The SASB Mission
Improved non-financial disclosure results in enhanced market efficiency

The mission of SASB is to develop and disseminate sustainability accounting standards that help public corporations disclose material, decision-useful information to investors. That mission is accomplished through a rigorous process that includes evidence-based research and broad, balanced stakeholder participation.

Facts about SASB
• Independent 501(c)3 non-profit
• American National Standards Institute (ANSI) accredited standards developer
• Developing industry-specific standards for 10 sectors and 79 industries
• Guided by the U.S. Supreme Court's definition of materiality, SASB prioritizes topics of disclosure and standardizes the form of disclosure.

Strong Leadership
Informed by experience, credibility, character, commitment, and vision

Michael R. Bloomberg – Chair
Philanthropist, Founder of Bloomberg LP, and the 108th Mayor of New York City

Mary Schapiro – Vice Chair
Promontory Advisory Board Vice Chair
Former Chairman – SEC

Robert H. Herz
Former Chairman – FASB

Shawn Lyle
President – Delaware Management Holdings, Inc.

Edward D. White
Managing Partner – Farb LLC

Steven G. Sanders, CPA, MBA
Partner – Saratoga & Sanders LLP

Aulana Peters
Former Commissioner – SEC

Dan Henson, CPA
Partner and Director of U.S. Equities – Janney Montgomery Scott, LLC

Elise Walter
Former Chairman – SEC

Erika Karp
CEO – Cornerstone Capital Inc.

Kevin Parker
CEO – SICM

Jean Rogers, PhD, PE
Chief Executive Officer & Founder – SASB (Ex-officio)

Curtis Ravenel
Global Head, Sustainability Initiatives – Bloomberg LP

Clara Miller
President – The F.B. Heron Foundation

Catherine Giddins
Executive Vice President, Corporate Strategy and Partnerships – Morningstar Inc.

Bob Eccles, PhD
Professor of Management Practice – Harvard Business School

Sharon Lyle
President – Delaware Management Holdings, Inc.

Aulana Peters
Former Commissioner – SEC

Jack Ehnes
CEO – CalSTRS

Elisse Walter
Former Chairman – SEC

Erika Karp
CEO – Cornerstone Capital Inc.

Knut Parker
CEO – SASB
A Growing Need
Global megatrends, economic evolution create challenges for companies, investors

LEGISLATIVE PRESSURE
- Mandates in multiple markets (E.U., China, India, etc.)
- Disclosure reform
- Exchange listing requirements

ECONOMIC PRESSURE
- Resource constraints
- Climate change
- Changing valuations and the rise of intangibles

INVESTOR PRESSURE
- Shareholder resolutions
- Questionnaire overload
- Calls for divestment

STATE OF DISCLOSURE
- Proliferation of boilerplate disclosures
- Inappropriate use of materiality in corporate communications

Current State of Disclosure
Reporting across sectors lacks consistency, comparability, industry-specificity

Investor Interest
SASB standards address business issues on which investors are already engaged

SHAREHOLDER PROPOSALS
Percent of total proposals filed that are related to social and environmental issues

GLOBAL INSTITUTIONAL INVESTORS
89% Will request sustainability information directly from the company
67% More likely to consider ESG information if common standards used
50% "Very likely" to sponsor or co-sponsor a shareholder proposal

Source: PwC, 2014

Source: SASB, 2015
Increasing Reporting Burden
Surveys create a burden for companies and provide little help to the market

Large-cap companies receive hundreds of information requests each year, leading to "questionnaire fatigue" and information asymmetry. Because questionnaires and surveys lack a materiality focus, they also add noise to the mix, masking what matters.

- Information requests: 650+
- Process: <3 months
- Employees involved: 75+
- Benefit to company and its shareholders: ?

Example from General Electric, FY 2014

A Market-Driven Response
SASB addresses needs of all market participants—both investors and issuers

Issuers
- A minimum set of disclosure topics that are likely to constitute material information for companies in an industry, and a cost-effective model for disclosing that information in a decision-useful way for investors
- A method to understand and improve performance on ESG-related value drivers
- A way to meet the requirements of Regulation S-K

Investors
- Comparable data for benchmarking and evaluating performance
- Standardized, decision-useful information in a trusted channel (i.e., 10-K)
- Tools and resources to analyze and understand sustainability risks and opportunities at the company, industry, and portfolio level

SASB INDUSTRY WORKING GROUPS
REFLECT BROAD-BASED INTEREST

>2,800 $23.4T $11.0T
PARTICIPANTS ASSETS UNDER MANAGEMENT MARKET CAP

Balanced Participation
SASB's standards-setting process is inclusive and informed by industry expertise

Sample of participants:
- BP
- Boeing
- Dow
- General Electric
- Johnson & Johnson
- IBM
- Lockheed Martin
- Microsoft
- Morgan Stanley
- Oracle
- PetroChina
- Pirelli
- Royal Dutch Shell
- Schlumberger
- Siemens
- Shell
- Samsung
- Toyota
- Toyota Motor
- Walmart
- Whirlpool

IWG Participation

- 31% ISSuers
- 31% Professionals
- 3% Both
- 31% Investors
No New Regulation Required
SASB standards rest on existing regulation and support disclosure in the MD&A

Regulation S-K requires companies to:

- Disclose material information as appropriate in SEC filings such as Form 10-K and 20-F.
- Disclose management’s view on known trends, events, and uncertainties that are reasonably likely to have a material impact on results of operations and financial condition.

![Form 10-K (MD&A)](image)

A Shared Definition of Materiality
SASB is guided by the Supreme Court definition in identifying disclosure topics

"Material information" is defined by the Supreme Court as presenting a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the “total mix” of information made available.


<table>
<thead>
<tr>
<th>EVIDENCE OF INTEREST</th>
<th>EVIDENCE OF FINANCIAL IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue frequency in five data-driven tests:</td>
<td>Issue impact on three business value drivers:</td>
</tr>
<tr>
<td>- Financial disclosure</td>
<td>- Revenue and costs</td>
</tr>
<tr>
<td>- Legal drivers</td>
<td>- Assets and liabilities</td>
</tr>
<tr>
<td>- Industry norms</td>
<td>- Risk profile (cost of capital)</td>
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<tr>
<td>- Stakeholder concerns</td>
<td></td>
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<tr>
<td>- Innovation opportunity</td>
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</table>

Consistent Progress
By 2016, SASB will have issued standards for 79 industries in 10 sectors

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<tr>
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<tbody>
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<td>Tech &amp; Current</td>
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<tr>
<td>Transportation</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Resource Transformation</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Renewable Resources &amp; Alternative Energy</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
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<tr>
<td>Consumption</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
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<tr>
<td>Infrastructure</td>
<td>7</td>
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<tr>
<td>Financials</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<tr>
<td>Non-Renewable Resources</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Services</td>
<td>8</td>
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<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
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<tr>
<td>Literature</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>
Rigorous, Transparent Process
SASB standards are rooted in evidence and shaped by consensus

Narrowing The Focus
SASB’s prioritization starts with a comprehensive set of sustainability issues

Known Value Drivers
SASB standards address business issues known to impact value creation

Financial Drivers

Types of Financial Impact

Demand for Core Products and Services

Integration of Assets and Long-Term Growth

Operational Efficiency and Costs

Vulnerability of Core Assets and Liabilities

Governance, Contracts, Operations, and Risk
Explicit Financial Links
Each of SASB’s evidence-based metrics is tied to specific financial impacts

<table>
<thead>
<tr>
<th>Value Impact</th>
<th>SASB Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Cost of Capital</td>
</tr>
<tr>
<td>Cost</td>
<td>Cost of Capital</td>
</tr>
<tr>
<td>Assets &amp; Liabilities</td>
<td>Cost of Capital</td>
</tr>
<tr>
<td>Cost of Capital</td>
<td>Cost of Capital</td>
</tr>
</tbody>
</table>

1. Medical Loss Ratio (MLR): Medical costs as % of premium revenue
   - Managed care plans with higher MLRs appeal more to patients, likely leading to lower per-member, per-month spending and higher share of premium. Plans with lower MLRs may be required by the ACA to offer consumers a rebate which may affect operating profits.
   - Investor use: Comparative valuation

2. Total Energy Consumed, % Grid Electricity, % Renewable
   - Energy-intensive firms may be overexposed to volatile energy prices, vulnerable to certain risks (e.g., rate, fuel, supply shock) which can influence investment and financing decisions.
   - Investor use: Comparative analysis and fundamental valuation

3. Total Loans to Companies in the Non-Renewable Resources Sector
   - ESG factors affecting NRR firms may disproportionally raise the risk associated with their outstanding loans and leases, decreasing interest income to commercial banks and devaluing collateral and loans; weakened balance sheets can lead to higher cost of capital.
   - Investor use: Comparative analysis, fundamental valuation

Disclosure Topics
Consumption II

<table>
<thead>
<tr>
<th>Robust Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>SASB standards contain more than just metrics</td>
</tr>
</tbody>
</table>

Accounting metrics

Table 1: Material Sustainability Table
Accounting Metrics
Cost-Effective Disclosures
SASB provides a cost-effective way to report on material sustainability factors

SASB standards have a median of 5 topics and 13 metrics (78% quantitative) per industry.

Comparing Fundamentals, Competing on Performance
SASB standards enable peer-to-peer comparisons and foster competition

Major Themes from Standards Setting
Interesting patterns have begun to emerge after 10 sectors and 79 industries

- **CLIMATE CHANGE**
  - Greenhouse gas emissions in health care delivery, carbon intensity of reserves in oil and gas, emissions from refining, vulnerability of real estate and insurance, impact on crop yields
  - Market cap of companies affected: $33.8T, 93%

- **PRODUCT ALIGNMENT & SAFETY**
  - Counterfeit drugs, food quality and nutrition, car and airline safety, responsible gambling anddrinking, product design and take-back
  - Market cap of companies affected: $29.1T, 80%

- **RESOURCE INTENSITY & SCARCITY**
  - 24/7 health care facilities and data centers, fuel management in transport rare earth minerals in manufacturing, water consumption in beverages, oil and gas, agriculture
  - Market cap of companies affected: $26.9T, 75%

- **ACCESS & AFFORDABILITY OF SERVICES**
  - Orphan drugs and pricing, access to medicines and coverage, transparency in procedures and billing, financial inclusion and capacity building
  - Market cap of companies affected: $8.3T, 23%

- **FINANCING & RESPONSIBLE LENDING**
  - Responsible lending and transparency of terms in mortgages, consumer finance, and education, financial literacy initiatives
  - Market cap of companies affected: $3.9T, 11%
Integrated Into Investment Decisions
SASB standards and related products support a variety of investment strategies

MACRO TRENDS
• Which industries are facing the greatest sustainability headwinds?
• How do sustainability issues impact core industry drivers, such as consumer preference or regulatory change?

PORTFOLIO ALLOCATION
• How can I measure and diversify concentrated sustainability risk?
• What’s sustainability’s impact on portfolio performance?

COMPANY BENCHMARKING
• Which companies are leaders?
• Which are laggards?

SECURITY VALUATION
• How should I adjust my discounted cash flow analysis or valuation metrics for sustainability risks and impacts?

Materiality Matters
Harvard research shows The SASB Model drives superior performance


Findings:
• Using SASB’s framework, Harvard researchers found that firms with good performance on ‘material sustainability issues’ and concurrently poor performance on ‘immaterial sustainability issues’ enjoy the strongest financial returns. These results speak to the efficiency of these sustainability investments and also have implications for asset managers who have committed to the integration of sustainability factors in their capital allocation decisions.
• They also found that 80 percent of disclosures are immaterial, having no correlation to positive performance.

A Smarter Benchmark
SASB standards yield performance data, emphasizing quality over quantity

Existing sustainability indexes and funds:
• Maximize data points, masking correlation
• Rely on disclosure as a proxy for performance
• Track a broad index like the S&P 500

SASB data will spur “smart” investible products using companies’ performance on material, industry-specific factors rather than the universe of available data.
Making An Impact
SASB standards draw wide interest across the global capital markets

>40,000
STANDARDS
DOWNLOADS
in
>65
COUNTRIES

Top Equity Markets
1. U.S. ($26.5T)
2. China ($9.6T)
3. E.U. ($7.8T)
4. Japan ($4.9T)
5. Hong Kong ($3.8T)

Source: WFE, June 2015

Making An Impact
SASB standards draw wide interest across the global capital markets

>1,400
STANDARDS
NAVIGATOR USERS
in
>70
COUNTRIES

Top Equity Markets
1. U.S. ($26.5T)
2. China ($9.6T)
3. E.U. ($7.8T)
4. Japan ($4.9T)
5. Hong Kong ($3.8T)

Source: WFE, June 2015

Making An Impact
SASB has gained broad support from all stakeholder groups

INVESTORS
"SASB will provide investors with compellingly clear, globally relevant, standardized information on material ESG factors alongside financial information."
Anne Simpson, Senior Portfolio Manager and Director of Global Governance, CalPERS

ACCOUNTANTS
"The CAG and SASB share the goal of increasing investor confidence in the capital markets. We hope to learn from each other as we both work to improve the usefulness of information made available to investors."
Cindy Fornelli, Executive Director, Center for Audit Quality

COMPANIES
"In our quest to provide a fair, open and efficient market, we advocate for more standardized disclosure of material sustainability issues. SASB will help us immensely in this goal."
Evan Harvey, Managing Director, NASDAQ OMX

LAWYERS
"SASB standards build a new wing on an existing structure in a modern context."
Jeffrey Smith, Partner, Crowell & Moring
Strategic Plan
SASB is taking a strategic approach to moving forward

- **GOAL 1: World-Class Standards**
  Develop and maintain world-class sustainability accounting standards

- **GOAL 2: Investor Adoption**
  Promote investor use of SASB standards to make decisions

- **GOAL 3: Corporate Adoption**
  Promote corporate use of SASB standards in SEC filings

- **GOAL 4: Alignment**
  Harmonize with international corporate reporting efforts

Free Resources at SASB.org
SASB provides free tools to facilitate issuer and investor use of its standards

- Standards Navigator
- Standards
- Research Briefs
- Mock 10-Ks
- Implementation Guide
- Engagement Guide
- Integration Guide
- Materiality Map™

Helping Companies
SASB’s Implementation Guide helps companies focus—and report—on what matters

- **SASB Implementation Guide for Companies**
  - Select sustainability topics
  - Assess current state of disclosure and management
  - Embed SASB standards into financial reporting and management processes
  - Support disclosure and management with internal control
  - Present information for disclosure
Empowering Investors
SASB is developing indispensable guidance for passive and active investors

SASB Engagement Guide for Asset Owners

SASB Integration Guide for Financial Analysts

Learn More
Increase your understanding of the link between sustainability and corporate value

Fundamentals of Sustainability Accounting Credential

The world’s first credential in sustainability accounting

Level I: Principles
- The context for materiality and sustainability
- How to identify the sustainability factors impacting financial performance

Level II: Practices (2016)
- How to analyze SASB standards for any industry
- How to interpret sustainability information for strategic decision-making or investment analysis

FSA.sasb.org/prep for curriculum, free resources, and registration
### Disclosure Topics

**Services**

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**Resource Transformation**

<table>
<thead>
<tr>
<th>Chemicals</th>
<th>Operations &amp; Change</th>
<th>Raw Materials &amp; Energy</th>
<th>Infrastructure &amp; Equipment</th>
<th>Communication &amp; Technology</th>
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</table>

**Consumption I**

<table>
<thead>
<tr>
<th>Material Use &amp; Recycle</th>
<th>Marketing &amp; Sales</th>
<th>Use-Safety Management</th>
<th>Sustainability</th>
<th>Fisheries &amp; Aquatic Habitats</th>
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Discussion, by world region, of management process for ensuring quality and patient safety during revocation.

Foreign Signals Rx

Officially prosecuted (e.g., Extremely

Number of recordable injuries and illnesses / Hours Worked)*200,000.

Number of settlements of Abbreviated New Drug Application (ANDA) litigation that involved (e) violations of current good manufacturing practices (cGMP), for which an authorized generic product to market for a defined time (and of any clinical trials, including those conducted with third parties, deemed stressed by the False Claims Act.

Percentage of high-level integrity policies documented.

Health and safety awards won.

Number of fatalities associated with products as reported in the FDA Adverse Event Reporting System (FAERS).

Description of FDA enforcement actions taken in response to violations of current good manufacturing practices (cGMP), for which an authorized generic product to market for a defined time (and of any clinical trials, including those conducted with third parties, deemed stressed by the False Claims Act.

Dollar amount of fines and settlements and a description of corrective actions implemented in response to the False Claims Act.

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Sample Standards
Commercial Banks

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>ACCOUNT NO. SETTING</th>
<th>CATEGORY</th>
<th>METRIC</th>
<th>UNIT OF MEASUREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate Change &amp; Social Responsibility</td>
<td>Percentage of direct demand loans for underinsured and underserved business segments</td>
<td>Percentage</td>
<td>$</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>Number of participations in financial literacy initiatives for education or skill building or personal financial management</td>
<td>Number</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
<td></td>
<td>Impact of deposit pricing (1) Total loan and lease revenue (2) Net income before income taxes (3) Net interest revenue</td>
<td>Number</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
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<td>Tier 1 capital ratio</td>
<td>Number</td>
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Sample Standards (continued)
Commercial Banks

<table>
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<tr>
<th>TOPIC</th>
<th>ACCOUNT NO. SETTING</th>
<th>CATEGORY</th>
<th>METRIC</th>
<th>UNIT OF MEASUREMENT</th>
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</thead>
<tbody>
<tr>
<td>Environmental, Social, and Governance Risk Management</td>
<td>Total environmental, social, and governance (ESG) factors integrated into the business risk and business decision process</td>
<td>Number</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>Credit risk: (1) Lending to customers subject to new or emerging ESG factors (2) Lending to customers involved in projects financing ESG factors (3) Lending to customers investing in ESG factors (4) Lending to customers that have (a) Enhanced, (b) Improved, (c) Substantiated, or (d) Non-Substantiated</td>
<td>Number</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>Total water withdrawn, percentage recycled, percentage total water consumed</td>
<td>Number</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
<td></td>
<td>Total energy consumed, percentage grid electricity, percentage total energy consumed</td>
<td>Number</td>
<td>n/a</td>
<td>n/a</td>
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</table>

Sample Standards
Software & IT Services

<table>
<thead>
<tr>
<th>TOPIC</th>
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<th>CATEGORY</th>
<th>METRIC</th>
<th>UNIT OF MEASUREMENT</th>
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</thead>
<tbody>
<tr>
<td>Data Security</td>
<td>Percentage of public and private entities reporting to customers, regulators, and auditors of security breaches and data loss events</td>
<td>Percentage</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>Number of data breaches by nature (1) Unauthorized access (2) Unauthorized disclosure (3) Modification (4) Deposition (5) Deletion</td>
<td>Number</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
<td></td>
<td>Number of inquiries, complaints, or issues received by (1) Customers (2) Employees (3) Suppliers (4) Other parties</td>
<td>Number</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>Amount of legal and regulatory fines and settlements associated with financial industry (1) Lawsuits (2) Tax audits (3) Administrative actions (4) Settlements (5) Enforcement actions</td>
<td>Number</td>
<td>n/a</td>
<td>n/a</td>
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### Sample Standards

#### Software & IT Services (continued)

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<thead>
<tr>
<th>TOPIC</th>
<th>ACCOUNTING METRIC</th>
<th>CATEGORY</th>
<th>UNIT OF MEASURE</th>
<th>CODE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruiting &amp; Managing a Global, Diverse Skilled Workforce</td>
<td>Percentage of employees that are (1) foreign nationals and (2) located offshore</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>TC0102 - 11</td>
</tr>
<tr>
<td></td>
<td>Employee engagement as percentage</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>TC0102 - 10</td>
</tr>
<tr>
<td></td>
<td>Percentage of gender and racial/ethnic group representation for: (1) executives and (2) all others</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>TC0102 - 13</td>
</tr>
<tr>
<td>Managing Systemic Risks from Technology Disruptions</td>
<td>Number of (1) performance issues and (2) service disruptions; total customer downtime</td>
<td>Quantitative</td>
<td>Number, Days</td>
<td>TC0102 - 14</td>
</tr>
<tr>
<td></td>
<td>Discussion of business continuity risks related to disruptions of operations</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>TC0102 - 15</td>
</tr>
<tr>
<td>Intellectual Property &amp; Competitive Behavior</td>
<td>Number of patent litigation cases, number successful, and number as patent holder</td>
<td>Quantitative</td>
<td>Number</td>
<td>TC0102 - 16</td>
</tr>
<tr>
<td></td>
<td>Amount of legal and regulatory fines and settlements associated with anti-competitive practices</td>
<td>Quantitative</td>
<td>U.S. dollars ($)</td>
<td>TC0102 - 17</td>
</tr>
</tbody>
</table>

### State of Disclosure

#### Health Care Sector

Health Care Sector (58 companies)

- Biotechnology (8)
- Pharmaceuticals (10)
- Medical Equipment & Supplies (10)
- Health Care Delivery (10)
- Health Care Distribution (8)
- Managed Care (7)

#### Financials Sector

Financials Sector (63 companies)

- Insurance (10)
- Investment Banking & Brokerage (10)
- Consumer Finance (9)
- Asset Management & Custody Activities (10)
- Commercial Banks (10)
- Mortgage Finance (8)

No Disclosure | Boilerplate Statement | Industry Specific Metrics

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Improving Disclosure Effectiveness
Moving from boilerplate to decision-useful disclosure

**RolePlay**

**COMPANY SPECIFIC**

- "We are subject to complex laws and regulations, including environmental laws and regulations, which can significantly affect our financial condition. As a result, our financial condition, results of operations and cash flows may be adversely affected by current laws and regulations." 

**SASB METRIC(S)**

- Gross global Scope 1 emissions (CO$_2$ eq)
- Total energy consumed (GJ)
- Percentage renewable electricity (%)
- Percentage renewable fuels (%)
- Percentage grid renewables (%)
- Design Index (EEDI) for new phase Efficiency
- Total energy consumed (GJ), percentage from heavy fuel oil usage (%), percentage renewable (%)

**Auto Parts Industry**

- "We have launched several energy saving programs, that total energy consumption decreased by 20180 metric tons of CO$_2$, which was an increase of 4% from 2017. This is mainly a consequence of expanding production in China, which is dominated by coal based energy."

**SASB METRIC(S)**

- Gross global Scope 1 emissions (CO$_2$ eq)
- Total energy consumed (GJ), percentage from heavy fuel oil usage (%), percentage renewable (%)

**Chemicals Industry**

- "We measure our ability to use direct energy efficiently by calculating the amount of fuel consumed. We have achieved a 21% improvement in fuel efficiency since 2007 cumulatively reduction in unit fuel consumption costs in the future."

**SASB METRIC(S)**

- Gross global Scope 1 emissions (CO$_2$ eq)
- Total energy consumed (GJ), percentage from heavy fuel oil usage (%), percentage renewable (%)

**Airline Industry**

- "We are subject to existing and new or existing regulations that could increase our cost base and potentially result in declining margins and adversely affect our operations and financial condition."

**SASB METRIC(S)**

- Gross global Scope 1 emissions (CO$_2$ eq)
- Total energy consumed (GJ), percentage from heavy fuel oil usage (%), percentage renewable (%)

**Frequently Asked Questions**

Common misperceptions about SASB and its standards

**Q:** Is SASB trying to redefine materiality?

**A:** No. SASB makes no intention of displacing or undercutting the SEC’s authority to prescribe materiality. SASB’s standards help companies comply with Regulation S-K. SASB offers a useful way for investors.

**Q:** Are SASB standards industry specific?

**A:** No. SASB standards are designed for use by companies in all industries. Participants give their personal views based on their professional experience and knowledge. Their responses do not represent the views of the company that employs them, and SASB makes that clear in its Industry Surveys.
Frequently Asked Questions
Common misperceptions about SASB and its standards

Q: Will reporting on sustainability topics in this manner expose our company and our industry to more lawsuits?
A: The Private Securities Litigation Reform Act (PSLRA) provides a safe harbor to companies who disclose forward-looking information that is accompanied by meaningful cautionary statements. SASB disclosures involve information about the company’s ability to create value in the future. Failure to disclose ESG information can result in shareholders bringing shareholder resolutions, which can be expensive for the company to fight. In recent years, the SEC has regularly rejected companies’ no action requests to keep ESG and sustainability shareholder resolutions off the proxy. Companies that are reporting sustainability topics for the first time using SASB can explain why they did not previously disclose. First, consistent with the SEC reporting process, SASB standards may help the company to evaluate the sustainability topics that may be material to their operations or financial condition and determine that SASB topics are material and should be disclosed. Second, sustainability topics only recently began to have a material effect on the company’s results of operations or financial condition and/or became important to investors. Third, before SASB came along, there were no sustainability standards that were consistent with the U.S. securities law definition of materiality. Therefore, the company had a difficult time reporting on sustainability topics in their SEC filings. SASB research indicates that about 60 percent of all disclosures on sustainability topics contain boilerplate language. Boilerplate disclosure increases the risk of Rule 10b-5 claims that the disclosure was materially false or misleading.

Reporting Alignment
SASB is separate from, but complementary to, a variety of reporting initiatives

<table>
<thead>
<tr>
<th>Subject</th>
<th>SASB</th>
<th>GRI</th>
<th>IIRC</th>
<th>FASB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of guidance</td>
<td>Standards</td>
<td>Guidance</td>
<td>Framework</td>
<td>Standards</td>
</tr>
<tr>
<td>Scope</td>
<td>U.S.</td>
<td>General</td>
<td>General</td>
<td>U.S.</td>
</tr>
<tr>
<td>Target disclosure</td>
<td>Mandatory filling</td>
<td>Voluntary report</td>
<td>Voluntary report</td>
<td>Mandatory filling</td>
</tr>
<tr>
<td>Target audience</td>
<td>Investors</td>
<td>All stakeholders</td>
<td>Investors</td>
<td>Investors</td>
</tr>
<tr>
<td>Definition of materiality</td>
<td>U.S. Supreme Court</td>
<td>Proprietary</td>
<td>Proprietary</td>
<td>U.S. Supreme Court</td>
</tr>
</tbody>
</table>

Sources Of Metrics And Alignment
Identifying points of alignment among initiatives helps reduce the reporting burden

Sources of SASB Metrics:

- Required, but not publicly reported:
  - Industry Trade Association disclosures
    - e.g., CDSB (code of sustainable business)

- Required, publicly reported:
  - Voluntary CSR disclosures
    - e.g., GRI (global report on sustainability disclosure framework)
  - SEC filings
    - e.g., 10-K, 10-Q statements

- Required, but not publicly reported:
  - Industry Trade Association disclosures
    - e.g., CDSB (code of sustainable business)

- Optional, but commonly internally tracked:
  - e.g., energy and water use, carbon footprint

- Internally Available

Source: Representative sample of provisional and exposure draft SASB standards for six sectors and 51 industries
Questions?