

SASB Standards

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Chair, SASB Standards Board

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**INTEGRATED
THINKING
PRINCIPLES**



**INTEGRATED
REPORTING
FRAMEWORK**



**SASB
STANDARDS**



SASB Standards: Design

Why SASB Standards?

Investors are dissatisfied with the quality of ESG disclosure

Company Reporting

Company confidence in the quality of ESG information reported



Source: PwC, [ESG Pulse](#), 2016.

vs.

Investor Needs

Investor confidence in the quality of ESG information received from companies



Why?



It could be because sustainability reporting tends to look like this...



...but most investors consume information like this...



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**



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



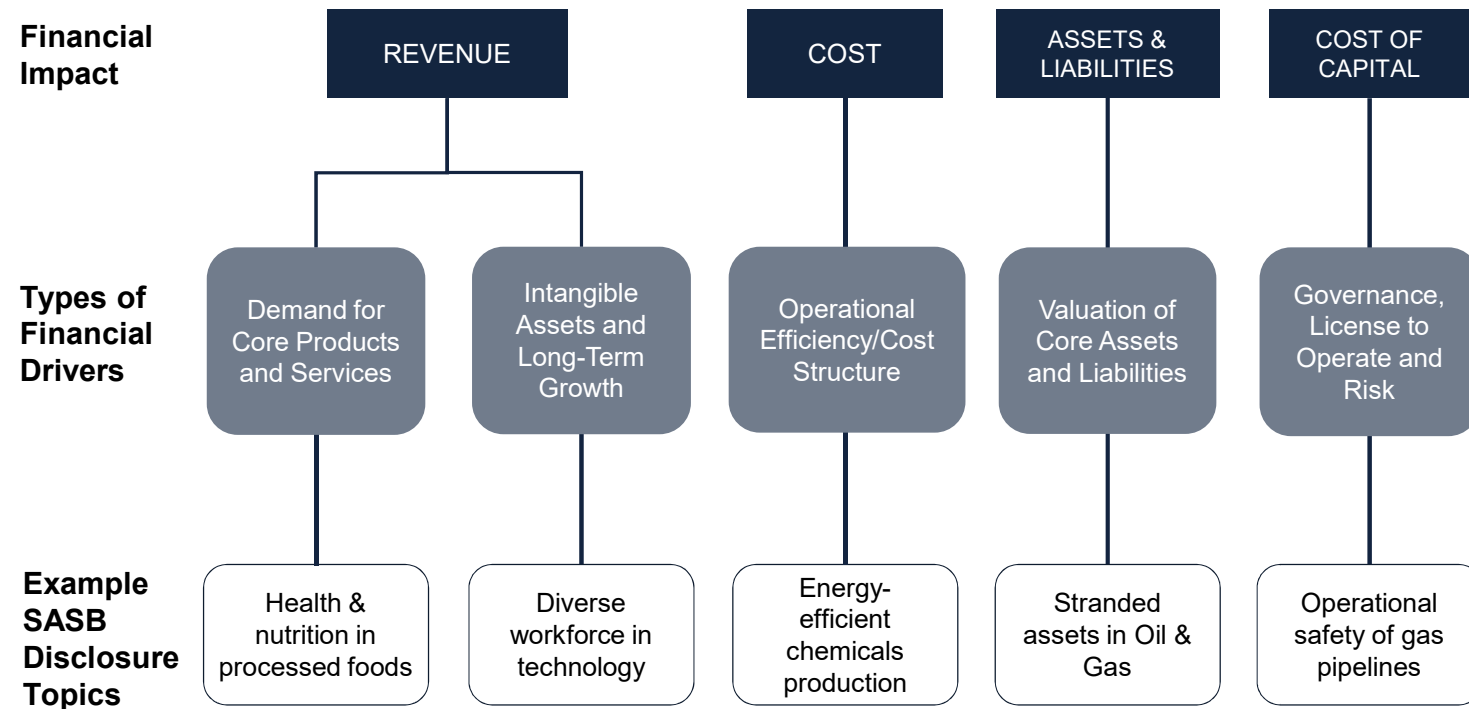
Transportation

- Air Freight & Logistics
- Airlines
- Auto Parts
- Automobiles
- Car Rental & Leasing
- Cruise Lines
- Marine Transportation
- Rail Transportation
- Road Transportation



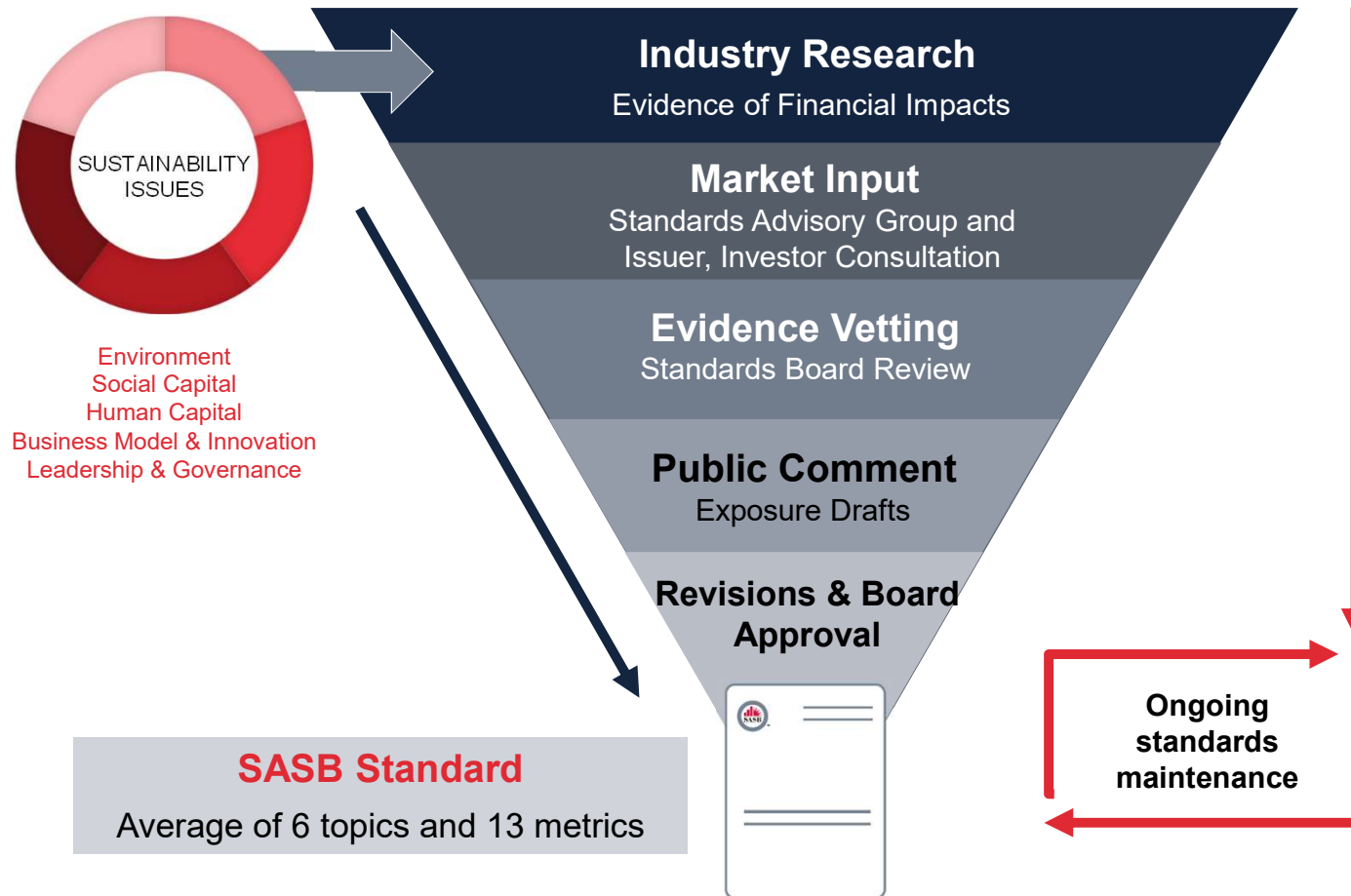
Disciplined focus on direct financial impacts

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



Rigorous process drives SASB Standards

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



The SASB Standards Materiality Map®

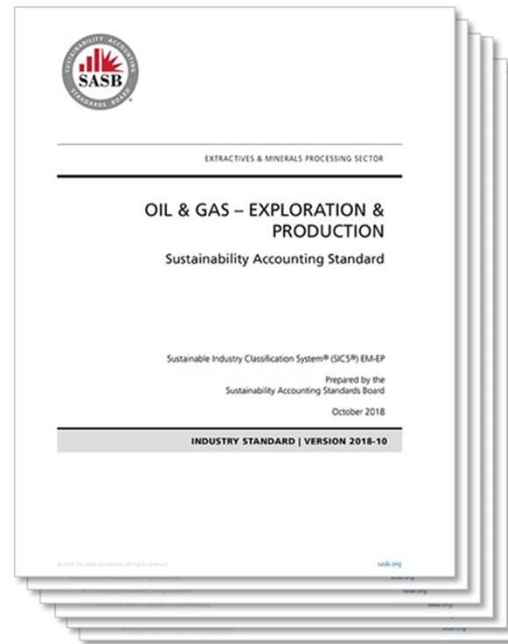
A view of financially material ESG risks and opportunities across 77 industries

		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													
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	Product Quality & Safety													
	Customer Welfare													
Human Capital	Selling Practices & Product Labeling													
	Labor Practices													
	Employee Health & Safety													
	Employee Engagement, Diversity & Inclusion													
	Product Design & Lifecycle Management													
	Business Model Resilience													
Business Model & Innovation	Supply Chain Management													
	Materials Sourcing & Efficiency													
	Physical Impacts of Climate Change													
	Business Ethics													
	Competitive Behavior													
	Management of the Legal & Regulatory Environment													
Leadership & Governance	Critical Incident Risk Management													
	Systemic Risk Management													

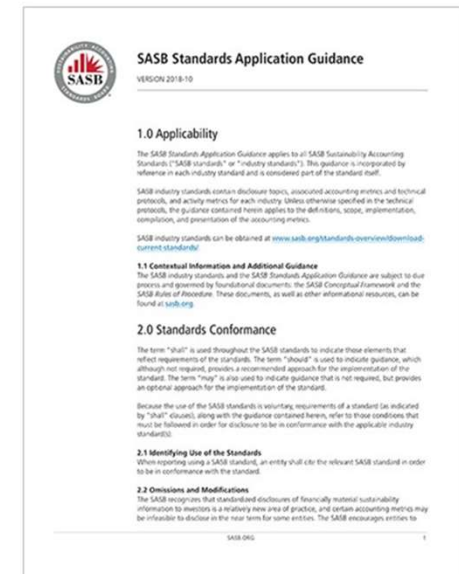
SASB Standards

Universal guidance and industry disclosure standards

77 industry-specific
SASB Standards



**Standards Application
Guidance**



SASB Standards

Universal guidance and industry disclosure standards



**SASB
STANDARDS**

Industry-specific disclosure topic

Accounting metrics

Technical protocol for compiling data

Activity metrics for normalization

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations	Quantitative	Metric tons CO ₂ -e (t), Percentage (%)	EM-EP-110a.1
Air Quality	Air emissions of greenhouse gases, particulate matter, and other pollutants	Quantitative	Metric tons (t)	EM-EP-110a.2
Water Management	(1) Total water consumption, (2) water withdrawn from surface water sources, (3) water withdrawn from groundwater sources, (4) water withdrawn from municipal water supply, (5) water withdrawn from other sources	Quantitative	Cubic meters (m ³)	EM-EP-110a.3

EM-EP-110a.1. Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations

1 The entity shall disclose its gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the seven GHGs covered under the Kyoto Protocol—carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃).

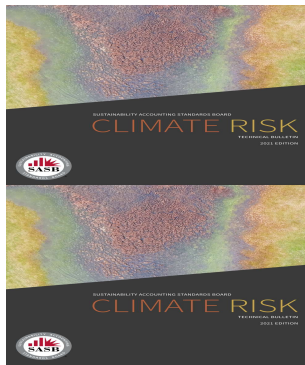
1.1 Emissions of all GHGs shall be consolidated and disclosed in metric tons of carbon dioxide equivalent (CO₂-e), and calculated in accordance with published 100-year time horizon global warming potential (GWP) values. To date, the preferred source for GWP values is the Intergovernmental Panel on Climate Change (IPCC) Fifth

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Production of: (1) oil, (2) natural gas, (3) synthetic oil, and (4) synthetic gas	Quantitative	Thousand barrels per day (Mbbbl/day); Million standard cubic feet per day (MMscf/day)	EM-EP-000.A
Number of offshore sites	Quantitative	Number	EM-EP-000.B
Number of terrestrial sites	Quantitative	Number	EM-EP-000.C

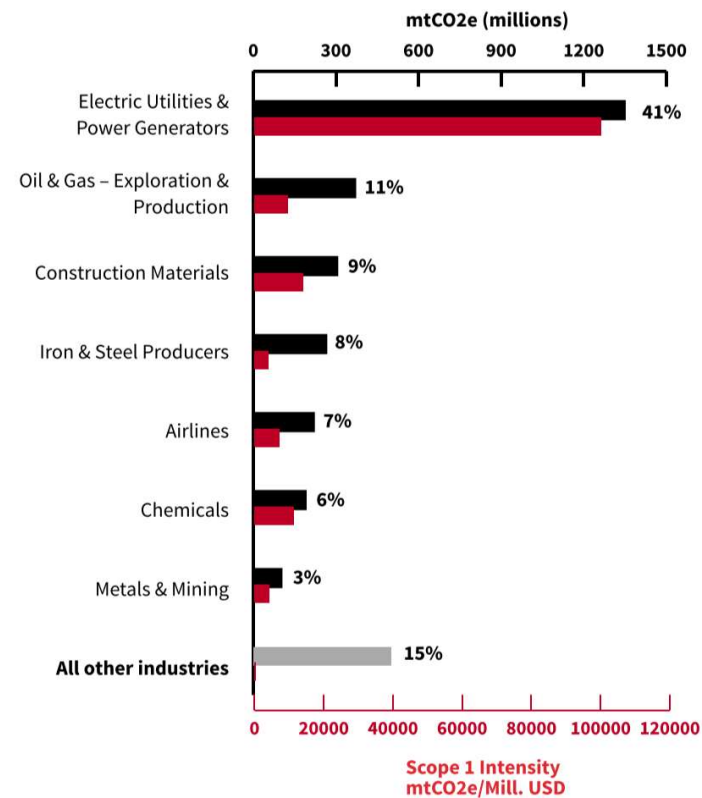
Climate risk is industry-specific

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 **seven industries**.

Figure 2. Scope 1 GHG Emissions by Industry



Climate risk is industry-specific

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

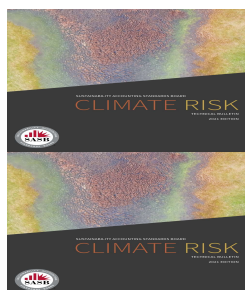
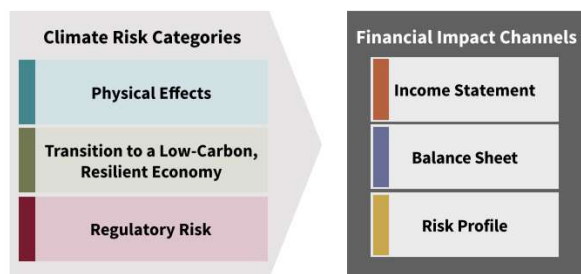


Figure 4. SASB's Climate Risk Framework



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

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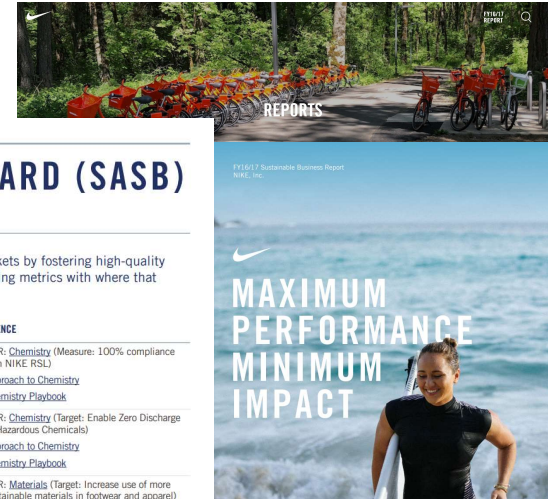
Designed for communications to investors

Meet investor needs for comparable, consistent and reliable data



Companies are using SASB Standards in investor communications

Example: Nike Investor Relations website



SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

SASB is an independent, private sector standards-setting organization dedicated to enhancing the efficiency of the capital markets by fostering high-quality disclosure of material sustainability information that meets investor needs. The table below cross-references the SASB accounting metrics with where that information can be found in NIKE's FY16/17 Sustainable Business Report (SBR) and Sustainability Website.

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE	DATA	REFERENCE
MANAGEMENT OF CHEMICALS IN PRODUCTS	Description of processes to maintain compliance with restricted substances regulations	Discussion and Analysis	N/A	CN0501-01		<ul style="list-style-type: none"> SBR: Chemistry (Measure: 100% compliance with NIKE RSL) Approach to Chemistry Chemistry Playbook
	Description of processes to assess and manage risks associated with chemicals in products	Discussion and Analysis	N/A	CN0501-02		<ul style="list-style-type: none"> SBR: Chemistry (Target: Enable Zero Discharge of Hazardous Chemicals) Approach to Chemistry Chemistry Playbook
RAW MATERIAL SOURCING & INNOVATION	Discussion of environmental and social risks associated with sourcing priority materials	Discussion and Analysis	N/A	CN0501-03		<ul style="list-style-type: none"> SBR: Materials (Target: Increase use of more sustainable materials in footwear and apparel) Sustainable Materials Sustainable Materials Principles
	Percentage of raw materials third-party certified to an environmental or social sustainability standard, by standard	Quantitative	Percentage (%) by weight	CN0501-04	Materials (FY17) <ul style="list-style-type: none"> Cotton <ul style="list-style-type: none"> Organic: 8% Recycled: <1% BCI: 46% Polyester <ul style="list-style-type: none"> Recycled: 14% Corrugate <ul style="list-style-type: none"> Recycled: 84% Rubber <ul style="list-style-type: none"> Environmentally preferred rubber: 98% Foam <ul style="list-style-type: none"> Recycled EVA foam: <1% 	<ul style="list-style-type: none"> SBR: Materials (Target: Increase use of more sustainable materials in footwear and apparel) Sustainable Materials Sustainable Materials Principles
LABOR CONDITIONS IN THE SUPPLY CHAIN	Percentage of (1) tier 1 suppliers and (2) suppliers beyond tier 1 that have been audited to a labor code of conduct, percentage conducted by a third-party auditor	Quantitative	Percentage (%)	CN0501-05	100% of Tier 1 suppliers audited to Code of Conduct, which includes environmental data collection <ul style="list-style-type: none"> 4% audited by third-party auditor Suppliers beyond Tier 1 audited to Code of Conduct N/A. We disclose a number of strategic material suppliers (Tier 2) on our Manufacturing Map along with finished goods factories. 	<ul style="list-style-type: none"> SBR: Sustainable Sourcing (Target: Source 100% from factories that meet our definition of sustainable) NIKE's Sourcing and Manufacturing Standards
	Priority non-conformance rate and associated corrective action rate for suppliers' labor code of conduct audits	Quantitative	Rate	CN0501-06	In FY17, 9.1% of audits were rated below Bronze (non-conformance)	<ul style="list-style-type: none"> SBR: Sustainable Sourcing (Target: Source 100% from factories that meet our definition of sustainable) NIKE's Sourcing and Manufacturing Standards





SASB Standards: Due Process

Governance, membership and advisory bodies

Modeled after financial standard setters (FAF/FASB, IFRS/IASB)

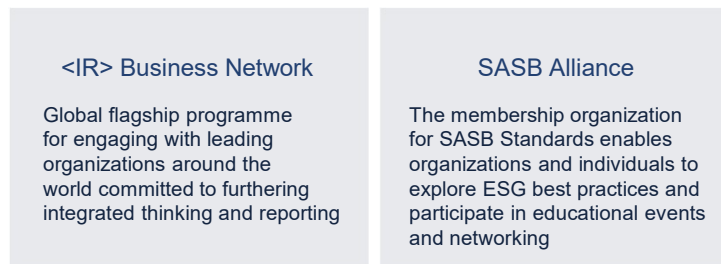
Governing Bodies



Advisory Bodies



Membership



The Value Reporting Foundation Board

Fiduciary duty to oversee the funding and operations of the organization

Richard Sexton

Former Vice Chairman; Global Assurance at PwC
The Value Reporting Foundation,
Chair of the Board

Robert K. Steel

Chairman, Perella Weinberg Partners
The Value Reporting Foundation,
Chair of the Board

Helen Brand OBE

Chief Executive of ACCA
The Value Reporting Foundation,
Vice Chair of the Board

Mary Schapiro, JD

Former Chairman, SEC
The Value Reporting Foundation,
Vice Chair of the Board

Janine Guillot
CEO

Charles Tilley OBE

Senior Advisor, Value Reporting Foundation

Alan L. Beller

Senior Counsel, Cleary Gottlieb Steen & Hamilton

Pru Bennett

Partner, Brunswick Group

Rudi Bless

Chief Accounting Officer, Bank of America

Else Bos

Executive Director and Chair of Prudential Supervision, De Nederlandsche Bank

Catherine Bradley CBE

Senior Independent Director Kingfisher plc.

Alex Broedel Lopes

Group CFO of Itaú Unibanco S.A.

Audrey Choi

Chief Sustainability Officer, Chief Marketing Officer, and CEO, Institute for Sustainable Investing, Morgan Stanley

Michelle Collins

Audit & Assurance Partner, Deloitte & Touche LLP

Aron Cramer

President and Chief Executive Officer of Business for Social Responsibility

Deborah L. DeHaas

CEO, Corporate Leadership Center

Jane Diplock AO

International Company Director

Paul Druckman

Chairman, World Benchmarking Alliance

Kenneth Goldman

President, Hillspire

Steven O. Gunders, CPA, MBA

Partner, Deloitte & Touche LLP – Retired
Value Reporting Foundation,
Treasurer of the Board

Robert H Herz

Former Chairman, FASB

Michael Jantzi

Chief Executive Officer, Sustainability

Conor Kehoe

Senior Adviser and former Senior Partner at McKinsey & Company

Izumi Kobayashi

Vice Chair of the Keizai Doyukai

Paula Loop

Retired Assurance Partner and Leader of Governance Insights Center, PricewaterhouseCoopers

James McIntire

Former Washington State Treasurer

Barry C. Melancon, CPA, CGMA

CEO of the Association of International Certified Professional Accountants

David Nussbaum

Chief Executive of The Elders

U.K. Sinha

Former Chairman of Securities and Exchange Board of India

Roy Swan

Director of Mission Investments, Ford Foundation

Laura Tyson

Director, Institute for Business and Social Impact – Berkeley Haas School of Business

Sarah Williamson

Chief Executive Officer of FCLT Global

Jay Willhoughby, CFA

Chief Investment Officer, The Investment Fund For Foundations

Chuck Zegar

Philanthropist, Co-Founder of Bloomberg LP



The SASB Standards Board

Independent board responsible for all aspects of standard-setting

Jeffrey Hales, PhD Chair

Charles T. Zlatkovich Centennial
Professor of Accounting
The University of Texas at Austin
*Sector Chair for Renewable
Resources & Alternative Energy*

Verity Chegar Co-Vice Chair

Member of the Sustainable
Investment and Stewardship
Strategies team at CalSTRS
*Sector Chair for Extractives &
Minerals Processing*

Robert Hirth, Jr. Co-Vice Chair

Senior Managing Director, Protiviti
Chairman Emeritus, Committee of
Sponsoring Organizations of the
Treadway Commission (COSO)
*Sector Chair for Technology &
Communications*

Kurt Kuehn

Former CFO, UPS
*Sector Chair for Transportation &
Infrastructure*

Lloyd Kurtz, CFA

Senior Portfolio Manager,
Head of Social Impact Investing,
Wells Fargo Private Bank
*Sector Chair for Health Care &
Resource Transformation*

Daniel L. Goelzer, JD

Retired Partner,
Baker & McKenzie LLP
Sector Chair for Services

Elizabeth Seeger

Managing Director,
Sustainable Investing, KKR
Sector Chair for Consumer Goods

Marc Siegel

Partner - EY
Sector Chair for Financials

Susanne Stormer

Partner, Head of Sustainability,
PwC Denmark

Stephanie Tang, JD

Director and Senior Corporate
Counsel, Securities and
Corporate Governance
Autodesk
Sector Chair for Food & Beverage

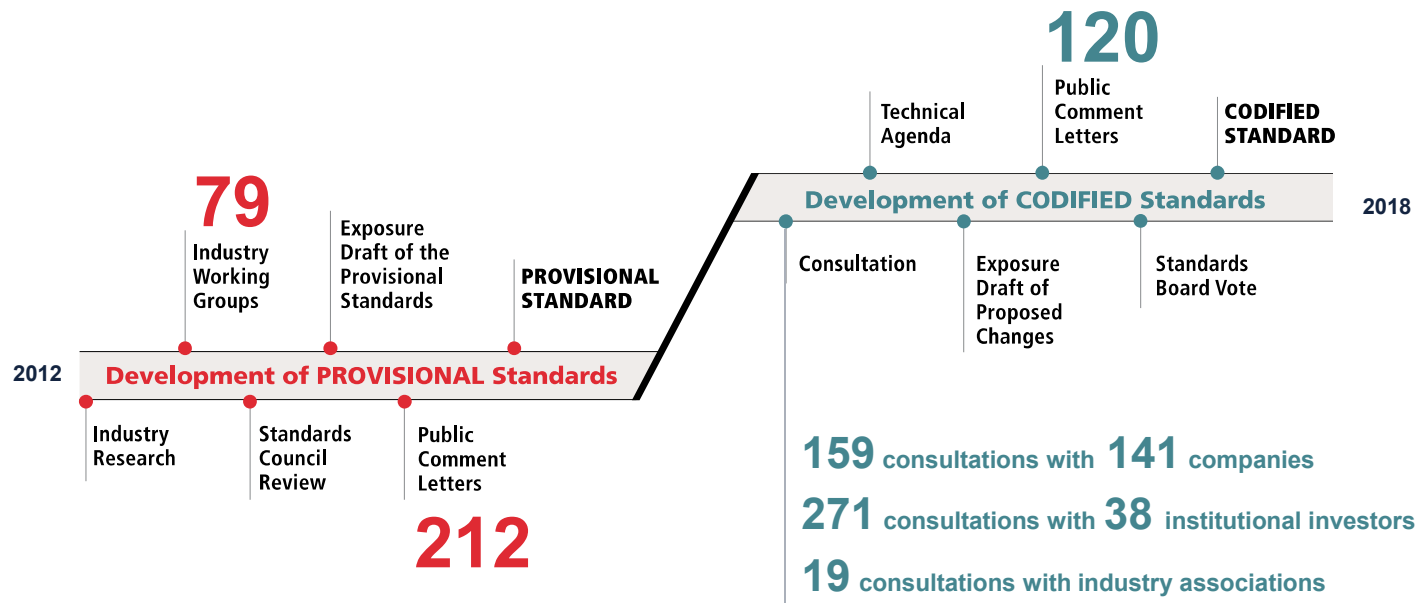
Mark Vaessen

Partner, Head of Department of
Professional Practice, KPMG



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



Standard-setting process overview

A project-based model for standard-setting

We approach updates to the Standards using a project-based model, enabling focused Standard-setting to effectively address key issues.

The SASB Standards Board's due process involves a set of distinct but connected activities centered around three key Standards Board decisions:

- Initiating a Standard-setting project
- Proposing a Standards update
- Issuing a Standards update



Thank you



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