - f. ~~Drug Retailers~~
- BOTTOM-UP: Browse relevant topics in other sectors
  - a. For example, organization with a significant amount of conditioned space may investigate the Infrastructure sector and associated industries (i.e., Real Estate) for potentially useful metrics
  - b. Others with a significant supply chain may browse through the metrics under both Consumer Goods and Food & Beverage and learn what topics may be relevant for those with complex supply chains

# Sample Metrics: Process Example

- TOP-DOWN

- Sector & Industry: Health Care, Medical Equipment & Supplies
- General Issue Category: Product Design & Lifecycle Management
- SASB Disclosure Topic: Product Quality & Safety
- Accounting Metric: *Number of recalls issued, total units recalled*

- BOTTOM-UP

- SASB Disclosure Topic: Product Quality & Safety
- Associated Accounting Metric: *(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable*
- General Issue Category: Product Design & Lifecycle Management
- Sector & Industry: Consumer Goods, Household and Personal Products

### GOAL 1:

Engagement strategy

### GOAL 2:

Responding to DDQs from investors

#### PHASE 1

- Discussion & Analysis metrics
- Quantitative metrics
- Leverage practical resources from SASB's Knowledge Hub

#### PHASE 2

- Align to the accounting schedule
- Consider a reporting
- Appoint cross-department liaisons
- Cross-pollination"
- Hard and soft incentives/disincentives
- ESG performance expectations

- Gain control of your ESG story
  - Interview investors
  - Focus on topics relevant to your organization
    - Materiality assessment
- Centralize data
  - categorizing DDQs to compare/match against your ESG Materiality Assessment or priorities
  - Centralize ESG data

# Goal 1: Engagement Strategy, Phase I

- Discussion & Analysis metrics (aka Qualitative)
  - Start the conversation by compiling the relevant qualitative metrics from SASB and requesting policies and/or approach to specific issues
  - Engage with low performers first (i.e., no policies, no expertise, no external support, no ESG strategy or goals, etc.)
- Quantitative metrics (~80% of SASB's metrics are quantitative)
  - If no historical data available, try and create a baseline year of data
  - Set expectations of what data needs to be collected
- Leverage practical resources from SASB's Knowledge Hub
  - SASB's '*Engagement Guide*' is particularly useful in this context

# Goal 1: Engagement Strategy, Phase II

- Best practices and tips after initial engagement
  1. Align to the accounting schedule and practices as they are most efficient at data gathering and reporting. Furthermore, look to have your “ESG season” while Accounting is not in a reporting sprint
  2. Consider a reporting/engagement cadence (i.e., start annually, then increase frequency)
  3. Appoint cross-department liaisons for data gathering and sharing
  4. Consider “cross-pollination” or sharing of ideas across portfolio companies between high and low performers
  5. Consider hard and soft incentives/disincentives (i.e., from titles and prizes to a percentage of bonuses tied to outcomes, etc.)
  6. Set transparent expectations for ESG performance if your mandate includes ESG priorities

# Goal 2: Responding to DDQs from Investors

- Gain control of your ESG story
  - Interview investors and ask for how they use this data
  - Provide evidence of your efforts to focus on a limited set of actionable topics most relevant to your own organization and those that you invest in
    - Consider a Materiality Assessment to help identify such topics
- Centralize data
  - Consider compiling and categorizing DDQs to compare/match against your ESG Materiality Assessment or priorities (i.e., pillars, dimensions, focus areas, etc.)
  - Centralize ESG data for quick access and to readily respond to new information requests

*"You can't manage what you don't measure"*



# The market for ESG data is maturing

## 1. PUBLISH GUIDANCE

for voluntary disclosures, often with company feedback loops



## 2. REQUEST DATA

from companies via questionnaires



3. Aggregate publicly available data from companies



## 3. CREATE ASSESSMENTS

of companies based on public / private information to sell to investors



# Align risk with metrics



This isn't a check the box exercise

ESG Risks



SASB Metrics

# Communicating with investors

Let reporting be guided by the needs of investors:



VISUALIZATION

use of  
supplementary  
graphics



TRACKING

trends where  
available



TARGETING

accompanying  
targets, if  
relevant



BENCHMARKING

aligned to peers

# Dealing with data gaps

- SASB disclosures are all recommendations and guidelines. If data quality is a concern, a disclosure can be skipped and this can be explained
- Any data gaps can be identified as project sets to undertake over the following year
- What is the root cause of the data gap? Is this information that's too costly to access, not monitored properly, not available through a cooperative 3rd party?
- Don't sweat them too much...it's better to know what you don't know than to not disclose at all

# Questions?

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