

SASB Climate Risk Framework

SASB Standards offer insights to providers of financial capital to better understand their exposure to climate risks and opportunities identified in the Task Force on Climate-related Financial Disclosures (TCFD).

In 2016, SASB released its original *Climate Risk Technical Bulletin* to inform the deliberations of the then newly-formed TCFD and solicit market feedback on the then provisional Standards. SASB recently published a revised edition of the technical bulletin in April 2021.

Although climate risk is virtually omnipresent, cutting across every sector, it manifests differently from one industry to the next.

The SASB Standards Research Staff has conducted a detailed mapping of the types of climate risk likely to be material in each industry so that investors can understand the nature of the risk they are exposed to depending on the holdings in their portfolio.

Ubiquity of Climate-Related Financial Risk in SASB Standards

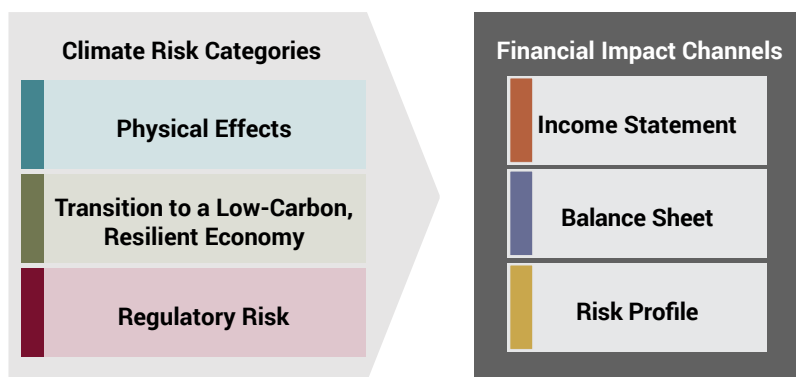
Type of Risk	# of Industries	% by Market Cap*	Total Market Cap*
Physical Risk	36 of 77	55%	US\$28.2T
Transition Risk	57 of 77	85%	US\$43.4T
Regulatory Risk	40 of 77	29%	US\$14.7T
Any Climate Risk	68 of 77	89%	US\$45.1T

* Represents market capitalization of S&P Global 1200 companies reasonably likely to be exposed to each risk type.

Where SASB Standards Align with TCFD Climate Risk Categories and Financial Impact Channels

Investors can employ other strategies to manage climate risk, such as balancing exposures through sector allocation, focusing exposures on best-in-class securities, and actively engaging with portfolio companies on key climate-related factors to encourage improved performance.

SASB Standards provide climate-related metrics that focus on the direct “levers” available to a company—and measure how the company is using them—to provide actionable data to management and decision-useful information to investors (see table on following page). To this end, SASB Standards aim to identify disclosure topics that link directly to operational or strategic decisions made by a company.



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In Application: Industry-Specific Examples

Industry	Issue	Climate Risk	Financial Impacts
Health Care Delivery	Extreme weather events that can affect both business continuity and demand for services	Physical Transition	Income Statement Balance Sheet
Real Estate	Energy efficiency of buildings and the vulnerability of building stock due to geographic location	Physical Transition Regulatory	Income Statement Balance Sheet Risk Profile
Automobiles	Alternative-fuel vehicles that curb use-phase emissions and capitalize on changing consumer preferences	Transition Regulatory	Income Statement Balance Sheet

SASB Standards & TCFD

The impacts identified by the SASB Climate Risk Framework are mapped to those of the TCFD's Final Recommendations.

TCFD Risks and Opportunities			SASB Climate Risk Bulletin		
			Physical Effects	Transition to Low-Carbon, Resilient Economy	Regulatory Risk
Risks	Transition Risk	Policy and Legal Risk			
		Technology Risk			
		Market Risk			
		Reputation Risk			
	Physical Risks	Acute Risk			
Chronic Risk					
Opportunities	Resource Efficiency				
	Energy Source				
	Products and Services				
	Markets				
	Resilience				

Access the SASB Climate Risk Framework

The Value Reporting Foundation offers the full SASB Disclosure Topics and the corresponding climate risks from the TCFD and the SASB Climate Risk Bulletin in an Excel file:

- Physical Effects Climate Risk
- Transition to a Low-Carbon, Resilient Economy Climate Risk
- Climate Regulation & Climate Risk

Enhanced insights and practical application of the Climate Risk Framework can be achieved through pairing the Climate Risk Framework with:

- [SASB Standards](#)
- [Financial Impact Channels](#)
- [SICS® Taxonomy](#)
- [3rd party mapped data files](#)

Answers to common questions can be found on [SASB Standards website](#)
For more information, please reach out to licensing@thevrf.org

