A GUEST EXPERT’S GUIDE TO SASB STANDARDS

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With the growing focus on Environmental, Social and Governance (“ESG”) by shareholders, regulators, customers, employees and communities and the vast number of rankers and raters in the marketplace today, all of whom are expecting to see heightened levels of disclosure, it may be difficult for public companies to discern where to focus their resources to ensure that these groups receive accurate and comparable ESG information.

Today’s various ESG frameworks had not yet emerged when I began engaging with shareholders several years ago, while at a public company, with the goal of understanding their perspectives on the matters they consider most important and the most effective way to disclose the information they sought. This presented challenges for both issuers and shareholders, because there were no uniform standards that could be used to compare ESG disclosures across different companies within the same industry. But after ESG frameworks began to emerge, many investors consistently encouraged the use of SASB Standards because they provide a framework for the generation of comparable and reliable information that enables a company to provide transparent, useful and relevant ESG data as it relates to that company’s business, and that may also contribute to long-term value for its investors.

How does one practically accomplish releasing an initial SASB Standards disclosure? This step-by-step guide was created to help do just that.

While the comprehensive SASB Standards Implementation Primer goes into great depth, with case studies, interviews and worksheets to help businesses identify and track their progress on key action items, I originally wrote this step-by-step guide as a brief and practical checklist to fit my company’s unique facts and circumstances. I hope you, too, find it a useful supplement – an eight-step approach walking issuers through the SASB Standards disclosure process:

- Understand your stakeholders’ expectations
- Identify which SASB Standards are applicable to your business
- Perform a gap analysis of your ESG practices and current disclosures
- Consider changes to current practices, if needed
- Draft your SASB Standards disclosure
- Discuss with executive management
- Socialize Your SASB Standards disclosure
- Conduct subsequent shareholder engagement discussions.

I encourage companies to consider working toward releasing their own SASB Standards disclosure. By providing the marketplace with the information that investors and others are seeking, everyone benefits. Both investors and companies gain a better understanding of how ESG risks are being addressed and how ESG opportunities are being optimized.
1 Understand your stakeholders’ expectations

- Start by identifying your key stakeholders and seek to understand their expectations for sustainability disclosure, including the standards and frameworks they prefer issuers to focus on.
- When engaging with institutional investors on ESG matters, your questions may include:
  » What issues and topics do they consider “material” in your industry?
  » How often do they read and evaluate ESG disclosures?
  » How do they use both the data and narrative discussion in your ESG disclosures?
- An Engagement Guide on the SASB Standards website can be used by investors to navigate discussions with issuers. This Guide may serve as a useful starting point for businesses in preparing for discussions about ESG with investors.

2 Identify which SASB Standards are applicable to your business

- An easily searchable Sustainable Industry Classification System (SICS®), allows you to enter any publicly listed company name and find out its primary industry
- The SASB Standard for your industry and any of the other 77 industry-specific Standards can be downloaded free from the SASB Standards website
- Review your primary industry Standard to ensure alignment and, if needed, review other Standards to determine if they are applicable as well. Depending on your company and its business, multiple Standards may be applicable.

RESOURCES:
- ENGAGEMENT GUIDE
- SICS LOOK-UP TOOL
- STANDARD(S) DOWNLOAD

See the SASB Standards Implementation Primer for worksheets and detailed advice and the SASB Standards Application Guidance for technical instructions.
3 Perform a gap analysis of your ESG practices and current disclosures

• Evaluate the extent to which you are already collecting and disclosing the data in the metrics articulated in the SASB Standard(s) applicable to your business

  » This analysis should include all public disclosures issued by your company, including not only ESG disclosures but financial disclosures as well

• Through conversations with individuals across your organization, determine whether the information needed to respond to the remaining metrics is currently being collected, and if so, the purpose for which it is collected. This will allow you to understand not only where your disclosures can be enhanced, but also the degree to which the information already being gathered aligns with the intent behind the inclusion of those metrics in your industry Standard(s)

• Because of the SASB Standards’ focus on financial materiality, you may find that the groups most familiar with your company’s financial disclosures and reporting – including external reporting, investor relations and accounting – have the best access to this information

• Identify any metrics that may need to be modified to improve their applicability to your business

• Further, determine the topics or metrics that you or your financial disclosure counterparts might not want to include in your SASB Standards disclosures. This choice not to provide disclosure on a particular metric may be made because the information:

    » Is not financially material to the business;

    » Is privileged or confidential;

    » Could cause a competitive disadvantage to your company if made publicly available; and/or

    » Is not currently collected in a manner correlative to the intent underlying the SASB Standards metric.

• In addition to determining whether your disclosures cannot or should not include responses to one or more metrics, identify which responses might be viewed negatively by stakeholders (i.e., where your practices are not aligned with investor expectations). Consider whether to provide additional context around those quantitative responses to give investors a more complete understanding.

RECOMMENDATIONS FOR GOOD GOVERNANCE

Depending on your role within the company and your board’s oversight of ESG, you may present your draft SASB Standards report to your board along with the findings of your materiality assessment and gap analysis:

• Socialize the SASB Standards disclosure with the board’s nominating/governance committee (or other appropriate committee)

• Consider presenting a summary of company practices that are not in sync with stakeholders’ expectations and a summary of any related discussions with management regarding those practices

• Simultaneously present recommended changes (if any) for discussion with the nominating/governance committee that may bring the company even closer in alignment with shareholder expectations

• After discussion and evaluation by the nominating/governance committee, the chair of the committee should present the analysis and any recommendations to change company practices to the full board for discussion and evaluation

• If the board is not in agreement with changing the company’s practices, the board should deliberate its position, identify reasons for not making such changes and be prepared to explain their rationale to stakeholders.
4 Consider changes to current practices, if needed

- If you identify areas where performance as measured by SASB metrics does not align with investor expectations, determine whether your business should (and is able to) make changes to improve that performance.
- Review other companies’ practices and/or disclosures to identify how to fill in disclosure gaps and amend your practices.
  » When reviewing SASB Standards disclosures made by other companies, it is best to examine those made by other companies within your sector and industry (or industries), to allow easier cross-comparison of disclosure.
- If it is determined to not align your practices with shareholder expectations, be prepared to explain to stakeholders and/or ESG data providers during follow-up engagements the reasoning behind this decision.
- Draft any proposed changes to your practices and circulate to obtain approval through your normal governance processes.

RESOURCES: COMPANIES REPORTING WITH SASB STANDARDS

5 Draft your SASB Standards disclosure

- Using the industry-specific SASB Standard(s), draft your responses for your SASB Standards disclosure. Pay close attention to the metrics’ technical protocols, which provide definitions and other guidance for conforming with the Standards.
- In addition to your industry-specific Standard(s), follow the SASB Standards Application Guidance, which provides guidance on conforming with the Standards, including how to provide narrative that could provide important context around quantitative responses to improve investors’ understanding of your business.
- Although it is most common to use a question-and-answer (i.e., metric-and-response) format, below are three options on how to present your data:
  » Providing cross-references/hyperlinks to data in the same document or other reports that your company has already made publicly available, including financial as well as ESG-focused disclosures.
  » Put data responses in a SASB Standards table while providing cross-references/hyperlinks to more in-depth narrative discussion and analysis in the same document or other publicly available reports.
  » Drafting original narrative around complete data responses.
    - Investors, ESG data providers and ratings firms prefer the last two methods over just providing cross-reference/hyperlinks because it consolidates your data, making their research easier.
- If your company is not willing or able to respond to a SASB Standards metric in your Standard(s), as in the determination in section three above, consider providing partial information regarding that metric (if possible), and include an explanation of why you are omitting or not fully disclosing the metric. Investors may be concerned about “cherry-picking” if metrics are skipped without any indication that they’re being omitted or why. Similarly, if you modify a metric, explain exactly how and why.
- This drafting process can be accomplished by governance or sustainability officers alone, but the process will likely benefit from the inclusion of the company’s financial-disclosure experts, including representatives from groups such as external reporting and/or investor relations.
- If desired, submit your draft disclosure to external parties, such as a retained law firm and/or ESG-focused organization, for review and recommendations.

RESOURCES: STANDARDS APPLICATION GUIDANCE
6 Discuss with executive management

• Consider routing your draft ESG disclosure through your normal internal review/control process. This step is particularly important if you are disclosing new information
• Discuss with executive management the results of your gap analysis with respect to disclosure and practices
• Also discuss any additional changes that you believe need to be made to your practices for the future
• Discuss with executive management the remaining steps that need to occur in order to make your SASB Standards disclosure publicly available.

RESOURCES: ASSESSING YOUR READINESS WORKSHEET

7 Socialize your SASB Standards disclosure

• Once all internal approvals are obtained (e.g., from management, the board), make the SASB Standards disclosure public, likely by posting it on the company’s website with other corporate governance and/or ESG documents
• Decide how, where and when to announce the release of the SASB Standards disclosure
  » Approaches to communicating the release of your disclosure to consider include press release, proxy statement, company website, ESG report and/or direct communication with stakeholders
• Consider your messaging around your SASB Standards-aligned reporting. You may want to emphasize your reasons for adopting SASB Standards, such as meeting the needs of investors, linking ESG to strategy and risk management, and communicating the financial impacts of sustainability
• Review examples of best-in-class disclosures by other companies and determine how, where and when to announce your own disclosure
• The proposed announcement could be shared with the board or its nominating/governance committee.

8 Subsequent shareholder engagement discussions

• During subsequent shareholder engagement sessions, discuss your SASB Standards disclosure and request any feedback or recommendations for enhancements to your company’s ESG practices and disclosure
• If relevant, be prepared to discuss the rationale for not aligning ESG practices with shareholders’ expectations
• Feedback given during shareholder engagement sessions should be reported to executive management and the board or its nominating/governance committee.