



# **Delta Series for the Consumption 1 Sector**

Changing Standards for a Changing World

SASB



## DELTA SERIES CONFERENCE: CONSUMPTION 1

- 8:30 **Host Remarks** – Curtis Ravenel , Bloomberg LP
- 8:40 **SASB Overview** – Jean Rogers, SASB
- 8:50 **Honored SASB Board Member-** Bob Eccles, Harvard Business School
- 9:00 **Keynote:** Cindy Fornelli, Center for Audit Quality
- 9:15 **SASB: Consumption Sector Overview and Looking Forward**  
Katie Schmitz Eulitt, Jerome Lavigne-Delville, SASB
- 9:50 **Coffee Break**
- 10:10 **Delta Series Platinum Sponsor-** Bruno Bertocci, UBS
- 10:45 **Panel: Do Investors Care about Sustainability? Investor Relations vs. Institutional Investor Perspectives,** Ted Allen, NIRI, Carol Clark & Graham StaleyAnheuser-Busch InBev, Bruno Bertocci, UBS Global Asset Management
- 11:50 **Closing Remarks-**Matthew Orsagh, CFA Institute
- 12:00 **Lunch (followed by afternoon workshops)**

## Special Thanks to Our

### PLATINUM SPONSOR



### SILVER SPONSOR



### INKIND SPONSOR

**Bloomberg**



# Special Thanks to Our Supporters

**Bloomberg  
Philanthropies**

GORDON AND BETTY  
**MOORE**  
FOUNDATION



THE F.B. HERON FOUNDATION

**generation**\_\_\_\_  
foundation



EILEEN FISHER  
COMMUNITY  
FOUNDATION

THE  
**ROCKEFELLER**  
FOUNDATION

TomKat  
Charitable Trust

SASB Board of  
Directors

**Metanoia Fund**



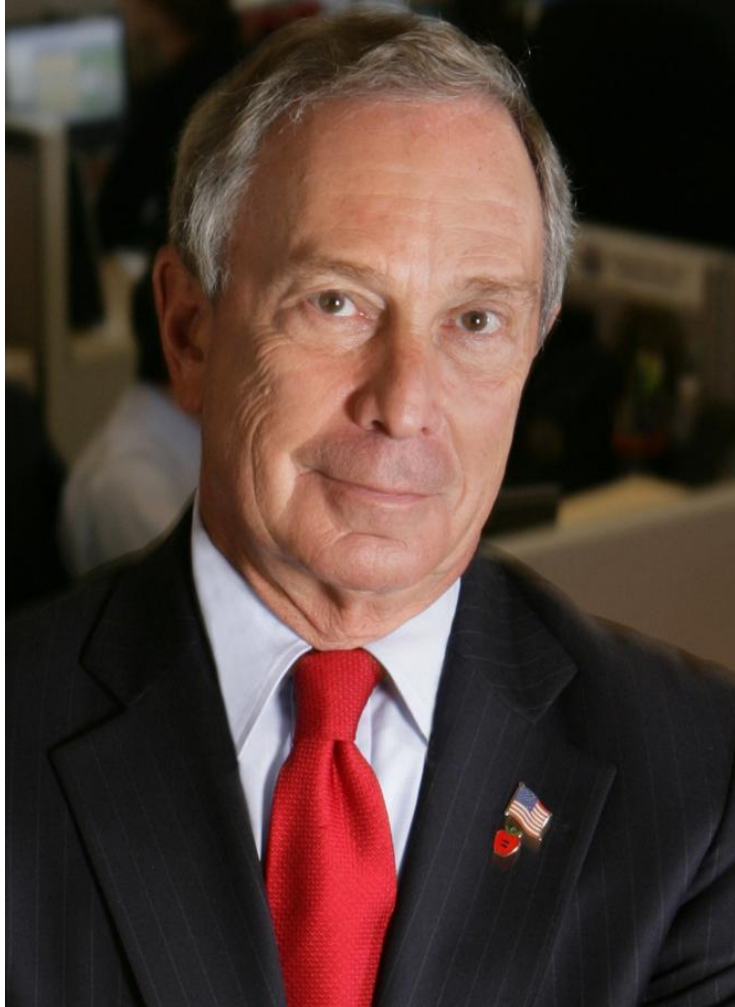


# Curtis Ravenel

Global Head, Sustainability Group  
Bloomberg L.P.



# Michael Bloomberg, SASB Board Chairman



*"The more complete and reliable the information that investors have, the better markets work—and that benefits not only individual investors but all of society."*



# Jean Rogers

SASB CEO and Founder



#DeltaSeries



## **Bob Eccles**

Professor of Management Practice, Harvard Business School and Founding Chair, SASB Board



**HARVARD | BUSINESS |  
SCHOOL**

**Some Reflections on Nonfinancial Reporting**  
**Consumption Sector Delta Series Conference**  
**Sustainability Accounting Standards Board**

**Professor Robert G. Eccles**

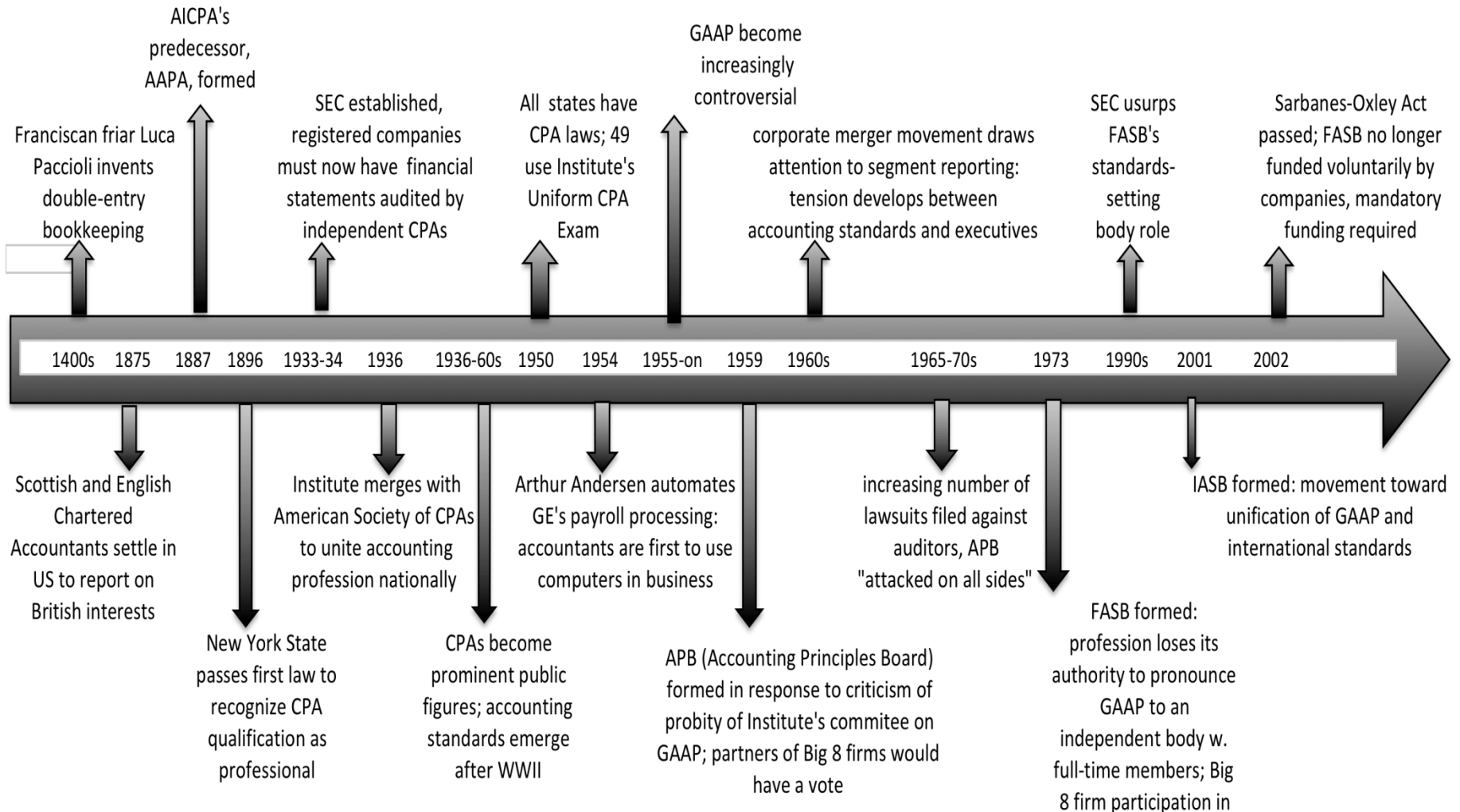
**October 16, 2014**



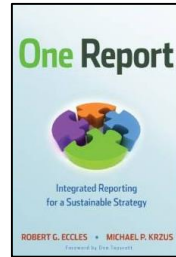
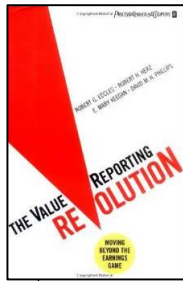


# A Brief History of Financial Accounting

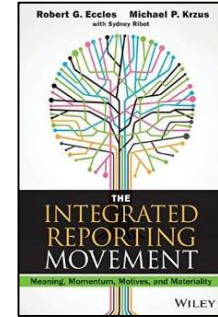
## Major Developments



# An Even Briefer History of Nonfinancial Accounting



IR Framework



1997

2001

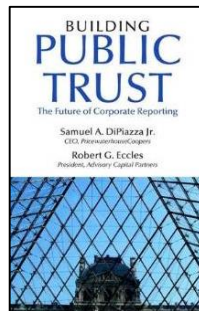
2002

2010

2011

2013

2014



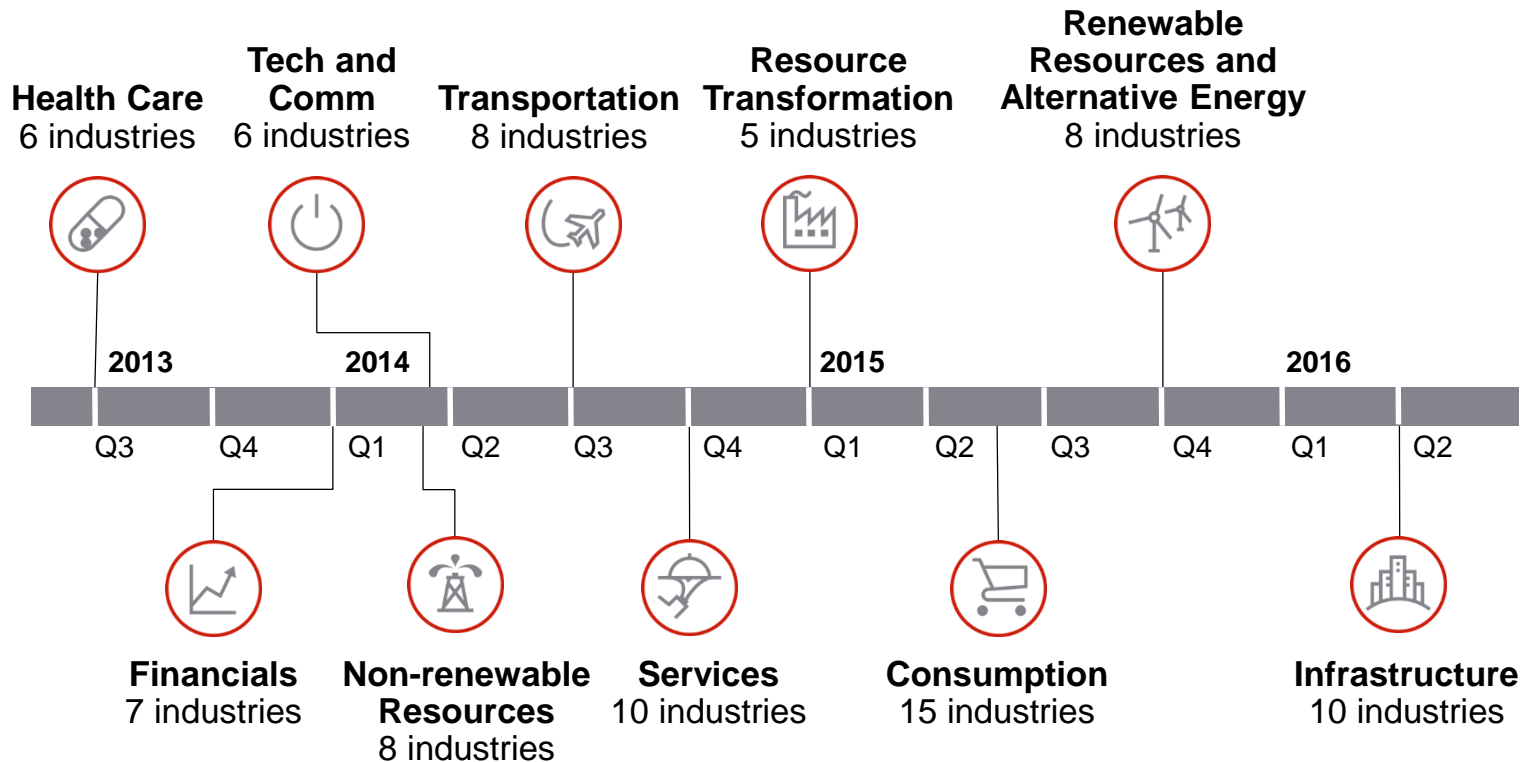
Climate Change Reporting Framework

GRI G4

**SASB Board Additions:**  
Michael Bloomberg, Chair  
Mary Schapiro, Vice Chair



# Status of SASB Standards



# Harmonization

## U.S. BASED Support Mandatory Filings

SEC

*Protecting  
Investors*

SASB provides guidance on the materiality of sustainability issues and standards for comparable disclosure to investors

FASB

*Financial  
Accounting  
Standards*

SASB standards for non-financial information complement FASB standards for financial information

## GLOBAL BASED Support Voluntary Reports

IIRC

*<IR Framework*

SASB is a practical application of integrated reporting for the U.S. capital markets

GRI

*Global Issues,  
Voluntary  
Guidelines*

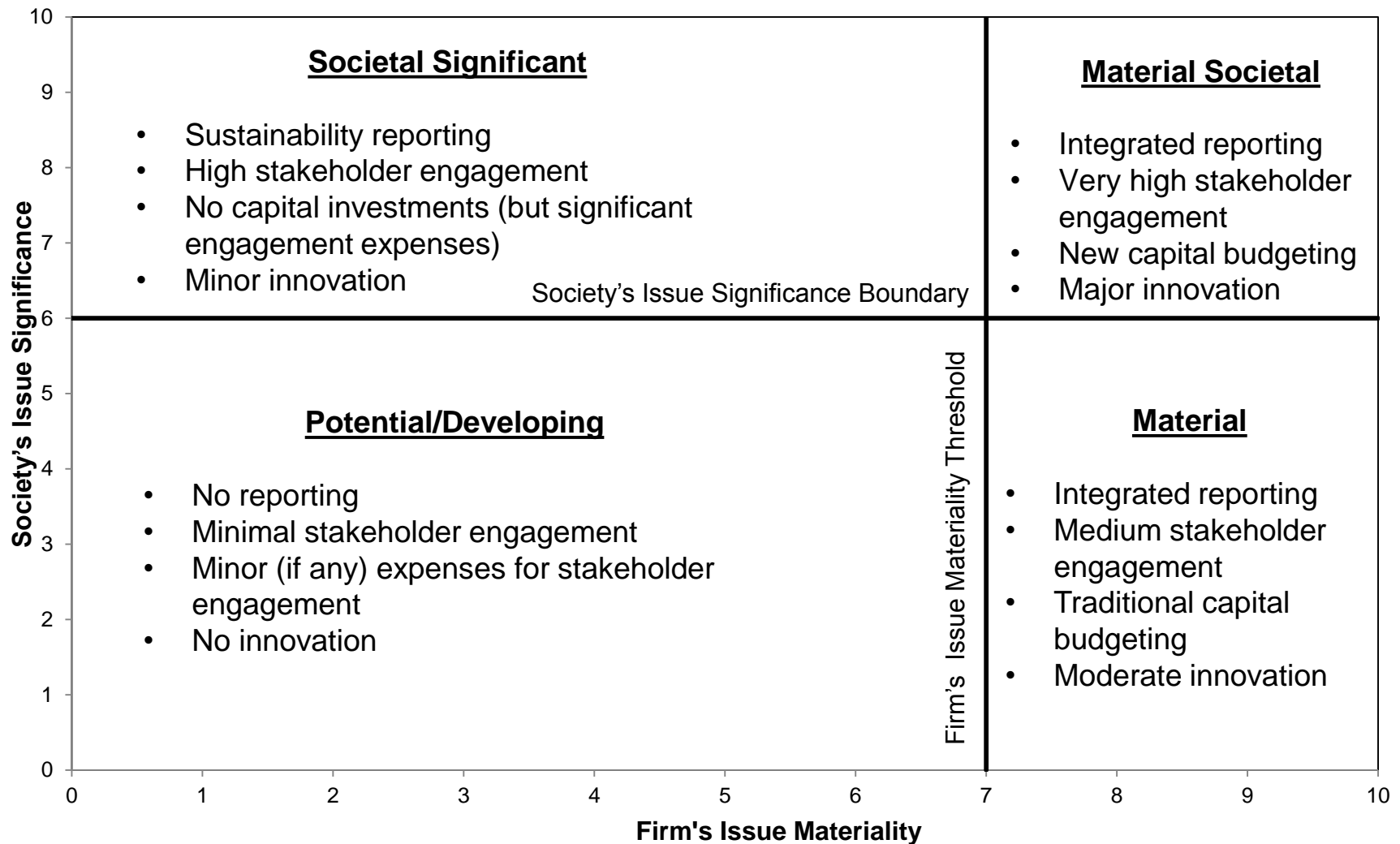
SASB considers GRI guidance and other KPIs during its standard-setting process



# Materiality and Societal Significance

- The SEC does not distinguish between financial and nonfinancial information in its treatment of materiality
  - Entity-specific
  - Binary
  - Requires judgment
  - Should ultimately be decided by the board of directors
- Materiality and Societal Significance determine
  - Reporting
  - Resource allocation amounts and techniques
  - Stakeholder engagement
  - Opportunities for innovation

# Sustainable Value Matrix



# Four Recommendations\*

1. The IIRC needs to establish certification criteria for integrated reports
2. Market and regulatory forces need to be in proportion and evolve by country
3. The Big Four firms and the accounting profession need to be more proactive
4. All key reporting organizations need to collaborate to clarify their respective and mutual messages

\*From *The Integrated Reporting Movement: Meaning, Momentum, Motives, and Materiality* by Robert G. Eccles and Michael P. Krzus with Sydney Ribot, forthcoming John Wiley & Sons, November 2014.



# Cindy Fornelli

Executive Director, Center for Audit Quality







**CENTER  
FOR AUDIT  
QUALITY**

Serving Investors, Public Company Auditors & the Markets  
Affiliated with the American Institute of CPAs

# ***Investor Data, Policy Insights***

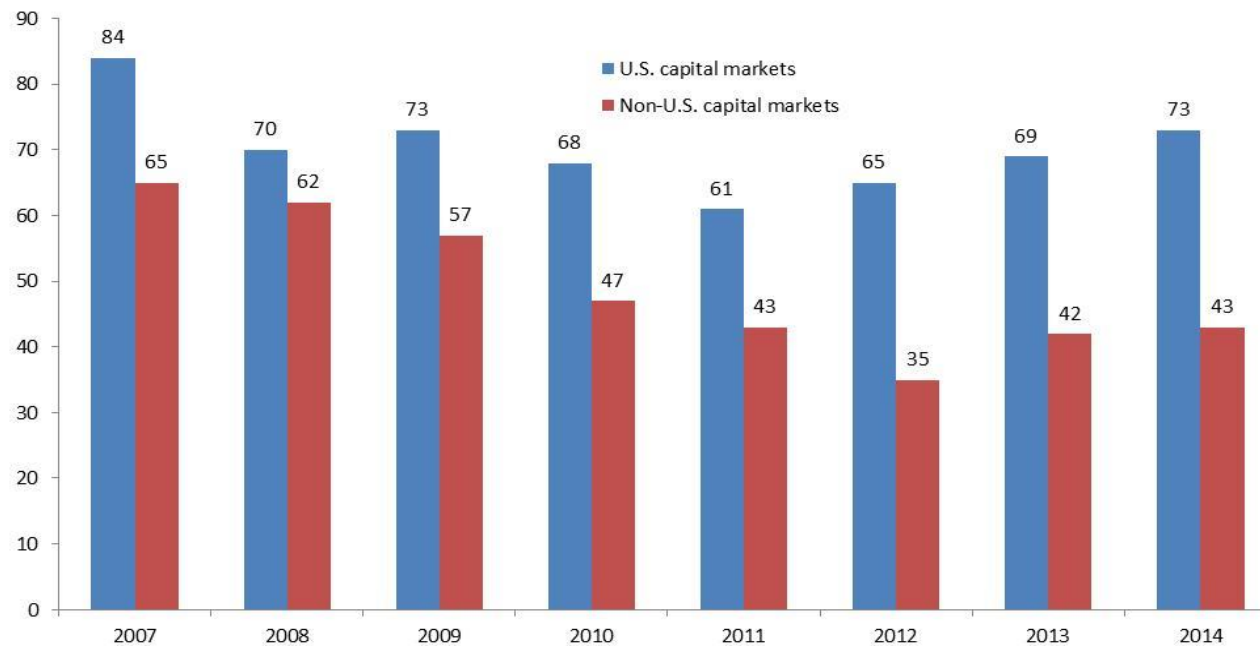
**Cindy Fornelli  
Executive Director  
Center for Audit Quality**

SASB Consumption Sector Delta Series Conference  
October 16, 2014  
New York, NY

## CAQ 2014 Main Street Investor Survey

- Confidence in Capital Markets

*Percentage of those who have some, quite a bit, or a great deal of confidence*



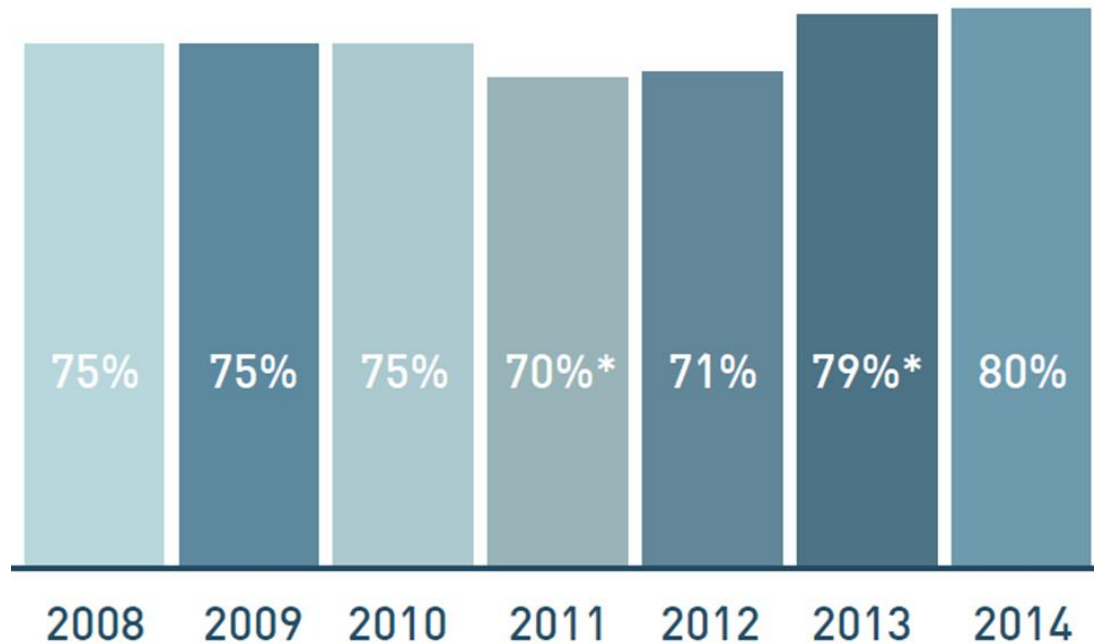
Source: The CAQ's Eighth Annual Main Street Investor Survey



## CAQ 2014 Main Street Investor Survey

- Confidence in U.S. Public Companies

*Percentage of those who have some, quite a bit, or a great deal of confidence*



\* Change is statistically significant; Source: The CAQ's Eighth Annual Main Street Investor Survey



## CAQ 2014 Main Street Investor Survey

- **Confidence in Entities to Look Out for Investors**  
*Percentage of respondents expressing confidence that each entity is effective in looking out for investors' interests*

Entity	2014	2013	2012	2011
Independent auditors who audit publicly traded companies	75	72	70	67
Independent audit committees of publicly traded companies	71	69	65	63
Financial advisors and brokers	70	69	66	66
Stock exchanges	70	55	50	48
Financial analysts	68	65	63	60
Credit rating agencies	64	57	54	49
Investigative journalists	58	62	60	58
Corporate management of publicly traded companies	54	52	48	51
Government regulators and oversight	50	50	39	39
Corporate boards of directors	49	49	46	47
Congress	24	NA	NA	NA

*NA: Not available; Source: The CAQ's Eighth Annual Main Street Investor Survey*



**CENTER  
FOR AUDIT  
QUALITY**

Serving Investors, Public Company Auditors & the Markets  
Affiliated with the American Institute of CPAs

# ***Investor Data, Policy Insights***

**Cindy Fornelli  
Executive Director  
Center for Audit Quality**

SASB Consumption Sector Delta Series Conference  
October 16, 2014  
New York, NY



# Sustainability Accounting Standards Board

Consumption Sector Overview and Looking Forward

**October 16, 2014**

**Katie Schmitz Eulitt**  
**Director, Stakeholder Engagement**

**Jerome Lavigne-Delville**  
**Director, Standards Development**

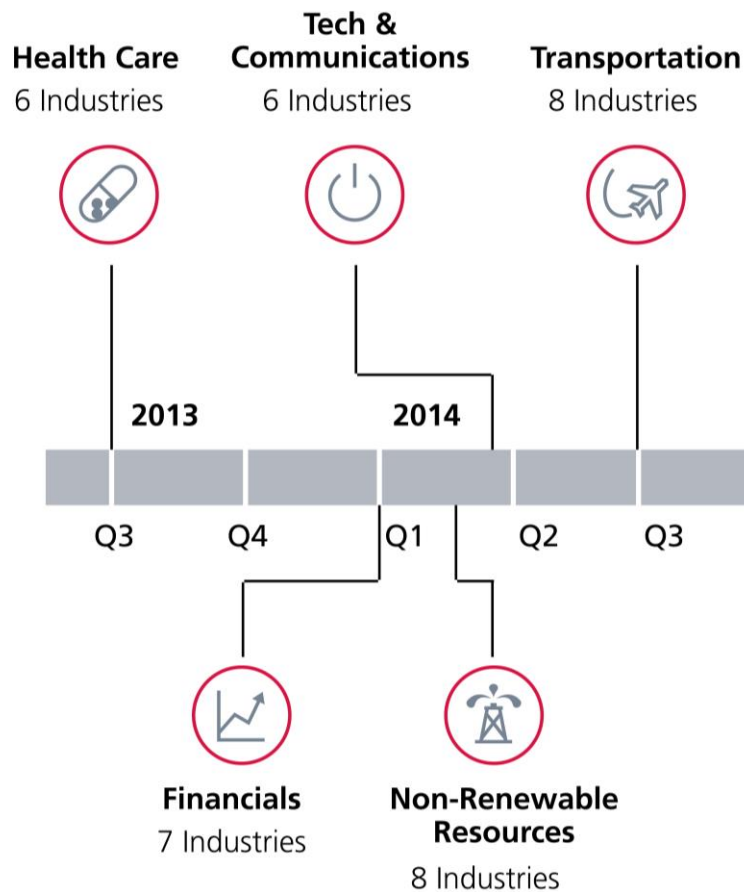
# Agenda

- SASB Progress Snapshot
- The Why
- The How
- The What
- Investor use of SASB research and data
- Consumption Sector Findings & Next Steps

# SASB Standards Issued to Date



standards issued to date

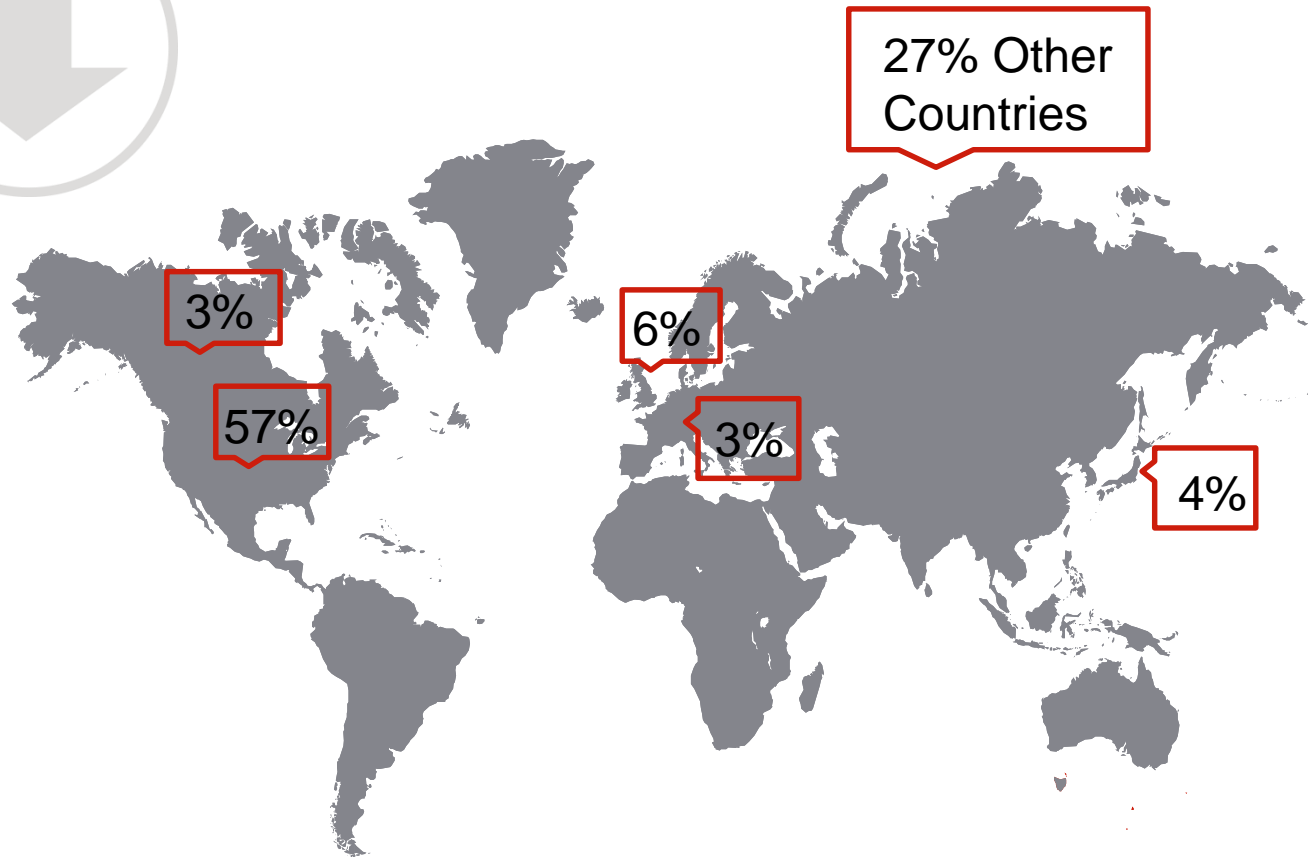




# SASB Progress Snapshot

SASB standards draw wide interest across the global capital markets

>4,200  
STANDARDS  
DOWNLOADS  
in 65+ countries



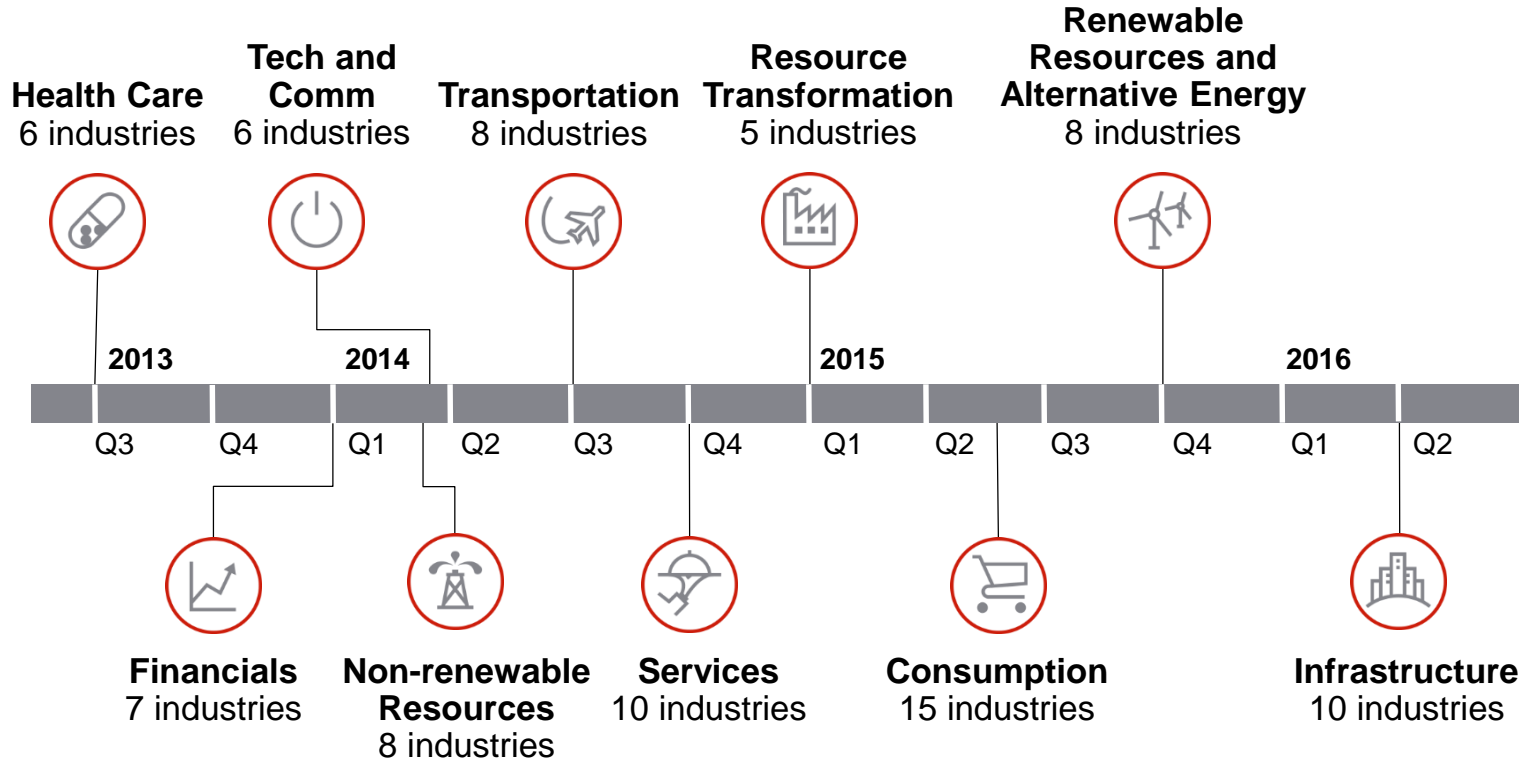
## Top Capital Markets

1. U.S. (\$25.9B)
2. E.U. (\$10.4B)
3. Japan (\$4.6B)
4. Hong Kong (\$3.1B)
5. China (\$3.9B)

Source: WFE, June 2014

# The Path Ahead

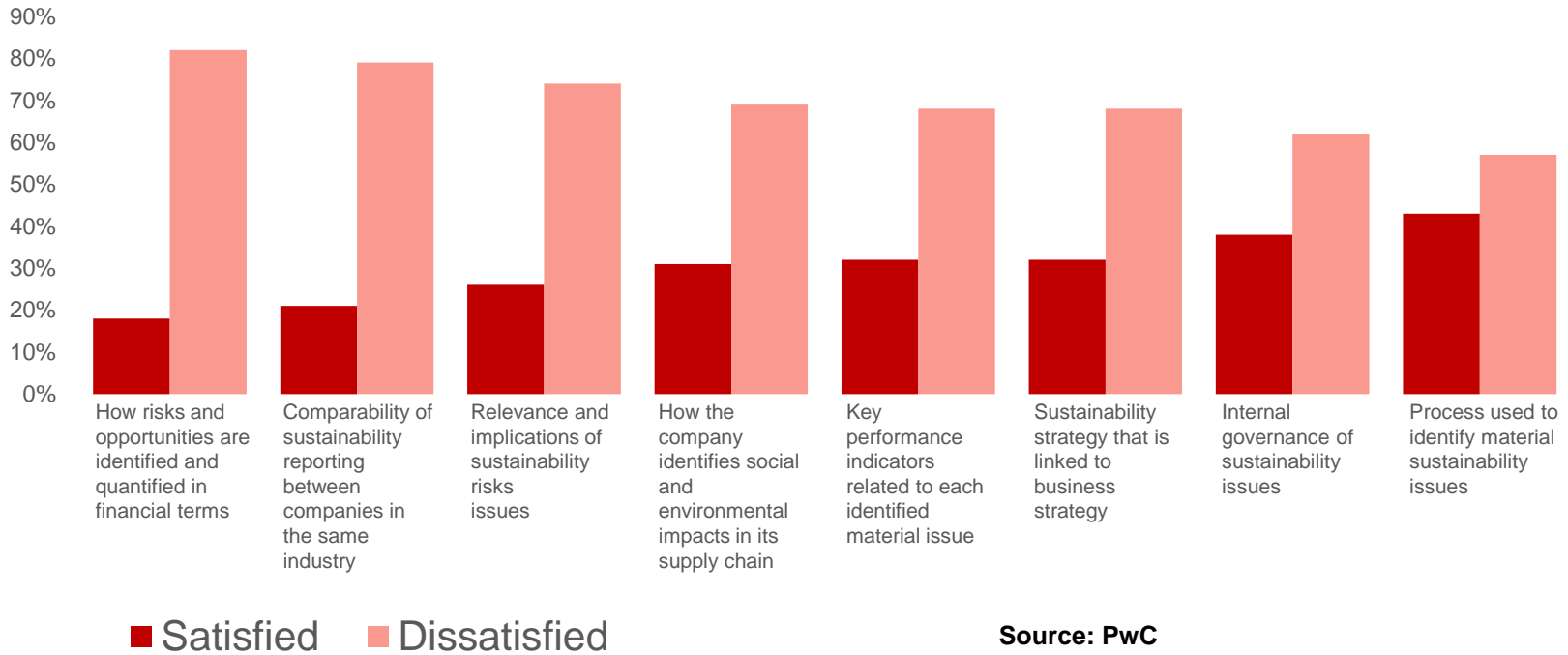
By 2016, SASB will have issued standards for more than 80 industries in 10 sectors





# Investor Demand

*Focusing specifically on US-listed companies, how satisfied are you with the information currently being provided by these companies on the following topics?*



Source: PwC  
*Sustainability Goes Mainstream, May 2014*

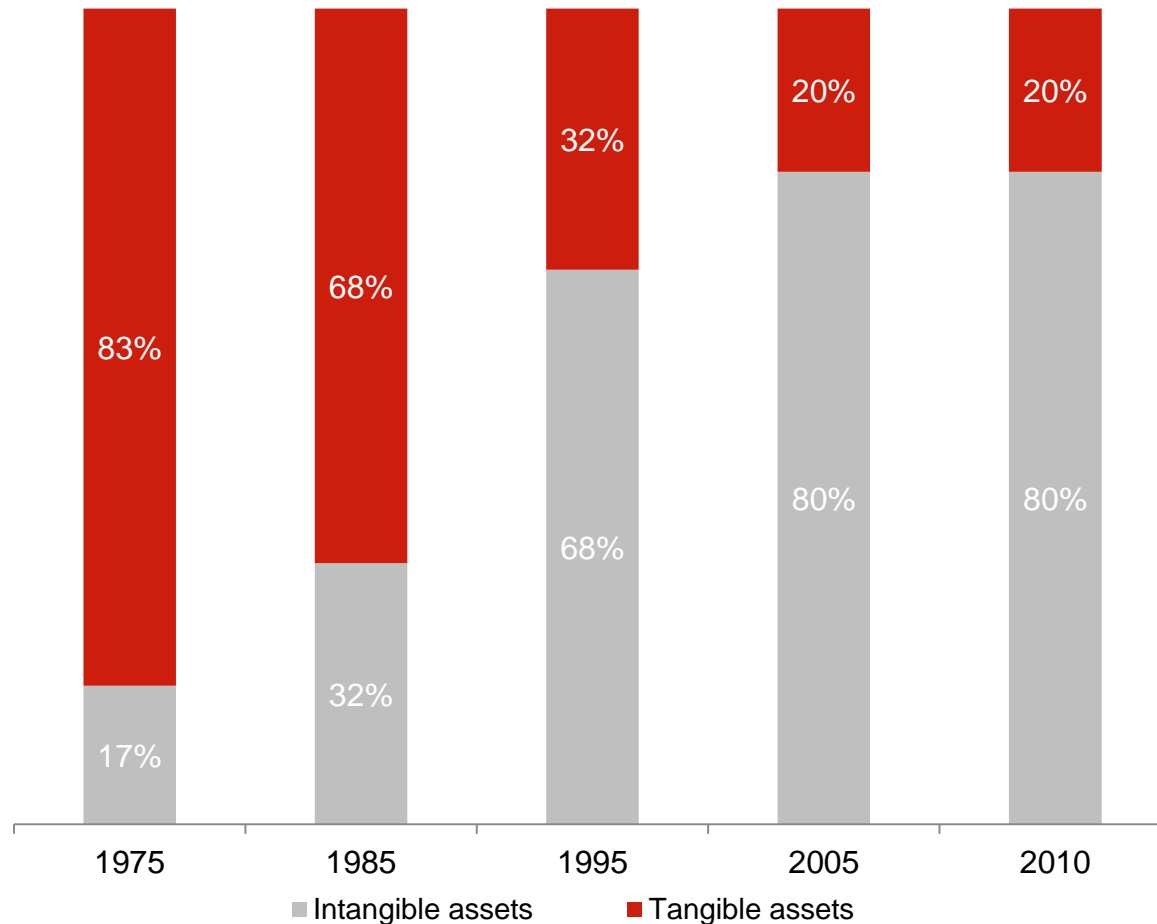
***Investors are challenged to understand how non-financial performance impacts returns***



# Half the Picture is Inadequate

In an intangibles-focused economy, the impact of non-financials on business value is magnified

### Components of S&P 500 Market Value



Source: Ocean Tomo, LLC Annual Study of Intangible Asset Market Value



# Enter SASB

Filling the void, enhancing market efficiency with improved non-financial disclosure

*SASB envisions a world where a shared understanding of corporate sustainability performance allows companies and investors to make informed decisions that drive value and improve sustainability outcomes.*

## SASB's mission

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 80+ industries
- Guided by the U.S. Supreme Court's definition of materiality, SASB prioritizes topics of disclosure and standardizes the form of disclosure.





# The Universe of Sustainability Issues

How do companies prioritize? How do investors understand ESG value drivers?

## Environment

- Climate change
- Environmental accidents and remediation
- Water use and management
- Energy management
- Fuel management and transportation
- GHG emissions and air pollution
- Waste management and effluents
- Biodiversity impacts

## Social capital

- Communications and engagement
- Community development
- Customer satisfaction
- Customer health and safety
- Disclosure and labeling
- Marketing and ethical advertising
- Access to services
- Customer privacy
- New markets

## Human capital

- Diversity and opportunity
- Training and development
- Recruitment and retention
- Compensation and benefits
- Labor relations and union practices
- Employee health, safety and wellness
- Child and forced labor

## Business model and innovation

- Long term viability of core business
- Accounting for externalities
- Research, development and innovation
- Product societal value
- Product lifecycle impact
- Packaging
- Product pricing
- Product quality and safety

## Leadership and governance

- Regulatory and legal challenges
- Policies, standards, codes of conduct
- Business ethics and competitive behavior
- Shareholder engagement
- Board structure and independence
- Executive compensation
- Lobbying and political contributions
- Raw material demand
- Supply chain standards and selection
- Supply chain engagement and transparency



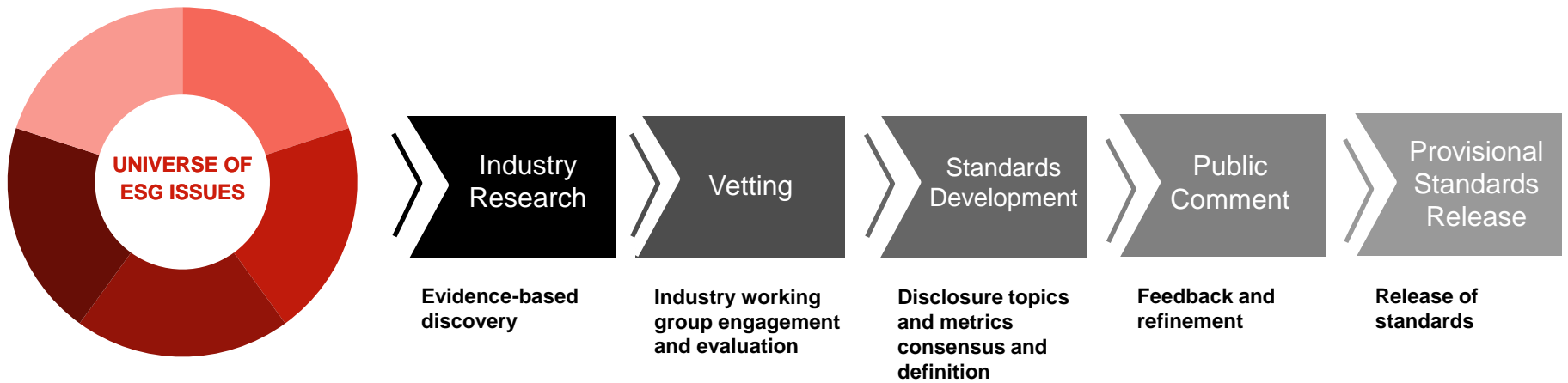
# Narrowing The Focus

SASB's prioritization starts with a comprehensive set of sustainability issues



# Rigorous, Transparent Process

SASB standards are rooted in evidence and shaped by consensus





# SASB Guidance

## Standards, Technical Protocols, and Industry Briefs

### SASB Standards and Technical Protocol

Table 1. Material Sustainability Topics & Accounting Metrics

TOPIC	CODE	ACCOUNTING METRIC
Access to Medicines	HC0102-01	Description of initiatives to promote access to health care products
	HC0102-02	Access to Medicines
Drug Safety and Side Effects	HC0102-03	Description of drug safety and side effects
	HC0102-04	Numerical metrics related to drug safety and side effects
	HC0102-05	Disclosure of drug safety and side effects
	HC0102-06	Disclosure of drug safety and side effects
Safety of Clinical Trial Participants	HC0102-07	Disclosure of safety of clinical trial participants

**Description**

Pharmaceutical companies play an important role in providing access to health care. Firms can develop pricing frameworks that account for differing levels of needs across various countries. Further, the industry can target priority diseases. An approach to access to medicines can yield opportunities for growth, innovation, and can enhance shareholder value.

**Accounting Metrics**

**HC0102-01. Description of initiatives to promote access to health care defined by the Access to Medicine Index.**

- Disclosure applies to initiatives the registrant, launched, funded, supported, or planned during the fiscal year that related to improving access to health care in prior years if it was authorized for sale and available during the fiscal year. Initiatives that began or concluded during the fiscal year. Initiatives that began or concluded during the fiscal year, however, should indicate this condition.
- The following issues as they relate to access to health care initiatives should be discussed: research and development, pricing, public policy and market access, and manufacturing.

### SASB Industry Brief

**MATERIAL SUSTAINABILITY ISSUES**

- Environmental Capital**
  - Energy and Waste Efficiency
- Social Capital**
  - Access to Health Care
  - Safety of Clinical Trial Participants
  - Ethical Marketing
  - Counterfeit Drugs
  - Drug Safety and Side Effects
  - Affordability and Fair Pricing
- Human Capital**
  - Employee Health and Safety
  - Employee Retention
- Business Model**
- Governance**
  - Corruption and Bribery

**INDUSTRY SUMMARY**

The pharmaceutical industry develops, manufactures, and markets a range of medications.

**Evidence of Materiality | Pharmaceuticals**

The following table provides a summary of the evidence of materiality for each issue in the pharmaceuticals industry.

MATERIAL SUSTAINABILITY ISSUES	EVIDENCE OF INTEREST			EVIDENCE OF FINANCIAL IMPACT			FORWARD-LOOKING IMPACT			
	MM	Other	Other	Revenue / Cost	Asset / Liability	Cost of Capital	EPS	Probability	Magnitude	Timing
ENVIRONMENTAL CAPITAL	Energy, Water, and Waste Efficiency	40%								
SOCIAL CAPITAL	Safety of Clinical Trial Participants	55%								
	Ethical Marketing	60%								
	Access to Medicines	50%								
	Affordability and Fair Pricing	80%								
HUMAN CAPITAL	Drug Safety and Side Effects	100%								
	Counterfeit Drugs	100%								

**Analysis of 10-K Disclosures | Pharmaceuticals**

The following graph demonstrates an aggregate assessment of how the top ten companies in the industry currently reporting on material sustainability issues in the Form 10-K. The analysis was completed on 10-Ks filed through 2013. The graph does not reflect disclosure on all issues.

**DISCLOSURE ON MATERIAL SUSTAINABILITY ISSUES**

Issue	Disclosure Percentage
Energy, Water, and Waste Efficiency	40%
Affordability and Fair Pricing	80%
Manufacturing and Supply Chain Quality Management	60%
Corruption and Bribery	100%
Safety of Clinical Trial Participants	55%



# Cost-Effective Disclosures

SASB provides a cost-effective way to report on material sustainability factors

**Disclosure Topics for the Health Care Sector**  
Results of our evidence-based research and vetting processes

	Biotechnology and Pharmaceuticals	Medical Equipment and Supplies	Health Care Delivery	Health Care Distribution	Managed Care
Environmental Capital	<ul style="list-style-type: none"> <li>Energy, water and waste efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Energy, water and waste efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Energy, water and waste efficiency</li> <li>Climate change impacts on human health</li> </ul>	<ul style="list-style-type: none"> <li>Fuel efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Climate change impacts on human health</li> </ul>
Social Capital	<ul style="list-style-type: none"> <li>Safety of clinical trial participants</li> <li>Access to Medicines</li> <li>Counterfeit drugs</li> <li>Ethical marketing</li> </ul>	<ul style="list-style-type: none"> <li>Product safety</li> <li>Affordability and fair pricing</li> <li>Ethical marketing</li> </ul>	<ul style="list-style-type: none"> <li>Quality of care and patient satisfaction</li> <li>Access for low-income patients</li> <li>Patient privacy and electronic health records</li> </ul>	<ul style="list-style-type: none"> <li>Product safety</li> <li>Counterfeit drugs</li> </ul>	<ul style="list-style-type: none"> <li>Access to coverage</li> <li>Customer privacy and technology standards</li> </ul>
Human Capital	<ul style="list-style-type: none"> <li>Employee recruitment, development and retention</li> <li>Employee health and safety</li> </ul>		<ul style="list-style-type: none"> <li>Employee recruitment, development and retention</li> </ul>		
Innovation	<ul style="list-style-type: none"> <li>Affordability and fair pricing</li> <li>Drug safety and side-effects</li> </ul>	<ul style="list-style-type: none"> <li>Product design and lifecycle management</li> </ul>		<ul style="list-style-type: none"> <li>Product lifecycle management</li> </ul>	<ul style="list-style-type: none"> <li>Improved outcomes</li> </ul>
Governance	<ul style="list-style-type: none"> <li>Corruption and bribery</li> <li>Manufacturing and supply chain quality management</li> </ul>	<ul style="list-style-type: none"> <li>Corruption and bribery</li> <li>Manufacturing and supply chain quality management</li> </ul>	<ul style="list-style-type: none"> <li>Fraud and unnecessary procedures</li> <li>Pricing and billing transparency</li> </ul>	<ul style="list-style-type: none"> <li>Corruption and bribery</li> </ul>	<ul style="list-style-type: none"> <li>Plan performance</li> <li>Pricing and billing transparency</li> </ul>


© 2012 SASB™ CONFIDENTIAL & PROPRIETARY

SASB standards average 5 topics and 14 metrics (79% quantitative) per industry.



# Materiality Map™

Visual tool to compare disclosure topics on an industry-by-industry basis



## SASB Materiality Map™

SASB's Materiality Map identifies likely material sustainability issues on an industry-by-industry basis. Click on a highlighted cell at the sector-level and then on any highlighted cell at the industry-level to see suggested accounting metrics and additional information for each issue.

**Sector Level Map**

- Issue is material for more than 50% of industries in sector
- Issue is material for less than 50% of industries in sector
- Issue is not material for any of the industries in sector

**Industry Level Map**

- Material Issue

### ISSUES

Health Care

Financials

Click to expand

Commercial Banks

Investment Banking and Brokerage

Asset Management and Custody Activities

Consumer Finance

Mortgage Finance

Security and C Exchanges

Environment					
GHG emissions					
Air quality					
Energy management					
Fuel management					
Water and wastewater management					
Waste and hazardous materials management					
Biodiversity impacts					
Social Capital					
Human rights and community relations					
Access and affordability					
Customer welfare					
Data security and customer privacy					
Fair disclosure and labeling					
Fair marketing and advertising					
Human Capital					
Labor relations					
Fair labor practices					
Employee health, safety and wellbeing					

### Consumer Finance

[Prev](#) | [Next](#)  
2 of 3

✕

#### Access and affordability

[Prev](#) | [Next](#)  
1 of 4

**Disclosure Topic: Financial Inclusion**

**Evidence of Materiality**

<b>Interest - Medium</b>	<b>Financial Impact - Low</b>	<b>Forward Impact - Yes</b>
HM Score: 52	<input checked="" type="checkbox"/> Revenue/Cost	<input checked="" type="checkbox"/> Probability / Magnitude
IWG Score: 93%	<input checked="" type="checkbox"/> Asset / Liabilities	<input checked="" type="checkbox"/> Externalities
	<input checked="" type="checkbox"/> Cost of Capital	

**Accounting Metrics**

- FN0201-01: Revenue from credit and debit products targeting unbanked and underbanked segments
- FN0201-02: Percentage of new accounts held by first-time credit card holders

38

10/23/2014

© 2014 SASB™

CONFIDENTIAL & PROPRIETARY



# Standards Navigator

Provides digital navigation of SASB standards



Login  
Register

Search



## Welcome to SASB® Standards Navigator Beta

[Home](#)

[Standards Overview ▾](#)

[Reference Material ▾](#)

[Contact Us](#)



Welcome to the SASB Standards Navigator, the source of authoritative SASB Standards recognized by SASB. To get started select a Sector and Industry below in order to view a SASB Industry Standard. To find a specific company's SICS Sector or Industry enter the company's stock ticker in the text box to the right.

**Enter a company stock ticker to find the company's SICS sector and industry.**

Enter Stock Ticker

Find My Sector & Industry



# SASB Enterprise Resource Platform (ERP) Partner Program

Innovation for sustainability tracking and reporting

## ERP Platforms:

- Track all SASB Metrics
- Assess data for accuracy
- Provide auditors a view tracked data
- Capture discussion and analysis alongside quantitative data
- Provide SASB technical guidance for all SASB Metrics





# SICS Licensing™

1st launch of investable products through Corporate Knights Capital




**SICS industries** (outer ring)  
**by SICS sectors** (inner ring)

- Consumption
- Financials
- Health Care
- Infrastructure
- Non-Renewable Resources
- Renewable Resources & Alternative Energy
- Resource Transformation
- Services
- Technology and Communications
- Transportation

# Public Comment Portal

An online feedback tool for SASB stakeholders



Welcome, Guest [Login](#)

## SASB | Public Comment Portal

### Welcome to SASB's Portal for Public Comment

#### Guidelines

SASB welcomes comments from the public. Those providing comments should keep in mind that the proposed disclosure standards are intended to be integrated in standard filings of publicly-traded companies, such as the Form 10-K. As such, they reflect auditable information that is likely to be material to investors and can be disclosed in a cost-effective manner.

**SASB seeks feedback on both draft and provisional standards:**

- In the third phase of SASB's standards development process, SASB releases the Exposure Draft Standard for a 90 day public comment period. Public comment period is currently open for the Services sector. The deadline to submit comments is July 16.
- SASB standards are considered provisional for at least one year after the initial release. During this time, SASB welcomes feedback from the public. Public comment for provisional standards is open for the Health Care, Financials, Technology & Communications, and Non-Renewable Resources sectors.

**Specifically, SASB would like comments to address the following:**

#### DISCLOSURE TOPICS

- Identify any disclosure topics in the Standards that may not be material to a reasonable investor, including an explanation.
- Suggest any disclosure topics not included in the Standards that may be material to a reasonable investor, including evidence supporting your assertion.

#### ACCOUNTING METRICS

- Provide comments to correct, improve, or add to accounting metrics in the standards.
- Suggest additional or alternate accounting metrics to measure performance with respect to a disclosure topic.

#### COST EFFECTIVENESS

- How costly would it be for companies to collect, analyze, and report information required for the proposed accounting metrics?
- Do you anticipate this cost to be a barrier to reporting, adoption, or usage of the proposed accounting metrics?
- What aspects of reporting, if any, would you foresee being most costly for reporting organizations?

[Click Here to Comment](#)

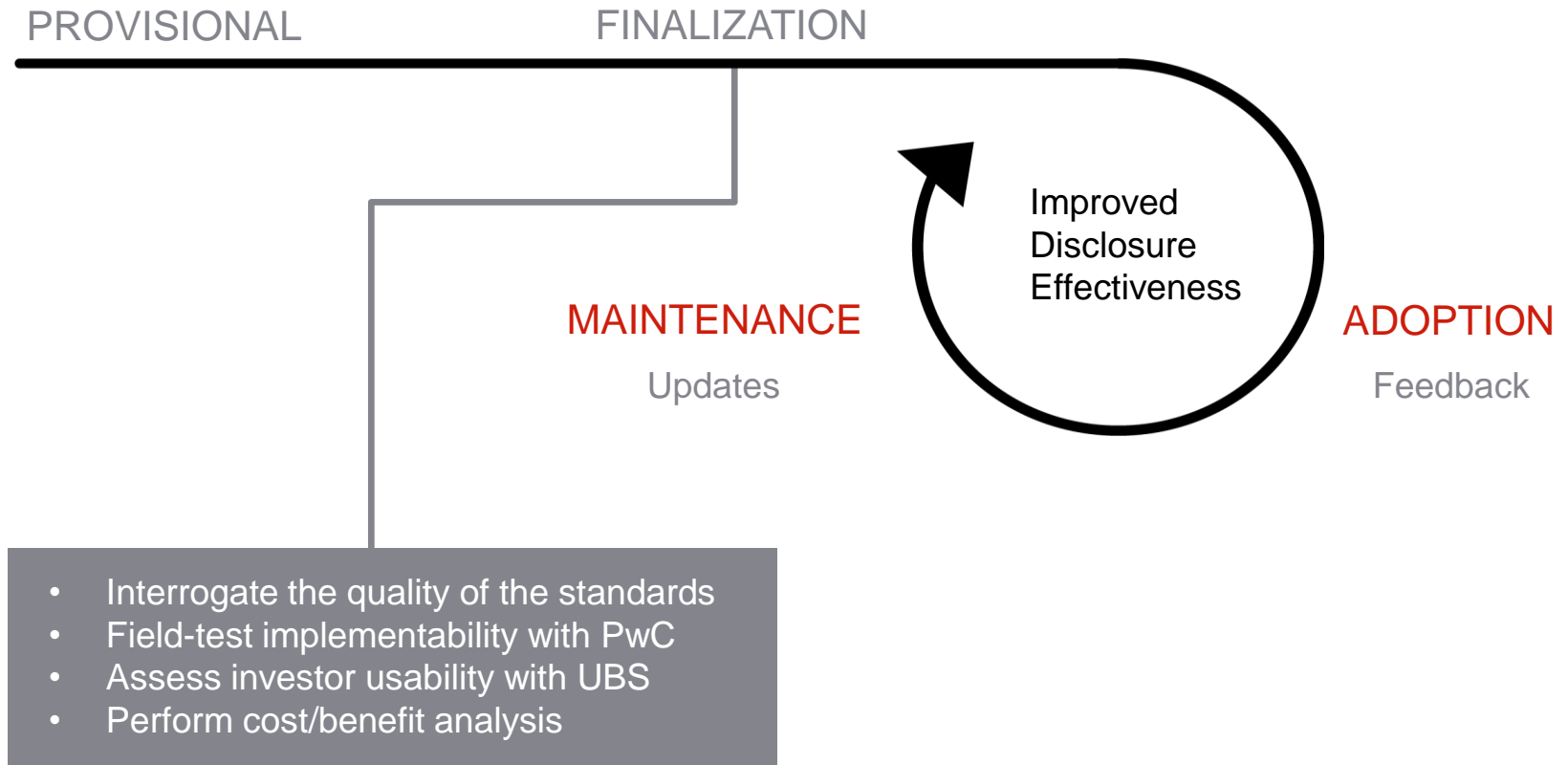
### Contact Us

[Comment on the Standards](#)  
Phone: 415-830-9220



# Looking Ahead

SASB is working with stakeholder groups in anticipation of finalization and adoption



# Making An Impact

SASB has gained broad support from all stakeholder groups



## INVESTORS

“CalPERS supports the Sustainability Accounting Standards Board (SASB), and we encourage the SEC to continue its dialogue with SASB as they develop industry-specific sustainability accounting standards for publicly listed companies.”

**Anne Simpson**, *CalPERS Senior Portfolio Manager and Director of Global Governance*



## 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 immeasurably in this goal.”

**Evan Harvey**, *Managing Director, NASDAQ OMX*



## ACCOUNTANTS

“The standards being developed by SASB are the clear answer to the compelling demand from almost all investors for broader disclosure of non-financial information.”

**Samuel Di Piazza**, *Retired CEO, PricewaterhouseCoopers Intl.*



## LAWYERS

“SASB standards build a new wing on an existing structure in a modern context.”

**Jeffrey Smith**, *Partner, Crowell & Moring*



# Standards Based on Materiality and Supporting Financial Analysis

**Jerome Lavigne-Delville**  
**Director, Standards Development**

*Confidential & Proprietary © 2014 SASB™*

SASB

# A Shared Definition of Materiality

SASB is guided by the Supreme Court definition in prioritizing 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.*

TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438 (1976)

## EVIDENCE OF INTEREST

Issue frequency in five data-driven tests:

- Financial risks
- Legal drivers
- Industry norms
- Stakeholder concerns
- Innovation opportunity

## EVIDENCE OF FINANCIAL IMPACT

Issue impact on financial value drivers:

- Revenue & Costs
- Assets & Liabilities
- Cost of capital

# Evidence of Interest

SASB uses state-of-the art technology to gather evidence of interest

Measures frequency with which **hundreds of topic-specific keywords** appear across different source documents

- SEC Filings (Form 10K, 20F)
- Legal and regulatory news
- CSR Reports
- Media
- Shareholder Resolutions
- Innovation-related news

## SASB Materiality Map

Industry: Oil & Gas - Exploration and Production

IWG:

Sector: Non-Renewable Resources

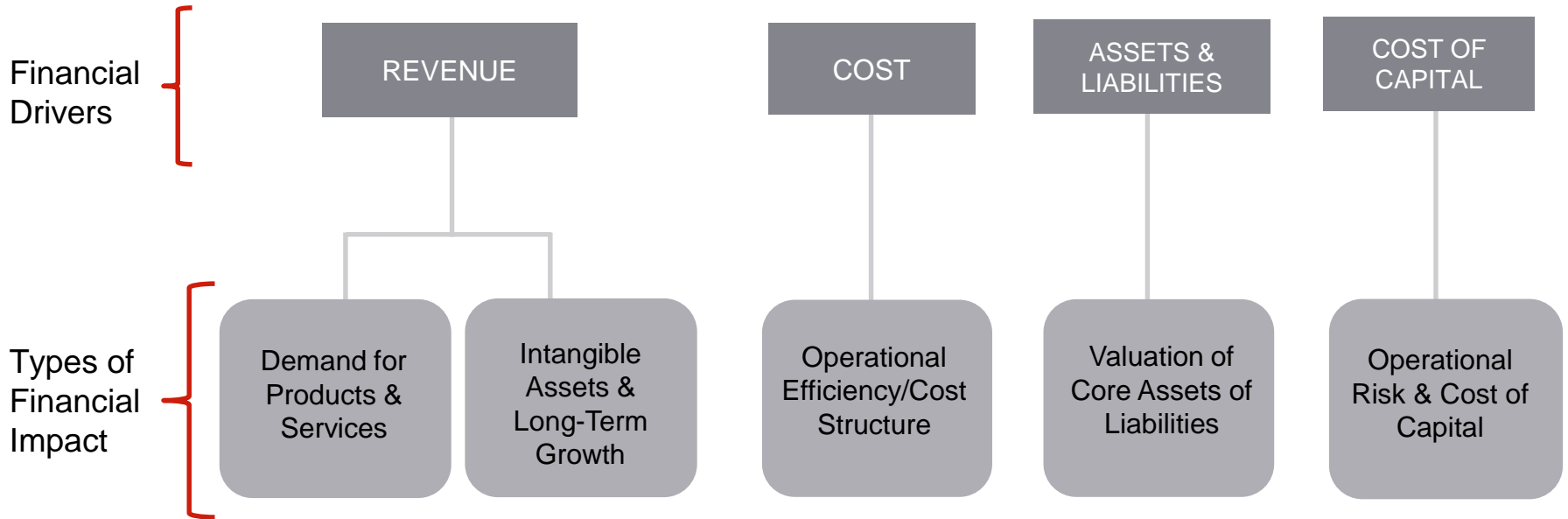
			1	2	3	4A	4B	4	5	Frequency Score
Environment	EN1	Climate change risks	4	0	3	2	0	1	0	8
Environment	EN2	Environmental accidents and remediation	4	3	3	3	4	4	0	14
Environment	EN3	Water use and management	4	2	4	3	0	2	0	12
Environment	EN4	Energy management	4	3	4	4	0	2	3	16
Environment	EN5	Fuel management and transportation	3	0	2	1	2	2	0	7
Environment	EN6	GHG emissions and air pollution	4	3	4	3	3	3	4	18
Environment	EN7	Waste management and effluents	4	4	4	3	3	3	2	17
Environment	EN8	Biodiversity impacts	4	4	3	4	4	4	3	18
Social Capital	CM1	Communications and engagement	1	0	3	3	0	2	0	6
Social Capital	CM2	Community development	1	0	4	2	3	3	0	8
Social Capital	CM3	Impact from facilities	4	2	4	2	2	2	0	12
Social Capital	CN1	Customer satisfaction	0	0	1	0	0	0	0	1
Social Capital	CN2	Customer health and safety	2	0	1	0	0	0	2	5
Social Capital	CN3	Disclosure and labeling	2	0	1	0	0	0	0	3
Social Capital	CN4	Marketing and ethical advertising	1	0	0	0	0	0	0	1
Social Capital	CN5	Access to services	2	1	1	0	0	0	0	4
Social Capital	CN6	Customer privacy	1	0	2	0	0	0	0	3
Social Capital	CN7	New markets	1	0	0	0	0	0	0	1
Human Capital	EM1	Diversity and equal opportunity	2	0	4	3	0	2	0	8
Human Capital	EM2	Training and development	2	0	4	2	0	1	0	7
Human Capital	EM3	Recruitment and retention	3	0	2	3	0	2	0	7
Human Capital	EM4	Compensation and benefits	2	0	3	4	0	2	0	7
Human Capital	EM5	Labor relations and union practices	3	0	1	2	0	1	0	5
Human Capital	EM6	Employee health, safety and wellness	3	0	4	3	3	3	0	10
Human Capital	EM7	Child and forced labor	1	0	2	0	0	0	0	3
Business Model	BI1	Long term viability of core business	0	0	0	0	3	2	0	2
Business Model	BI2	Accounting for externalities	2	0	0	0	0	0	0	2
Business Model	BI4	Research, development and innovation	0	0	2	3	3	3	4	9

Keyword searches powered by: **Bloomberg**



# Evidence of Financial Impact

## Financial analysis of sustainability performance





# Evidence of Financial Impact

## Financial analysis of sustainability performance

1. Demand for Core Products & Services	2. Intangible Assets & Long-term Growth	3. Operational Efficiency & Cost	4. Valuation of Core Assets & Liabilities	5. Operational Risk & Cost of Capital
<p><b>E&amp;S Impact of Products</b></p> <ul style="list-style-type: none"> <li>Product safety</li> <li>Lifecycle impacts</li> <li>ESG solutions</li> </ul> <p><b>ESG impact on demand</b></p> <ul style="list-style-type: none"> <li>Disease migration</li> <li>ESG integration in financial services</li> </ul>	<p><b>Human Capital</b></p> <ul style="list-style-type: none"> <li>Diversity</li> </ul> <p><b>Customer Responsibility</b></p> <ul style="list-style-type: none"> <li>Customer privacy</li> <li>Labelling &amp; marketing</li> </ul> <p><b>Ethics &amp; Safety</b></p> <ul style="list-style-type: none"> <li>Accident &amp; safety</li> <li>Business ethics</li> </ul>	<p><b>Environmental Externalities</b></p> <ul style="list-style-type: none"> <li>GHG emissions</li> </ul> <p><b>Human Capital</b></p> <ul style="list-style-type: none"> <li>Labor relations</li> <li>Health &amp; safety</li> </ul> <p><b>Resource Constraints</b></p> <ul style="list-style-type: none"> <li>Materials sourcing</li> </ul>	<p><b>Impacts from Externalities</b></p> <ul style="list-style-type: none"> <li>ESG integration in investment</li> <li>Stranded assets</li> <li>Climate impacts on agriculture</li> </ul>	<p><b>License to operate</b></p> <ul style="list-style-type: none"> <li>Community relations</li> <li>Systemic risk</li> <li>Political spending</li> </ul> <p><b>Resource Constraints</b></p> <ul style="list-style-type: none"> <li>Materials sourcing</li> </ul> <p><b>Ethics &amp; Safety</b></p> <ul style="list-style-type: none"> <li>Accident &amp; safety</li> <li>Business ethics</li> </ul>

# Standards Support Financial Analysis

SASB standards support a variety of investment strategies

## MACRO TRENDS

Which industries are facing headwinds due to sustainability issues?

## PORTFOLIO ALLOCATION

How can I diversify my ESG risk?

## COMPANY BENCHMARKING

Which companies are leaders?  
Which are laggards?

## SECURITY VALUATION

How should I adjust my discounted-cash-flow analysis for sustainability risk?



# Consumption Sector Findings

**Jerome Lavigne-Delville**  
**Director, Standards Development**

*Confidential & Proprietary © 2014 SASB™*



# Drivers of Sustainability Impact

License to operate, common capitals and externalities

## Extensive **license to operate**

- **Quasi public service**
- **Exclusive use of public goods**
- **Quasi monopoly**
- **Intellectual protection**
- **Fiduciary duty**

## Use of **common capitals**

- **Natural capital** (nature's input to the factors of production).
- **Common capitals** such as infrastructure
- **Human capital**

## High **costs on society** and **negative environmental externalities**

- **High impact on society**, including impact on public health, outsourcing and offshoring, and high incidence of corrupt practices.
- **Environmental externalities**, includes industries with large environmental footprint, (GHG emissions, pollution), or those subject to externalities (climate change, water scarcity).

# Key Sector Takeaways

## Broad Patterns Emerging

### **ADAPTATION TO CLIMATE CHANGE AND WATER SCARCITY**

---

Climate impacts prevalent across the sector, through crop yield or commodity prices, water scarcity. Impacts prevalent in direct operations and supply chain

### **PRODUCT STEWARDSHIP & SOCIAL UTILITY**

---

Food safety and nutrition, labelling and marketing, responsible drinking, public health, packaging lifecycle and product design

### **LAND USE, ECOLOGICAL IMPACT AND GHG EMISSIONS**

---

Land use and ecological impacts of large-scale and intensive operations needed to feed rising populations

# Suggested Material Issues for the Consumption I Sector

	Agricultural Products	Meat, Poultry, and Dairy	Processed Foods	Non-Alcoholic Beverages	Alcoholic Beverages	Tobacco	Household & Personal Products
Environment	<ul style="list-style-type: none"> <li>GHG Emission</li> <li>Water Management</li> <li>Land Use &amp; Eco. Impacts</li> </ul>	<ul style="list-style-type: none"> <li>GHG Emission</li> <li>Water Management</li> <li>Land Use &amp; Eco. Impacts</li> </ul>	<ul style="list-style-type: none"> <li>Energy Management &amp; GHG Emission</li> <li>Water Management</li> </ul>	<ul style="list-style-type: none"> <li>Energy Management &amp; GHG Emission</li> <li>Water Management</li> </ul>	<ul style="list-style-type: none"> <li>Energy Management &amp; GHG Emission</li> <li>Water Management</li> </ul>		<ul style="list-style-type: none"> <li>Water Management</li> </ul>
Social Capital	<ul style="list-style-type: none"> <li>Food Safety</li> </ul>	<ul style="list-style-type: none"> <li>Food Safety</li> </ul>	<ul style="list-style-type: none"> <li>Food Safety</li> <li>Health &amp; Nutrition</li> <li>Labeling &amp; Marketing Integrity</li> </ul>	<ul style="list-style-type: none"> <li>Health &amp; Nutrition</li> <li>Labeling &amp; Marketing Integrity</li> </ul>	<ul style="list-style-type: none"> <li>Responsible Drinking &amp; Marketing</li> </ul>	<ul style="list-style-type: none"> <li>Public Health</li> <li>Responsible Marketing</li> </ul>	
Human Capital	<ul style="list-style-type: none"> <li>Labor Conditions</li> </ul>	<ul style="list-style-type: none"> <li>Workforce Health &amp; Safety</li> </ul>					
B. Model Innov.	<ul style="list-style-type: none"> <li>Climate Change Adaptation</li> </ul>	<ul style="list-style-type: none"> <li>Animal Care &amp; Welfare</li> <li>Climate Change Adaptation</li> </ul>	<ul style="list-style-type: none"> <li>Product Lifecycle Management</li> </ul>	<ul style="list-style-type: none"> <li>Product Lifecycle Management</li> </ul>	<ul style="list-style-type: none"> <li>Product Lifecycle Management</li> </ul>	<ul style="list-style-type: none"> <li>Climate Change Adaptation</li> </ul>	<ul style="list-style-type: none"> <li>Product Lifecycle Management</li> <li>Product Stewardship</li> </ul>
Leadership & Governance	<ul style="list-style-type: none"> <li>Supply Chain Management</li> <li>Management of Legal &amp; Reg. Environment</li> <li>Competitive Behavior</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>

# Consumption Industry Working Groups

Composition, balance, gravitas, participation



- Agricultural Products
- Meat, Poultry, & Dairy
- Processed Foods
- Non-Alcoholic Beverages
- Alcoholic Beverages
- Tobacco
- Household & Personal Products



**Balanced across interest groups**

Corporations | Market Participants | Public Interest/Intermediaries

**SASB INDUSTRY WORKING GROUPS  
REFLECT BROAD-BASED INTEREST**

150

**SURVEYS  
COMPLETED**

\$8.1T

**ASSETS UNDER  
MANAGEMENT**

\$1.5T

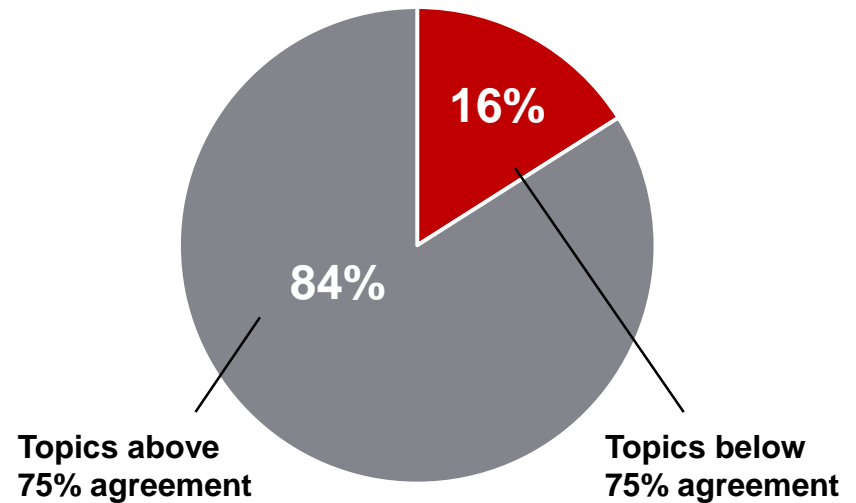
**MARKET CAP**



# IWG Feedback on Disclosure Topics

General agreement on materiality of suggested disclosure topics

- For **84% of topics** across all industries, more than 75% of IWG participants agreed on materiality



Industry	Completed surveys	Avg. approval	Lowest agreement
Agricultural Products	27	88%	70%
Meat, Poultry & Dairy	26	97%	85%
Processed Foods	29	89%	83%
Non-Alcoholic Beverages	18	77%	61%
Alcoholic Beverages	16	81%	69%
Tobacco	7	68%	43%
Household & Personal Products	28	81%	75%



# IWG Feedback On Accounting Metrics – Consumption 1

Building agreement on usefulness and cost-effectiveness of key metrics



**86%** Relevant / Useful

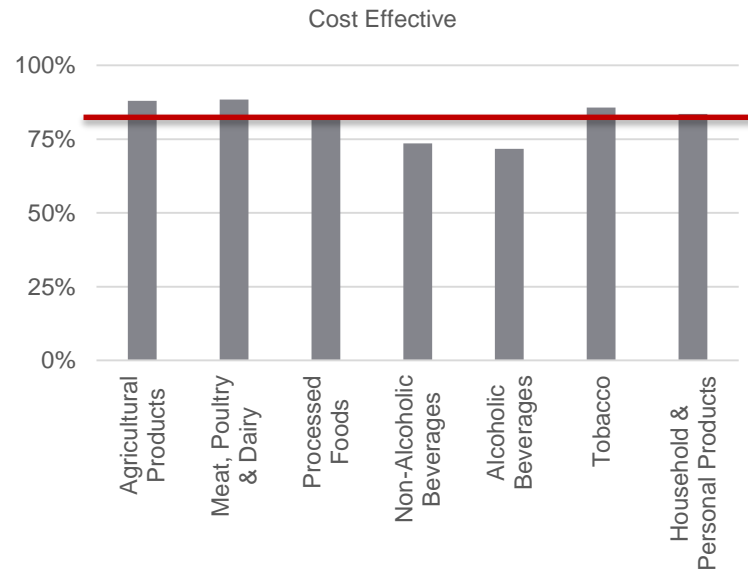
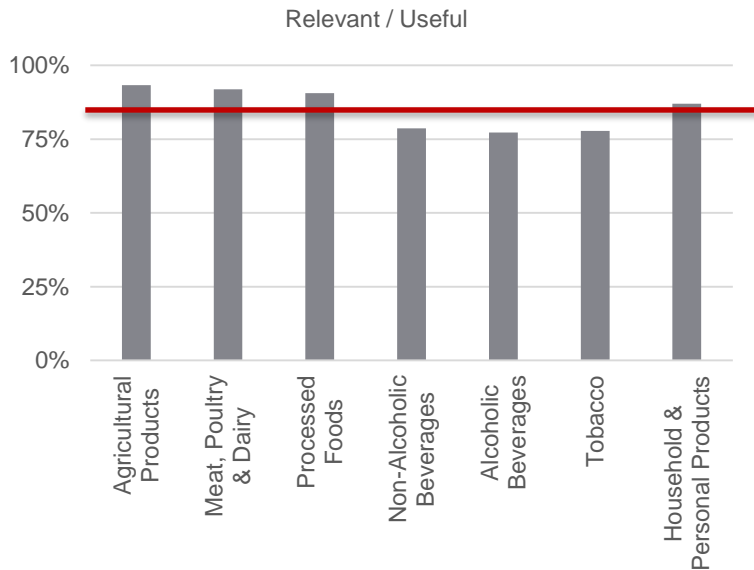
**82%** Cost-effective

**75%** Comparable\*

**81%** Auditable

Average agreement for all accounting metrics and for all industries

## Average % of participants agreeing that metrics meet criteria



\* Not all SASB suggested metrics are quantitative, some require qualitative disclosure

# Industry Working Group Feedback for Consumption I Sector

	Agricultural Products	Meat, Poultry, and Dairy	Processed Foods	Non-Alcoholic Beverages	Alcoholic Beverages	Tobacco	Household & Personal Products
Environment	<ul style="list-style-type: none"> <li>GHG Emission</li> <li>Water Management</li> <li>Land Use &amp; Eco. Impacts</li> </ul>	<ul style="list-style-type: none"> <li>GHG Emission</li> <li>Water Management</li> <li>Land Use &amp; Eco. Impacts</li> </ul>	<ul style="list-style-type: none"> <li>Energy Management &amp; GHG Emission</li> <li>Water Management</li> </ul>	<ul style="list-style-type: none"> <li>Energy Management &amp; GHG Emission</li> <li>Water Management</li> </ul>	<ul style="list-style-type: none"> <li>Energy Management &amp; GHG Emission</li> <li>Water Management</li> </ul>		<ul style="list-style-type: none"> <li>Water Management</li> </ul>
Social Capital	<ul style="list-style-type: none"> <li>Food Safety</li> </ul>	<ul style="list-style-type: none"> <li>Food Safety</li> </ul>	<ul style="list-style-type: none"> <li>Food Safety</li> <li>Health &amp; Nutrition</li> <li>Labeling &amp; Marketing Integrity</li> </ul>	<ul style="list-style-type: none"> <li>Health &amp; Nutrition</li> <li>Labeling &amp; Marketing Integrity</li> </ul>	<ul style="list-style-type: none"> <li>Responsible Drinking &amp; Marketing</li> </ul>	<ul style="list-style-type: none"> <li>Public Health</li> <li>Responsible Marketing</li> </ul>	
Human Capital	<ul style="list-style-type: none"> <li>Labor Conditions</li> </ul>	<ul style="list-style-type: none"> <li>Workforce Health &amp; Safety</li> </ul>					
B. Model Innov.	<ul style="list-style-type: none"> <li>Climate Change Adaptation</li> </ul>	<ul style="list-style-type: none"> <li>Animal Care &amp; Welfare</li> <li>Climate Change Adaptation</li> </ul>	<ul style="list-style-type: none"> <li>Product Lifecycle Management</li> </ul>	<ul style="list-style-type: none"> <li>Product Lifecycle Management</li> </ul>	<ul style="list-style-type: none"> <li>Product Lifecycle Management</li> </ul>	<ul style="list-style-type: none"> <li>Climate Change Adaptation</li> </ul>	<ul style="list-style-type: none"> <li>Product Lifecycle Management</li> <li>Product Stewardship</li> </ul>
Leadership & Governance	<ul style="list-style-type: none"> <li>Supply Chain Management</li> <li>Management of Legal &amp; Reg. Environment</li> <li>Competitive Behavior</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management</li> </ul>

Borderline IWG Approval: ~75%    Medium IWG Approval: 50-75%    Low IWG Approval: <50%



**Accounting for a  
Sustainable Future**



# Coffee Break

9:50-10:05



#DeltaSeries



# Delta Series Platinum Sponsor- UBS

Bruno Bertocci, Managing Director, UBS Global Asset Management

#DeltaSeries



# Panel: Do Investors Care about Sustainability? Investor Relations vs. Institutional Investor Perspectives

**Moderator:** Ted Allen, Director of Practice Resources, National Investor Relations Institute (NIRI)

**Panelists:**

Carol Clark, Global VP, Beer & Better World, Anheuser-Busch InBev  
Graham Staley, VP, Global Investor Relations, Anheuser-Busch InBev  
Bruno Bertocci, Managing Director, UBS Global Asset Management



## A Look into Recent Trends:

- ✓ Pressure from Activists
- ✓ Greater International Interest Europe
- ✓ Dissatisfaction With Current Disclosures
- ✓ Deluge of Questionnaires



## SEC Faces Growing Pressure

Ceres has criticized the SEC for not following through on commitments outlined in the Commission's 2010 guidance on climate change disclosure. Ceres' Investor Network on Climate Risk, which represents \$8T AUM, argues that climate change has become a major concern of the "reasonable investor." Ceres members also filed 142 shareholder proposals on environmental issues this year.





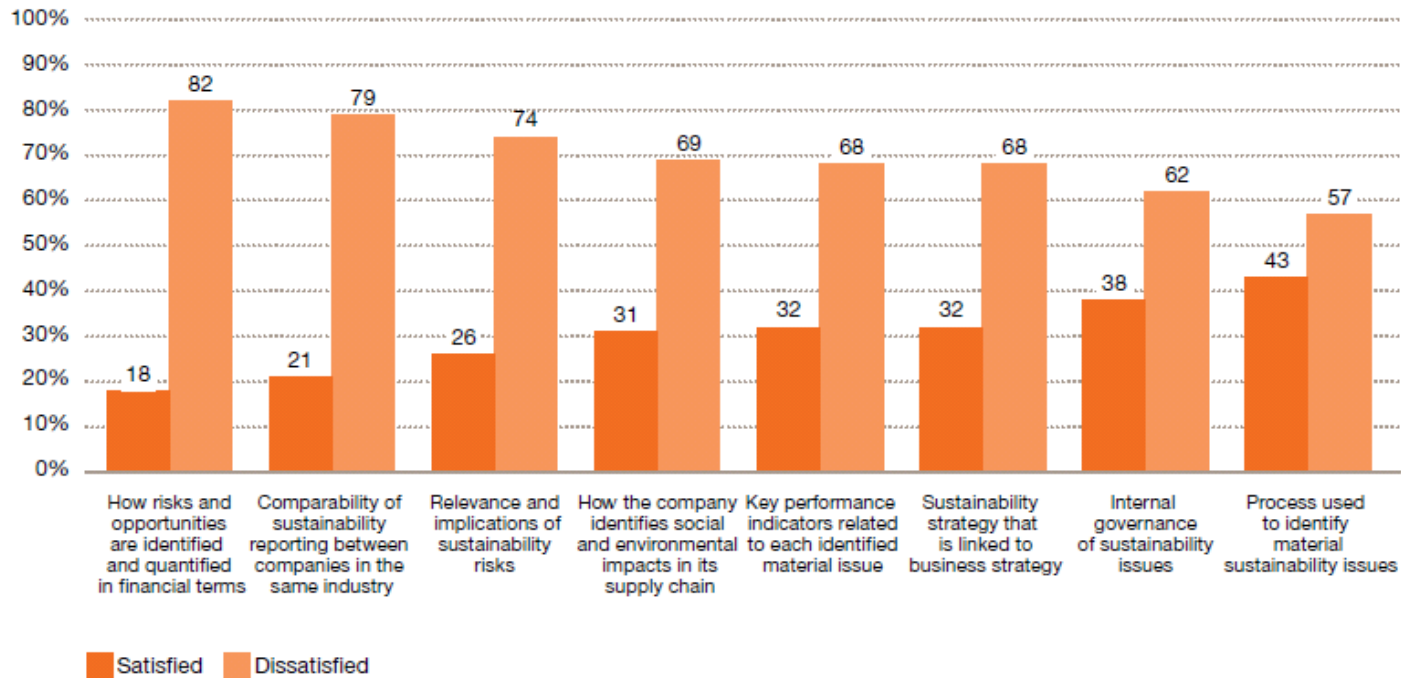
## Growing International Interest

Developments in the EU, India, and China, which are significant markets for many multinational companies, represent what now is a growing trend toward compelling greater transparency in corporate reporting of nonfinancial risks. Investors also are showing more interest. According to PwC, 82% said they consider climate change or resource scarcity in investment decisions.



# Institutional Investors Are Dissatisfied With the Current State of Disclosure

## Investors want better information from companies



Source: PwC Investor Survey, winter/spring series, May 2014



# Current Landscape for Sustainability Performance

## Deluge of Questionnaires

Another challenge for many companies is coping with a flood of surveys, questionnaires, and information requests on ESG issues from advocacy groups, investor advocates, and research firms.



***Companies are challenged to efficiently communicate their non-financial performance. Confusion in the Market Place.***



# Closing Remarks

Matthew Orsagh, CFA  
Director, Capital Markets Policy  
CFA Institute  
October 2014



# Cultures Change Slowly

***Be patient***

# Where have we come From? Where are We going?

**This man may be able to tell us**

**Spoiler alert – he's dead**



# ESG Assets Under Management

## UNPRI Progress

**2014: 1260 Signatories**

**2006 ≈ 150**

**2010 ≈ 750**

**2014: \$45 Trillion Assets Under Management**

**2006 ≈ \$4 Trillion**

**2010 ≈ \$20 Trillion**

# Demand for ESG Data

## Bloomberg ESG Data Offered

**2009: 72 data fields**

**2014: 733 data fields**

## Annual Data Pulls

**2010: 49 Million (from August 2010-Dec 2010)**

**2011: 138 Million hits**

**2012: 173 Million hits**

**2013: 359 Million hits**



# ESG Data Disclosure Improving

## CDP Disclosure Scores for S&P 500 Companies

Climate Disclosure leadership Index (CDLI):

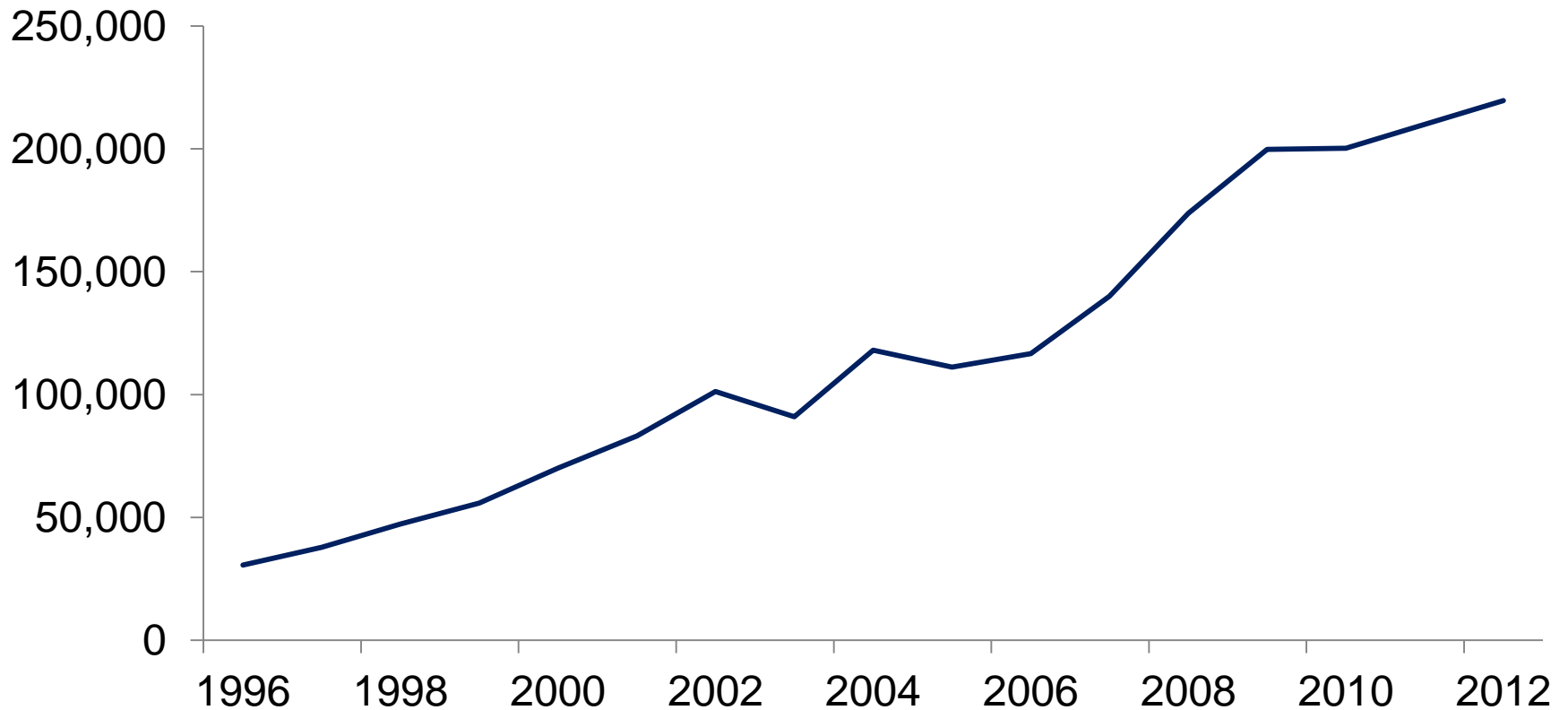
Those is top 10% of disclosure included in CDLI

**2009: Mean score of 80 (321 companies reporting)**

**2014: Mean score of 98.5 (348 companies reporting)**

# CFA Candidates Trained in ESG

200,000+ people taught ESG is part of investment process annually



# Be Patient

**Meet Luca Pacioli**

**Father of Modern Accounting**

**Born in Tuscany in 1445**

**(569 years ago)**

**Signs of Accounting's Being  
Perfected Yet: None**





## DELTA SERIES CONFERENCE: CONSUMPTION 1

- 8:30 **Host Remarks** – Curtis Ravenel , Bloomberg LP
- 8:40 **SASB Overview** – Jean Rogers, SASB
- 8:50 **Honored SASB Board Member-** Bob Eccles, Harvard Business School
- 9:00 **Keynote:** Cindy Fornelli, Center for Audit Quality
- 9:15 **SASB: Consumption Sector Overview and Looking Forward**  
Katie Schmitz Eulitt, Jerome Lavigne-Delville, SASB
- 9:50 **Coffee Break**
- 10:10 **Delta Series Platinum Sponsor-** Bruno Bertocci, UBS
- 10:45 **Panel: Do Investors Care about Sustainability? Investor Relations vs. Institutional Investor Perspectives,** Ted Allen, NIRI, Carol Clark & Graham StaleyAnheuser-Busch InBev, Bruno Bertocci, UBS Global Asset Management
- 11:50 **Closing Remarks-**Matthew Orsagh, CFA Institute
- 12:00 **Lunch (followed by afternoon workshops)**

## Special Thanks to Our

### PLATINUM SPONSOR



### SILVER SPONSOR



### INKIND SPONSOR

**Bloomberg**





**Accounting for a  
Sustainable Future**