VALUE
REPORTING
FOUNDATION

Towards a Global Baseline: The Value Reporting Foundation's Role in the IFRS Foundation

INTEGRATED THINKING PRINCIPLES

INTEGRATED REPORTING FRAMEWORK

SASB STANDARDS

Our approach to financial materiality

SASB Standards are tailored to the investor need for financially material information

SASB STANDARDS

The SASB standard-setting process

Identifies ESG factors reasonably likely to have a significant effect on the *financial condition, operating performance*, or *market valuation* of companies within an industry

Inclusion in SASB Standards requires evidence **of both**:

Investor Interest in an issue AND **Material financial impact on companies in an industry**

SASB Standards

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

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

Visit **materiality.sasb.org**

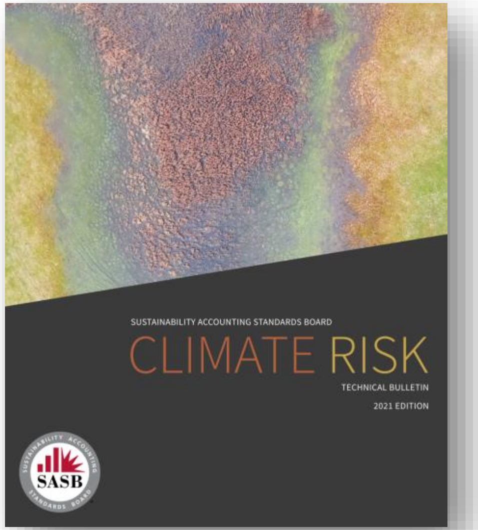
The SASB Standards Materiality Map®

A view of financially material ESG risks and opportunities across 77 industries

		Consumer Goods	Extractives & Minerals Processing								Financials	Food & Beverage	Health Care	Infrastructure
Dimension	**General Issue Category**	Click to expand	Coal Operations	Construction Materials	Iron & Steel Producers	Metals & Mining	Oil & Gas – Exploration & Production	Oil & Gas – Midstream	Oil & Gas – Refining & Marketing	Oil & Gas – Services	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													
	Ecological Impacts													
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													
Business Model & Innovation	Product Design & Lifecycle Management													
	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													

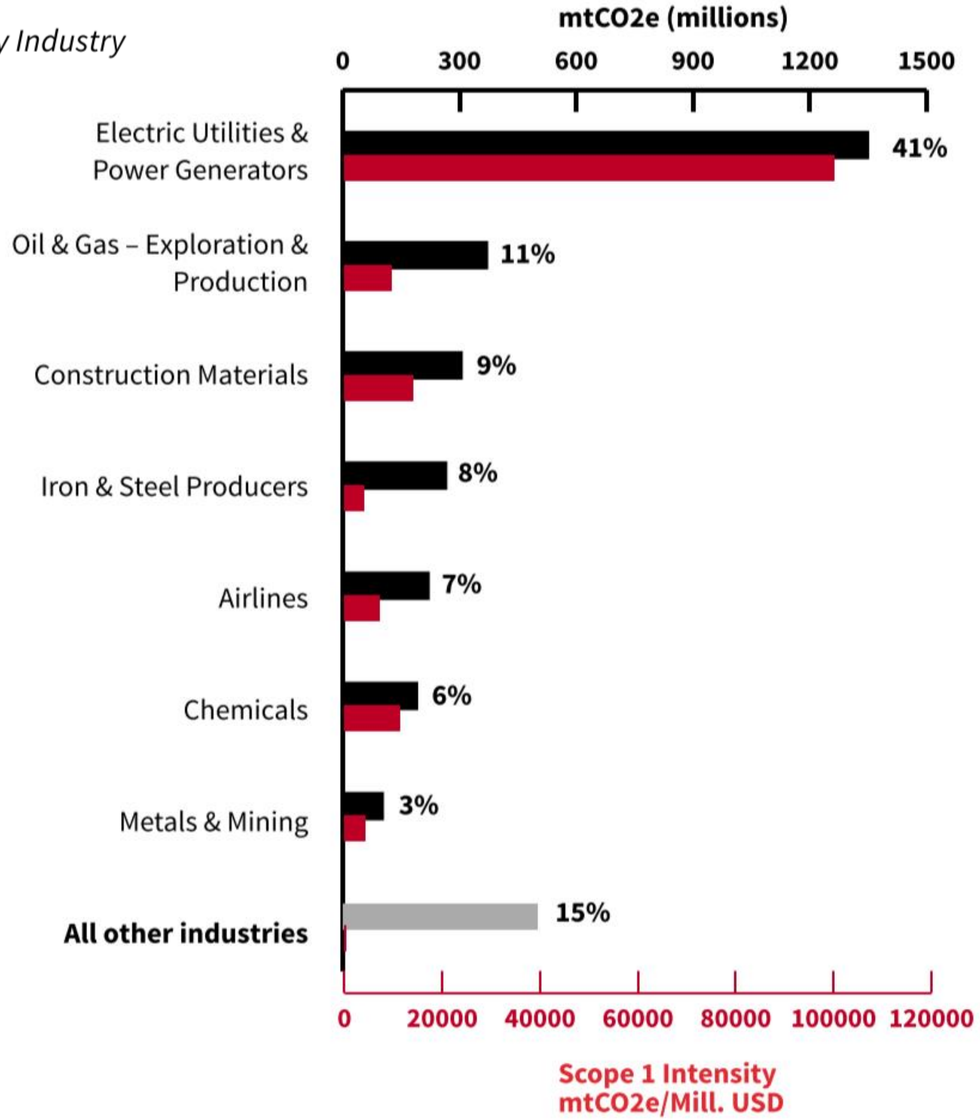
Climate risk is industry-specific

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



- Data analyzed from CDP indicates that **85 percent** of **Scope 1 GHG emissions** comes from **7 industries**.

Figure 2. Scope 1 GHG Emissions by Industry



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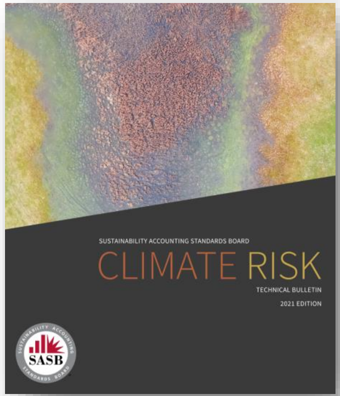
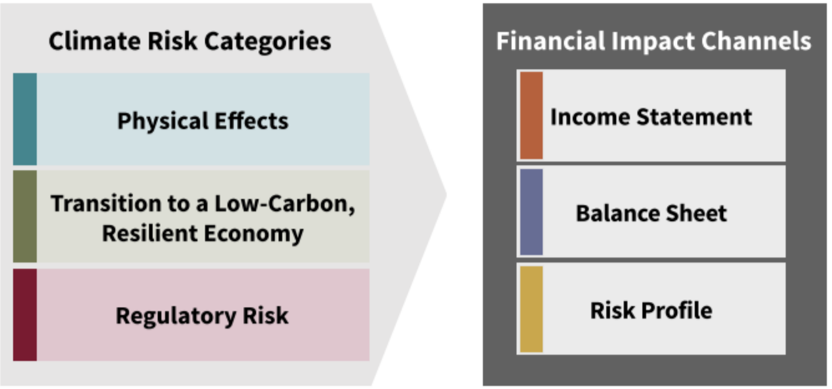


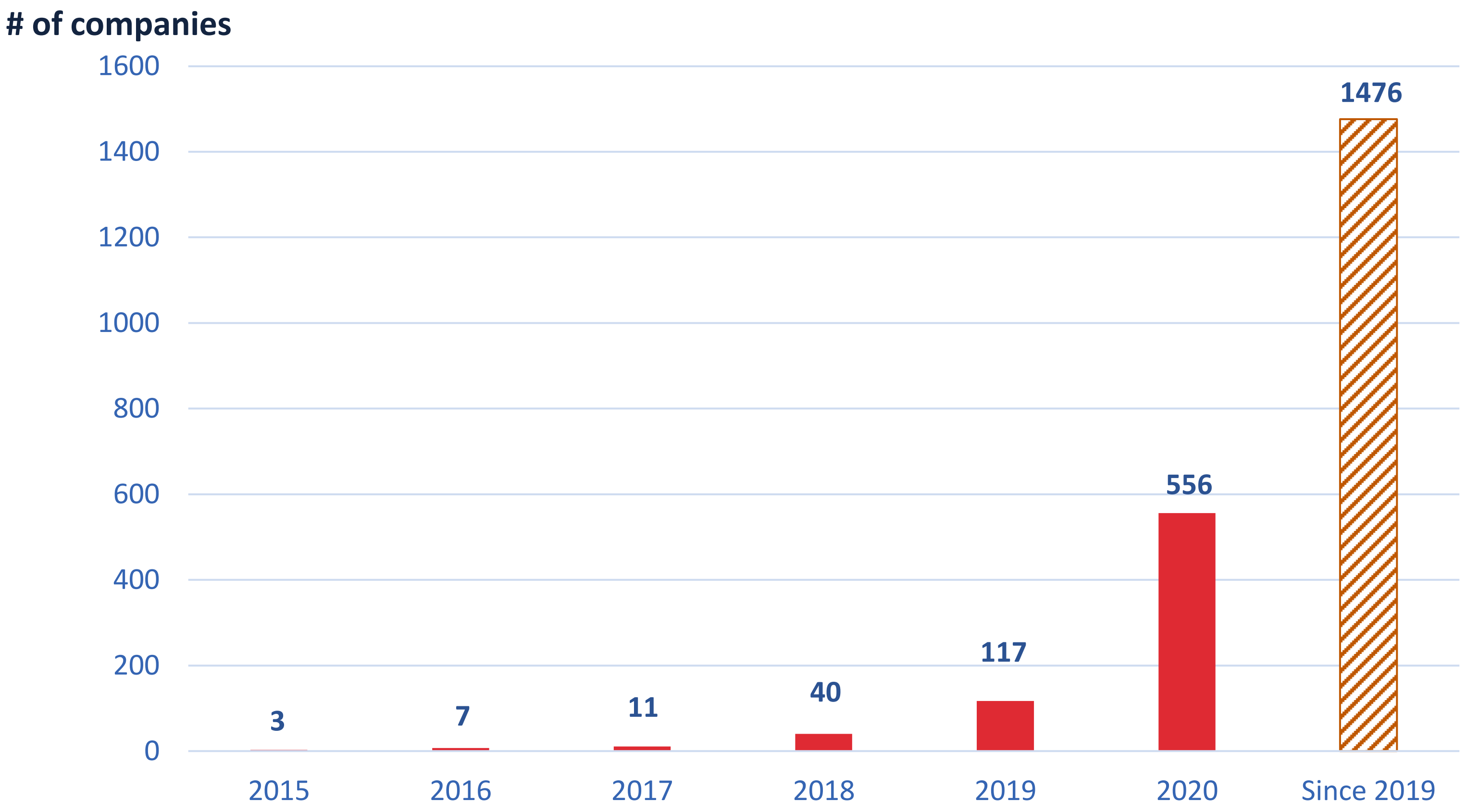
Figure 4. SASB's Climate Risk Framework



TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Product Safety	Percentage of vehicle models rated by NCAP programs with an overall 5-star safety rating, by region	Quantitative	Percentage (%)	TR-AU-250a.1
	Number of safety-related defect complaints, percentage investigated	Quantitative	Number, Percentage (%)	TR-AU-250a.2
	Number of vehicles recalled[2]	Quantitative	Number	TR-AU-250a.3
Labor Practices	Percentage of active workforce covered under collective bargaining agreements	Quantitative	Percentage (%)	TR-AU-310a.1
	(1) Number of work stoppages and (2) total days idle[3]	Quantitative	Number, Days idle	TR-AU-310a.2
Fuel Economy & Use-phase Emissions	Sales-weighted average passenger fleet fuel economy, by region	Quantitative	Mpg, L/km, gCO_2/km, km/L	TR-AU-410a.1
	Number of (1) zero emission vehicles (ZEV), (2) hybrid vehicles, and (3) plug-in hybrid vehicles sold	Quantitative	Number	TR-AU-410a.2
	Discussion of strategy for managing fleet fuel economy and emissions risks and opportunities	Discussion and Analysis	n/a	TR-AU-410a.3
Materials Sourcing	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	n/a	TR-AU-440a.1
Materials Efficiency & Recycling	Total amount of waste from manufacturing, percentage recycled	Quantitative	Metric tons (t), Percentage (%)	TR-AU-440b.1
	Weight of end-of-life material recovered, percentage recycled	Quantitative	Metric tons (t), Percentage (%)	TR-AU-440b.2
	Average recyclability of vehicles sold[4]	Quantitative	Percentage (%) by sales-weighted metric tons (t)	TR-AU-440b.3

Increasing Use of SASB Standards Globally

Companies are responding to calls from the investor community



Reporter Type

55% of S&P Global 1200

51% outside USA

At COP26,
IFRS Foundation announced:

UN CLIMATE CHANGE CONFERENCE UK 2021

IN PARTNERSHIP WITH ITALY

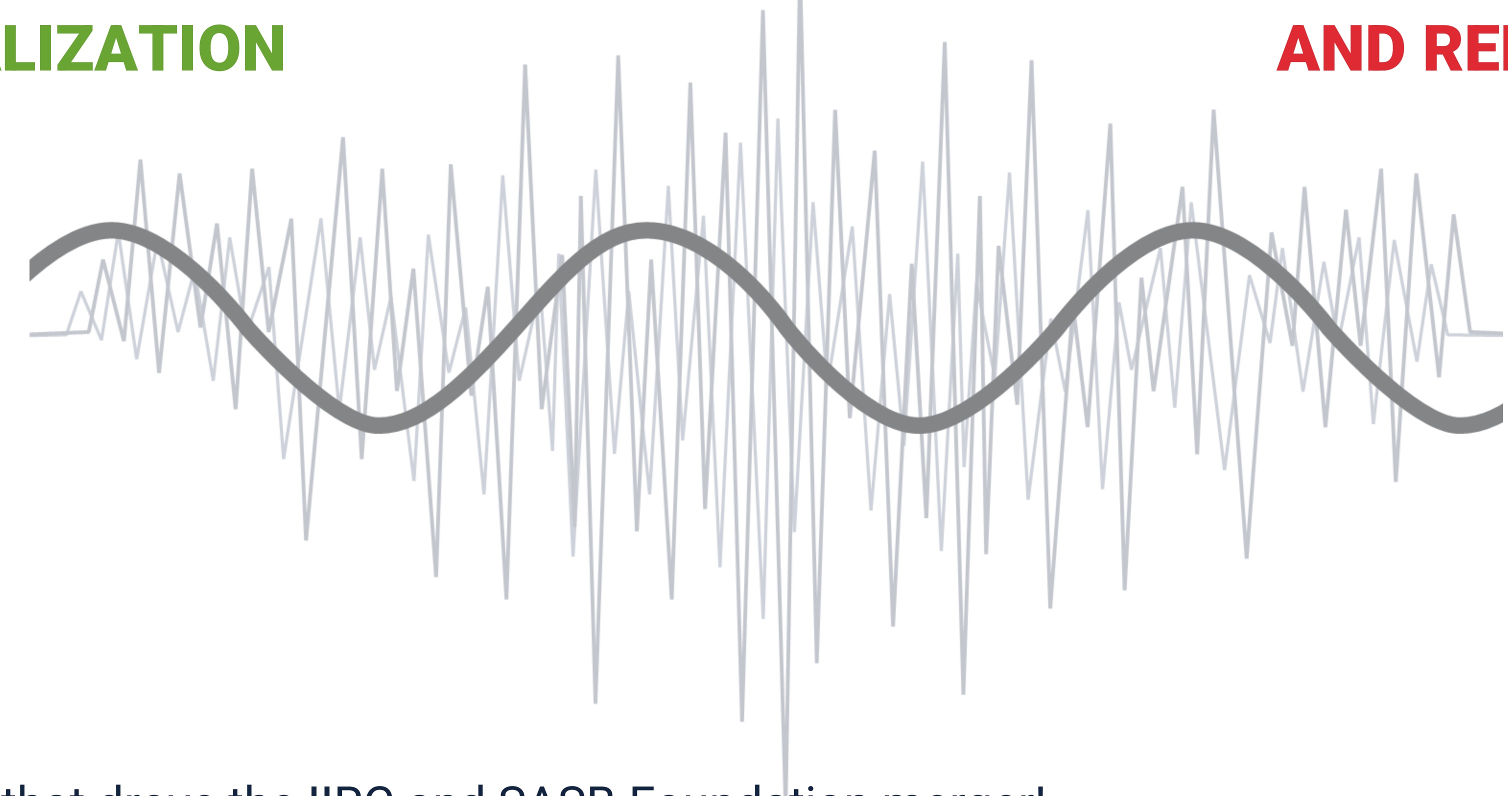
1. **Formation of the International Sustainability Standards Board (ISSB)**
2. **Consolidation with Climate Disclosure Standards Board (CDSB) & Value Reporting Foundation**
3. **Publication of climate and general disclosure prototype requirements**

Why did the Value Reporting Foundation agree to consolidate into the IFRS Foundation*?

DEMAND FOR RATIONALIZATION

DISRUPTION NEEDED TO SIMPLIFY LANDSCAPE

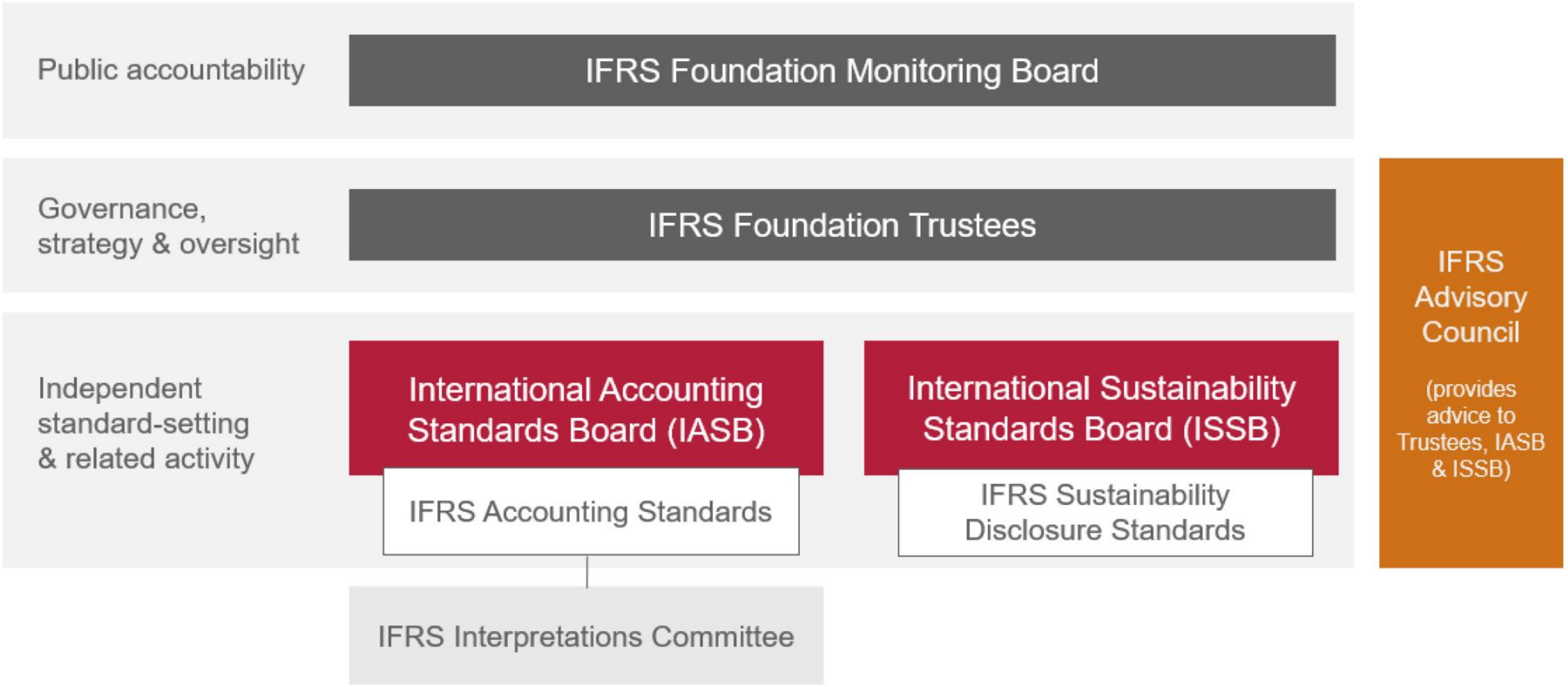
COMBINE RESOURCES AND RELATIONSHIPS



* Same factors that drove the IIRC and SASB Foundation merger!

About the IFRS Foundation

- **Not-for-profit, public interest organization**
- **Sets globally accepted accounting standards – IFRS Standards**
- **Required in 140+ jurisdictions, permitted in many more (incl. 500+ private issuers in the US)**
- **Public accountability through global monitoring board led by IOSCO**
- **Extensive, inclusive due process.**



ISSB composition

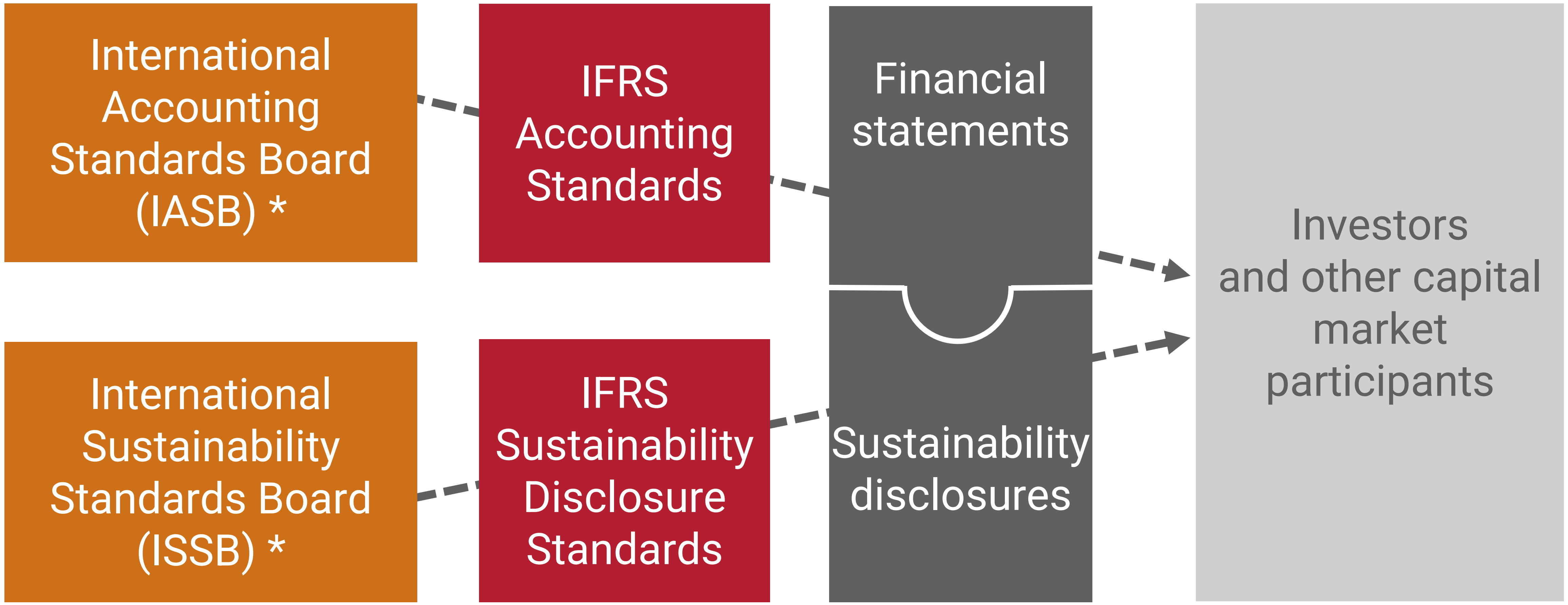
14 board members

Majority full-time

Diversity in expertise and experience

Geographical balance

Compatible standards to meet investors’ needs



* IIRC Council to advise IASB and ISSB on connectivity via fundamental concepts / guiding principles of integrated reporting

IFRS Foundation Technical Readiness Working Group

IFRS Foundation Technical Readiness Working Group (TRWG)

OBJECTIVES

- Provided recommendations to IFRS Foundation and ISSB on overall approach and technical design for the ISSB and its staff's future work
- Provided recommended prototype standards for the ISSB to advance through consultation or exposure
- Leveraged the resources, knowledge and experience of participants to develop recommendations to guide establishment of the ISSB
- TRWG deliverables are recommendations only; all deliverables are subject to future ISSB deliberations and due process.

PARTICIPANTS

- Climate Disclosure Standards Board (CDSB)
- Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD)
- International Accounting Standards Board
- Value Reporting Foundation (which houses the Integrated Reporting Framework and SASB Standards)
- World Economic Forum.

Observers:

- International Organization of Securities Commissions (IOSCO)
- International Public Sector Accounting Standards Board (IPSASB).

Strong support from TRWG members to simplify the landscape

Will consolidate into the IFRS Foundation

CDSB Climate Disclosure Standards Board

INTEGRATED THINKING PRINCIPLES

INTEGRATED REPORTING FRAMEWORK

SASB STANDARDS

VALUE REPORTING FOUNDATION

Provided technical advice and contributed content to TRWG deliverables

IFRS® International Accounting Standards Board

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

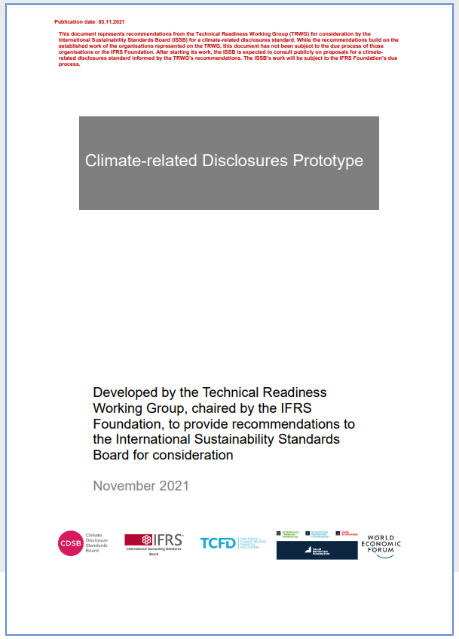
WORLD ECONOMIC FORUM

TRWG Deliverables

		Observations and proposals for:
Technical Preparatory Work	1	General requirements for disclosure of sustainability-related financial information (prototype published)
	2	Climate-related disclosures (Prototype published)
	3	Conceptual guidelines for standard setting
	4	Architecture of standards
	5	Other items to inform a standards agenda
	6	Due process characteristics
	7	Digitisation strategy
	8	Connectivity between IASB & ISSB

Publication of prototype requirements

Climate-related Disclosures


Publication date: 03.11.2021

This document represents recommendations from the Technical Readiness Working Group (TRWG) for consideration by the International Sustainability Standards Board (ISSB) for a climate-related disclosures standard. While the recommendations build on the established work of the organisations represented on the TRWG, this document has not been subject to the due process of those organisations or the IFRS Foundation. After starting its work, the ISSB is expected to consult publicly on proposals for a climate-related disclosures standard informed by the TRWG's recommendations. The ISSB's work will be subject to the IFRS Foundation's due process.

Climate-related Disclosures Prototype

Developed by the Technical Readiness Working Group, chaired by the IFRS Foundation, to provide recommendations to the International Sustainability Standards Board for consideration

November 2021

General Requirements for Disclosure of Sustainability-related Information


Publication date: 03.11.2021

This document represents recommendations from the Technical Readiness Working Group (TRWG) for consideration by the International Sustainability Standards Board (ISSB) for a general requirements for disclosure of sustainability-related financial information standard. While the recommendations build on the established work of the organisations represented on the TRWG, this document has not been subject to the due process of those organisations or the IFRS Foundation. After starting its work, the ISSB is expected to consult publicly on proposals for a general requirements for disclosure of sustainability-related financial information standard informed by the TRWG's recommendations. The ISSB's work will be subject to the IFRS Foundation's due process.

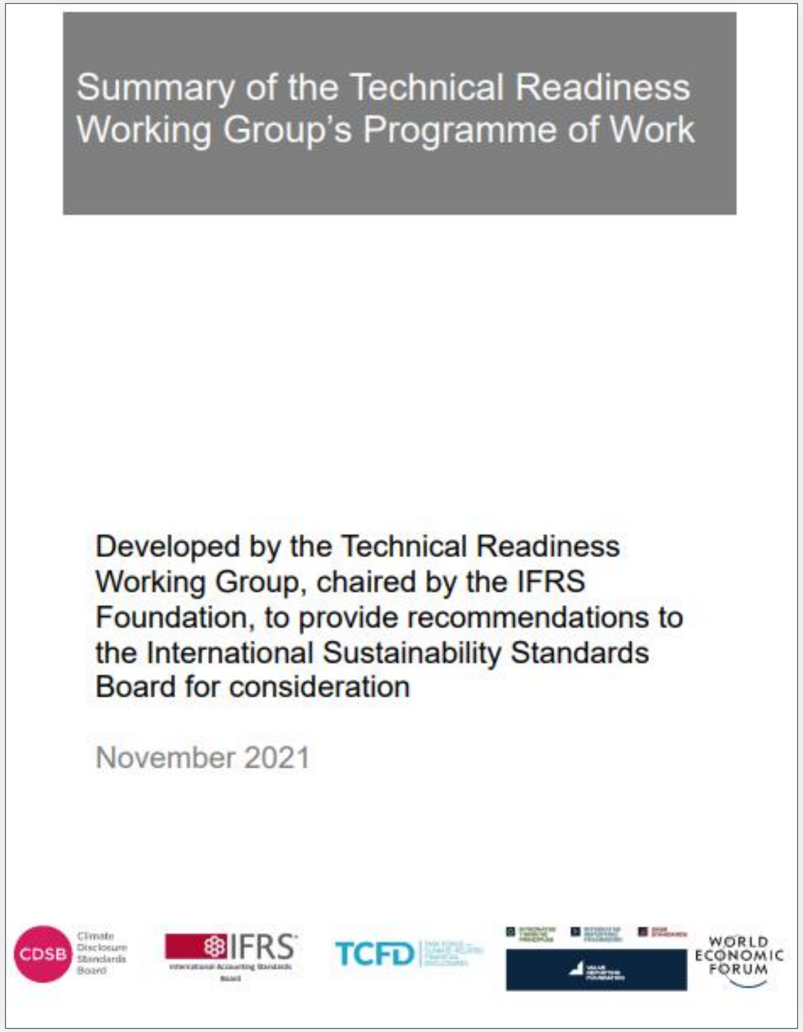
General Requirements for Disclosure of Sustainability-related Financial Information Prototype

Developed by the Technical Readiness Working Group, chaired by the IFRS Foundation, to provide recommendations to the International Sustainability Standards Board for consideration

November 2021

- Recommendations from Technical Readiness Working Group (TRWG) to ISSB
- ISSB to consider as part of initial work programme.

Publication of summary of TRWG's programme of work


Summary of the Technical Readiness Working Group's Programme of Work

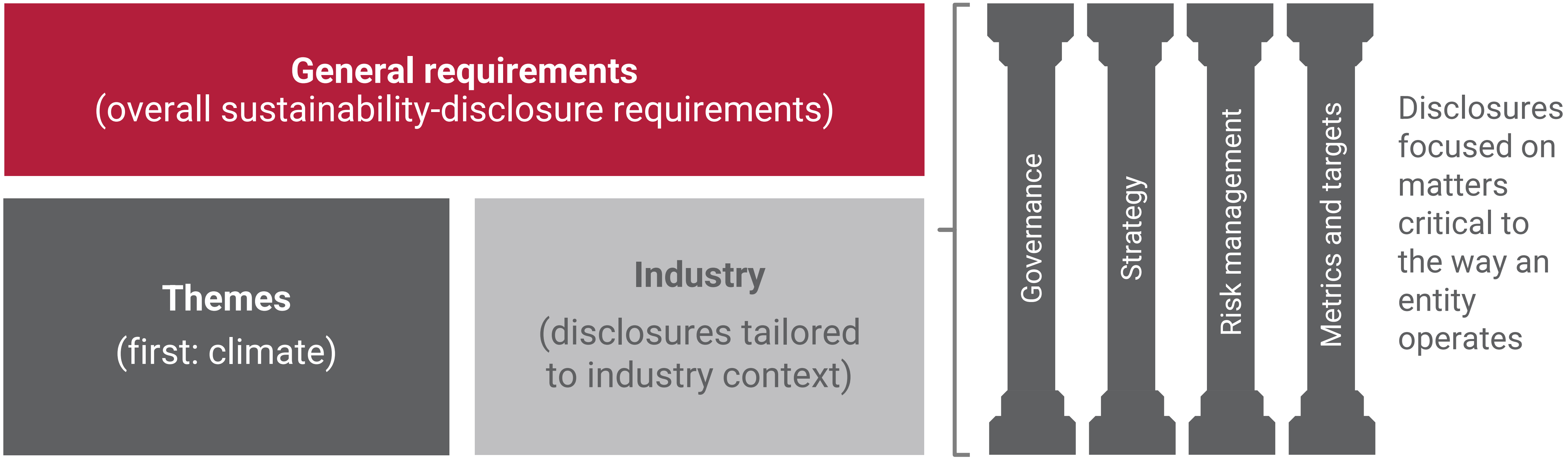
Developed by the Technical Readiness Working Group, chaired by the IFRS Foundation, to provide recommendations to the International Sustainability Standards Board for consideration

November 2021

- Context of the TRWG
- Overview of the workplan
- Development of deliverables
- Expectation-setting and future due process
- Summary of deliverables
- Implications for preparers.

Download at: ifrs.org/groups/technical-readiness-working-group

Recommended architecture for ISSB Standards integrates content from all TRWG members into a cohesive whole

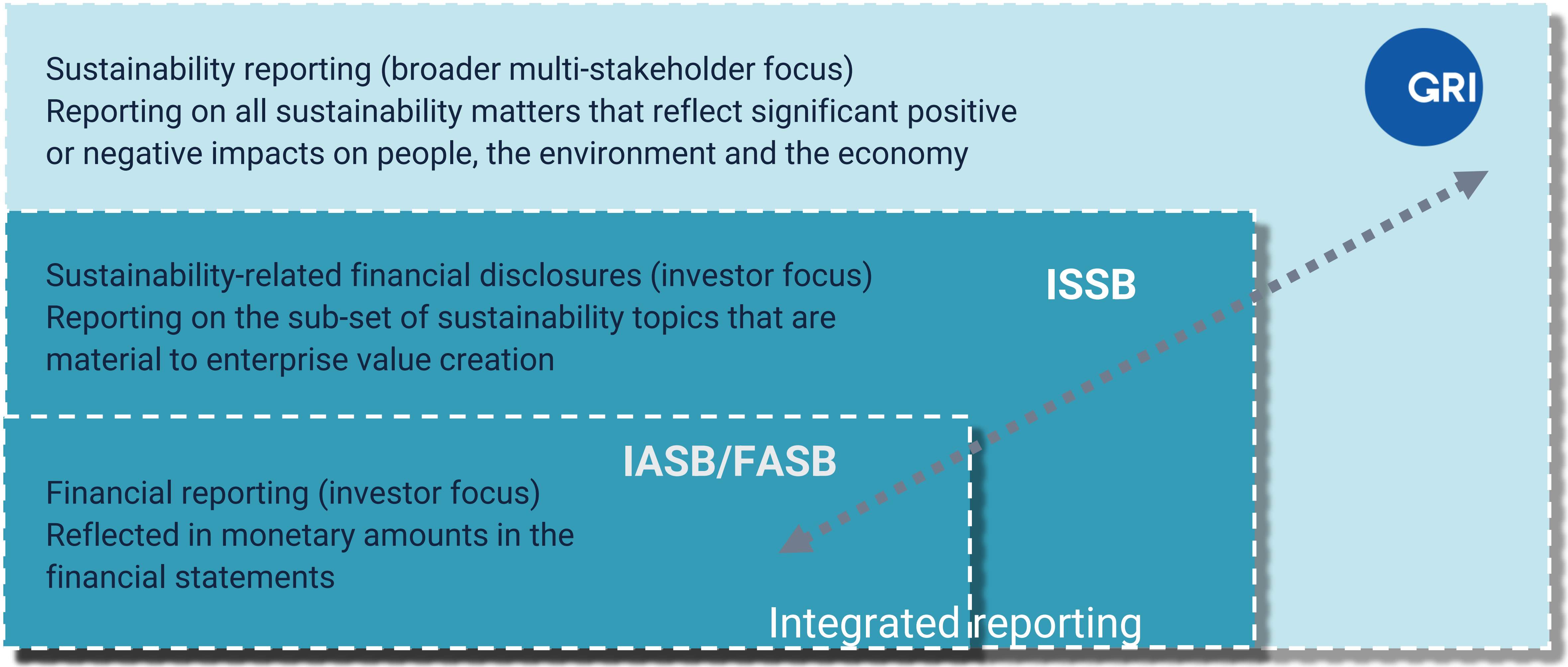


CDSB Climate Disclosure Standards Board · TCFD Task Force on Climate-Related Financial Disclosures · World Economic Forum

SASB Standards

Integrated Reporting Framework · TCFD Task Force on Climate-Related Financial Disclosures · World Economic Forum

Compatible standards and global baseline approach



IFRS Sustainability Disclosure Standards will focus on investor needs but will be compatible with jurisdictional requirements to meet broader stakeholder-information needs.

What happens to SASB Standards?

SASB STANDARDS

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- Starting point for industry-specific requirements. Need to go through full ISSB due process on timeline TBD.

SASB STANDARDS ADVISORY GROUP

- Transition to support the ISSB standard-setting process

SASB STANDARDS INVESTOR ADVISORY GROUP

- Strategic advice to the ISSB
- Advocacy for the ISSB Standards
- Participation in standard development process.

What happens to Integrated Reporting?

- ISSB will sit alongside and work closely with the IASB, ensuring connectivity and compatibility
- General Requirements Prototype emphasises importance of linking information in financial statements and sustainability-related disclosures
- IFRS Foundation will use the <IR> Council to provide advice on establishing connectivity between the two boards via the fundamental concepts and guiding principles of integrated reporting.
- TRWG identified possible joint projects for the IASB and ISSB, including allowing consideration of the <IR> Framework and Management Commentary

Advice to report preparers

- Continue applying the <IR> Framework and SASB Standards
- Get familiar with the prototypes – early indication of direction of travel
- Be ready to share your views – public consultation early 2022
- Plan to engage in ISSB Standards development on an ongoing basis

Once in a lifetime opportunity to build a global corporate reporting system, utilizing existing frameworks and standards and respecting individual jurisdictional requirements, consistent with a building blocks approach.

VALUE
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Thank You!

INTEGRATED
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SASB
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