

September 2021

Complementary Tools: Using the <IR> Framework and SASB Standards Together



**INTEGRATED
REPORTING
FRAMEWORK**



**SASB
STANDARDS**



Introduction

Businesses using the International Integrated Reporting Framework (<IR> Framework) and SASB Standards see compounding benefits. Used together, these resources from the Value Reporting Foundation can strengthen internal planning processes, provide an accessible starting point to more comprehensive, decision-useful disclosure, and help businesses communicate drivers of their long-term value to providers of financial capital.

To begin, we will explain why the International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB) merged into the Value Reporting Foundation and clarify how the <IR> Framework and SASB Standards work in tandem. The following sections — Internal Business Benefits, Beyond the Boilerplate, and External Business and Investor Benefits — will highlight the experiences of several international companies using both the <IR> Framework and SASB Standards. Lastly, we will demonstrate how reporting with the <IR> Framework and SASB Standards year on year contributes to long-term business performance and more sustainable economic, environmental and societal outcomes.

Thank you to the many businesses and investors who contributed to our understanding of how the <IR> Framework and SASB Standards can provide businesses and investors with a more complete picture of the drivers of long-term value. We would like to highlight those businesses that agreed to have their stories shared here for the benefit of the field.

Companies Highlighted



ABN-AMRO

ABN AMRO Bank is Dutch commercial bank



BASF

BASF is a German-based chemical production business



Ford

Ford Motor Company is a USA-based automobile manufacturer



Itaú

Itaú Unibanco is a Brazil-based private sector bank



TEPCO

TEPCO Holdings Inc. is a Japanese electric utility



Unilever

Unilever PLC is a UK-based consumer goods producer

Explaining Convergence

The 9 June 2021 merger of the IIRC and SASB was a response to calls for convergence across the global field of corporate reporting. As one global organization with three core resources – the Integrated Thinking Principles, the <IR> Framework and the SASB Standards – the Value Reporting Foundation helps achieve a more simplified system that supports reporting needs around the world.

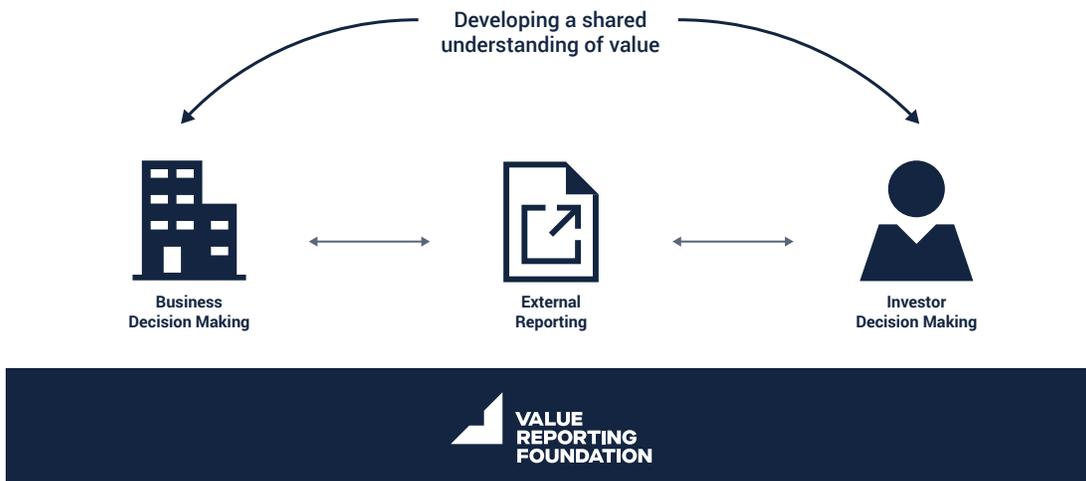
The Value Reporting Foundation unites the IIRC’s historic focus on enabling management and business decision-making with SASB’s historic focus on enabling investor decision-making. The two organizations share a core belief that external reporting can create a common language among businesses and investors and help both businesses and investors understand how value is created, preserved or eroded over time.

The Value Reporting Foundation’s three resources comprise a robust toolset:

- **Integrated Thinking Principles** drive an improved understanding of how value is created, to enhance decision-making and actions by boards and management. Through integrated thinking, organizations are better placed to tailor their business model and strategy to respond to the external environment and understand risks and opportunities.

- **<IR> Framework** is a principles-based framework that guides effective communication on strategy, governance, performance and prospects through a multi-capital lens, enabling a single integrated report that communicates a business’s holistic value.
- **SASB Standards** provide detailed industry-specific sets of disclosure topics and metrics to inform what content to include in an integrated report, lending insight into performance on the subset of sustainability issues that are most closely tied to an organization’s ability to create long-term value, and thus most of interest to investors.

When used together, tools from the Value Reporting Foundation create a perpetual feedback loop, enabling businesses and investors to more effectively communicate on enterprise value and how it is created, preserved or eroded over time. Across the globe, organizations are increasingly leveraging the complementary benefits of the <IR> Framework and SASB Standards.



Clarifying Compatibility Across the Value Reporting Foundation Tools

The following report will focus on the Value Reporting Foundation's tools for disclosure — the <IR> Framework and the SASB Standards. The <IR> Framework and the SASB Standards are complementary, and many businesses use both to fulfill their reporting needs. Companies using the <IR> Framework and SASB Standards share that when used together, the tools provide a powerful structure for reporting qualitative context and activity alongside quantitative industry-specific metrics. If you are interested in learning more about the Integrated Thinking Principles and how specific businesses have mapped out their integrated thinking journeys, please see [Integrated Thinking: A Virtuous Loop](#).

What's the difference between disclosure frameworks and standards?

Within the growing field of sustainability-related disclosure, frameworks and standards have been developed to help establish a foundational layer of relevant, comparable and reliable information from companies. Each serves a unique purpose to help companies understand and report on critical drivers of long-term value.

- Disclosure frameworks, including the <IR> Framework, provide broad content and presentation requirements through a principles-based approach.
- Disclosure standards, including SASB Standards, provide replicable and detailed requirements for what should be reported for specific topics. Standards support frameworks by ensuring comparable, consistent and reliable information.

The <IR> Framework helps companies explain how they create, preserve or erode value. Applying well-defined Guiding Principles and Content Elements, integrated reports look beyond financial performance alone to demonstrate how businesses manage up to six forms of capital: financial, manufactured, intellectual, human, social and relationship, and natural. Through its principles-based approach, the <IR> Framework balances flexibility and prescription.

Integrated reporting offers internal and external benefits. Internally, it builds communication and coordination across departments. It improves internal decision-making through building a deeper understanding of the resources and relationships that are critical to the long-term success of the business. Integrated reporting also enables an organization to evaluate its governance, performance and prospects in the

context of the external environment, and provide investors and other users of integrated reports with a more holistic view of the business.

“Both IIRC and GRI are comprehensive and help us cover overarching ESG transparency principles and requirements. SASB fills a gap here by enabling sector-specific benchmarks. This is appreciated by relevant target groups including investors and rating agencies.”

TANJA CASTOR
CORPORATE SUSTAINABILITY STRATEGY, BASF

At BASF, a German-based chemicals producer, the <IR> Framework's principles-based approach helped the organization manage the intricacies of non-financial and financial disclosure. Over a decade of experience in applying the principles of integrated reporting has underlined that integrated reporting not only serves as a tool for disclosure, but also helps foster integrated thinking within the business, bringing the finance, sustainability and investor relations teams closer together.

SASB Standards complement the <IR> Framework's principles-based approach. SASB Standards identify the subset of environmental, social, and governance (ESG) issues likely to materially impact the financial performance of a typical business in an industry. By starting with this subset of issues, businesses can establish best practices, produce decision-useful reports, and then seek to improve disclosure and performance year on year. Available for 77 industries, SASB Standards provide investors with consistent, comparable and reliable information on the ESG factors most relevant to financial performance and enterprise value. With an average of six disclosure topics and 13 disclosure metrics per industry, the SASB Standards are an accessible starting point for companies beginning their ESG reporting journey.

Many businesses using both the <IR> Framework and SASB Standards find that the two tools strengthen one another. An integrated report provides essential context to investors, helping them more fully understand the business' current position, future prospects and the relevant circumstances under which performance has been achieved. This provides investors with insight into the quality of thinking and strategic

BUSINESS RECOMMENDATION

“CHOOSE A FEW THINGS, DO THEM WELL, BUILD CONFIDENCE AND THEN YOU CAN BUILD ON THAT.”

LYSANNE GRAY

EVP SUSTAINABLE BUSINESS PERFORMANCE AND REPORTING, UNILEVER

planning of the board and management. An integrated report, as a concise, connected narrative, offers valuable explanations and context for the data provided through SASB Standards. Furthermore, SASB Standards provide comparable information on the business-critical risks and opportunities that fall beyond the scope of traditional financial disclosure.

Internal Business Benefits

A Simpler Approach to Effective Disclosure

The universe of corporate disclosure has been described as complex and confusing for businesses. The breadth of reporting frameworks and standards can strain a company's resources. Amidst this broad reporting landscape, the <IR> Framework and SASB Standards provide an efficient solution. Used together, these tools provide companies with a robust system that integrates sustainability disclosure with financial disclosure practices.

For those new to sustainability disclosure or integrated reporting, the <IR> Framework and SASB Standards provide an accessible starting point to high-quality, investor-focused disclosure. With the <IR> Framework, organizations can understand and communicate how their resources (capitals) are changed through business activities to create value over time. With SASB Standards, companies can report on the ESG information most critical to their industry and enable comparability.

Ford Motor Company, a US-based automobile manufacturer, has disclosed sustainability information for over twenty years and produced their first integrated report in 2021. Based on conversations with investors, customers and staff, Ford understands the importance of a holistic narrative – one that describes Ford's values, priorities and goals. Its integrated report explains the holistic story and pairs with SASB metrics to provide concrete data. With these tools, Ford explains how it is managing the business and demonstrating performance improvements over time.

“We have a long history of being transparent. Moving to an integrated report helped to ensure that our shareholders and stakeholders have the information they need to make the most appropriate decisions. The best way to do that, from our perspective, is to standardize frameworks, which is what we've done by adopting the capitals in the <IR> Framework. Making the shift to an integrated report really heightened the visibility of sustainability, driving communication, messaging and interest throughout all levels of the company. It also allows us to tell a holistic story about Ford, its values, what it prioritizes and how it sees its role in the future.”

LYNN ANTIPAS TYSON

**EXECUTIVE DIRECTOR, INVESTOR RELATIONS,
FORD MOTOR COMPANY**

While certain information is useful across industries, many sustainability-related value drivers are industry-specific. This underscores the value that SASB Standards bring to the <IR> Framework. By adding SASB Standards, reporters provide: 1) industry-specific rigour; 2) quantitative evidence/support for the integrated report's narrative claims; and 3) deeper comparability against peers. For example, with SASB Standards, BASF can succinctly highlight the sustainability

INVESTOR HIGHLIGHT

“THE <IR> FRAMEWORK AND SASB STANDARDS HAVE A NATURAL ALIGNMENT. BOTH WERE DESIGNED TO EASE THE BURDEN OF DISCLOSURE, NOT INCREASE IT.”

SHERRIE TRECKER

**SUSTAINABILITY OFFICER,
WASHINGTON STATE INVESTMENT BOARD**

topics most material to the Chemicals industry (such as Hazardous Waste Management), and Unilever, a UK-based consumer goods provider, can do the same for the topics in the Household & Personal Products industry (such as Environmental & Social Impacts of Palm Oil Supply Chain).

Increasing Value by Decreasing Future Risk

A business must adapt to its external environment, which includes understanding the risks and opportunities that may arise from its impacts and dependencies on financial and non-financial sources of value (i.e., the six capitals). When used in conjunction, the interaction between the <IR> Framework and SASB Standards help businesses better understand whether past performance is likely to be indicative of future results.

“Using the Value Reporting Foundation tools can help you go places or do things that you might not have been thinking originally.”

ALEXSANDRO BROEDEL LOPES
GROUP CFO, ITAÚ UNIBANCO

For Itaú Unibanco, a Brazil-based private bank, implementing both the <IR> Framework with SASB Standards helped create a stronger vision for organizational growth and sustainability in the long term. As a financial services organization providing lending and insurance, Itaú Unibanco’s long-term sustainability is extremely important. Not only do customers expect it to be around in fifty years, but the company also expects its customers to be able to pay back loans in the future. Measuring and creating safeguards around the financial sustainability and interconnectedness of their clients can help mitigate both specific and systemic risks.

For example, Itaú Unibanco provides complete, assured disclosure of SASB metric FN-CB-550a.1 on Systemic Risk Management, which encourages firms to report their Global Systematically Important Bank (G-SIB) score — a metric used by the Financial Stability Board to identify institutions whose failure might trigger a financial crisis. This metric is directly linked to a discussion of Itaú’s risk management model, the specific business activities used to apply this model and how these activities influence culture at the board and organizational level.

Beyond illuminating risks, the Value Reporting Foundation tools can help organizations identify opportunities by clarifying how the resources and relationships (or capitals) they use and affect directly contribute to creation, maintenance or erosion of enterprise value. Using these tools can help them understand the value of sustainable improvements and prioritize where they can make the greatest impact.

Chemical production company BASF found value in linking specific ESG metrics to financial impacts. As part of an industry heavily reliant on energy and resources, improvements to BASF’s energy and resource efficiency had almost immediate effects on cost savings. Further, BASF’s operations rely heavily on the sustainability and quality of their supply chains. Targeted investments (including risk assessments, audits and capacity building) in supply chain management helped BASF adapt and respond to supply chain risks more effectively. Likewise, these investments helped BASF create more robust and resilient supplier relations. These relationships, especially those along high-risk supply chains, helped BASF limit the effect of supply chain disruptions.

Regardless of industry or region, all companies can find value in understanding the full range of drivers that create value. For internal and external audiences alike, these linkages can help galvanize support for sustainability initiatives and improvements.

Beyond the Boilerplate

Company statements and reports on sustainability issues are sometimes cluttered with boilerplate language like greener, safer, cleaner or more diverse. This vague terminology affects credibility and creates market confusion about performance on sustainability issues.

“Sustainability is a term that very few people are against, but when it comes down to specifics, companies need to define their views and actions on sustainability very clearly. What it means for your business model, your policies, your investments.”

ALEXSANDRO BROEDEL LOPES
GROUP CFO, ITAÚ UNIBANCO

Investors want to know not just how a business is doing today, but what concrete steps it is taking today to safeguard its ability to create value tomorrow. To see the full picture, investors need clear data points that enable comparability coupled with company rationale and perspective. The <IR> Framework and SASB Standards facilitate productive conversations between businesses and investors — connecting the dots between sustainability and financial metrics yields more robust discussions for both parties.

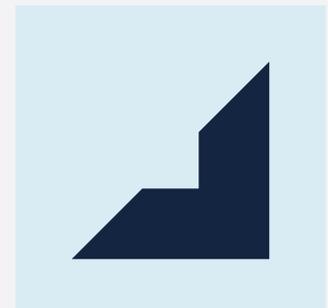
“Through integrated reporting, we’ve been able to do a better job of integrated thinking. While aligning teams around the same objective was challenging up front, we’re now seeing connections between our stories, and the way we are communicating them makes it a lot easier to see how we create value. We’re also able to see how sustainability issues impact different parts of the businesses and identify new opportunities and what we are going to do about them.”

MARY WROTEN
DIRECTOR OF GLOBAL SUSTAINABILITY & ESG,
FORD MOTOR COMPANY

Clear communication is critical for businesses and investors. By focusing on the issues, resources and relationships that are most relevant to a business’s ability to create value, the <IR> Framework and SASB Standards have the potential to help companies move from issue identification to strategy and performance. Different business units are likely to view a particular issue with their own priorities in mind. The <IR> Framework helps companies communicate across business units and raise conversations to determine holistically how a company (and thus, each business unit) should understand, manage and communicate about issues relevant to enterprise value creation. Through a common language and metrics, businesses and investors can have more effective discussions and solicit feedback to understand areas for improvement.

For Netherlands-based bank ABN AMRO, defining the organization’s views on human capital underlined the varying viewpoints among internal stakeholders. A sustainability staff member may think of human capital as labour relations, whereas staff focused on intangible value may consider knowledge, competencies, skills and abilities. ABN AMRO decided to focus on “Talent, Attraction, and Employee Empowerment.” All the elements of human capital that each business perspective was focused on fed into employee empowerment. And ultimately for ABN AMRO, employee empowerment is the critical contributor to enterprise value creation.

The movement from boilerplate language to meaningful, comparable disclosure catalyzes progress for companies, investors and all consumers of sustainability information.



External Business and Investor Benefits

With the <IR> Framework and SASB Standards, businesses can provide a holistic picture of their priorities, practices and performance. Based on this information, businesses can integrate financial and sustainability information in a way that is useful for external as well as internal audiences. Many businesses find that reporting with the <IR> Framework and SASB Standards both increases and improves their engagement with investors.

Financial Focus to Meet Investor Needs

With the <IR> Framework and SASB Standards, businesses can provide a more complete picture of long-term value creation while meeting investor needs for comparable, consistent and reliable information. Reporting with both tools can bolster a company's credibility and trust among its external stakeholders, especially investors and other providers of financial capital.

Investors are not monolithic – they have varying strategies and priorities. To best meet investor needs, businesses should engage with their investors directly, understand their priorities, and then tell the company story with that lens in mind. The <IR> Framework and SASB Standards are useful tools to strengthen, enhance and clarify a business' value creation story.

BASF conducted an 'ESG to value creation' mapping exercise to help prioritize and disseminate sustainability practices and initiatives. In particular, with the issuance of its first green bond in 2020, BASF found that reporting and performance improvements subsequently increased its access to financial capital.

While green bonds are an uncommon offering for a chemical business, BASF turned it into a successful financing tool. In many ways BASF attributes this success to its reporting with the <IR> Framework. Investors credited their support for the BASF green bond to a strong trust in BASF's business and ESG practices. Investor feedback further underlined that this trust arose from the company's reporting and how investors are able to see financially-relevant sustainability issues integrated into management of the business.

Due to high investor demand for consistent, comparable and reliable ESG data, businesses find that disclosing with SASB Standards has a positive effect on investor relations. Because they are industry-specific, metric-driven and focused on financial materiality, SASB Standards enable integration of ESG considerations into investment and stewardship decisions across global portfolios and asset classes. They also provide comparable data to the data and analytics ecosystem that supports investment decision making.

BUSINESS RECOMMENDATION

“REPORT THE SAME METRICS OVER MULTIPLE YEARS TO ENSURE COMPARABILITY AND DEMONSTRATE A PATH TOWARD PROGRESS.”

YUKI TOMITA

ESG OFFICE, TEPCO HOLDINGS INC.

INVESTOR HIGHLIGHT

“IN A WORLD WHERE COMPANIES ARE TRYING TO MAKE THEIR VOICES CLEAR AND INVESTORS ARE TRYING TO REACT TO LOTS OF INFORMATION, THE NOISE TO SIGNAL RATIO IS REALLY HIGH. INVESTORS ARE DESPERATE AND HUNGRY FOR SOME ORGANIZING PRINCIPLES THAT WE CAN MAKE REALLY CLEAR SENSE OF AND USE. WHAT'S SO VALUABLE ABOUT BOTH THE <IR> FRAMEWORK AND SASB STANDARDS IS THAT THEY HAVE INCREDIBLY CLEAR PURPOSES. ONE PROVIDES A FRAMEWORK TO UNDERSTAND THE CREATION OF VALUE AND THE OTHER PROVIDES CLEAR STANDARDS TO MEASURE ON A CONSISTENT BASIS.”

JOHN HOEPPNER

HEAD OF US STEWARDSHIP AND SUSTAINABLE INVESTMENTS, LEGAL & GENERAL INVESTMENT MANAGEMENT

Communicating Inside and Out

Over time, disclosure with the <IR> Framework and SASB Standards creates a positive feedback loop between businesses and investors. Previous sections highlighted how reporting with the <IR> Framework and SASB Standards have the dual benefit of improving communication and coordination across business units while increasing transparency and trust with investors. Used in conjunction, this positive feedback loop helps communicate progress and facilitate further improvement over time.

“It’s way more than reporting and communication – it’s a means for internal change management, and external awareness of a company’s value creation.”

STEFAN SCHNELL
SENIOR VICE PRESIDENT, BASF

When a business is clear about its sustainability objectives, the reporting process, using the <IR> Framework and SASB Standards, creates a positive feedback loop. Incorporating feedback will look different at every organization. It may result in the review of corporate strategy, adaptation of management systems or evolution of governance processes. In all scenarios, the feedback loop will ensure that resources are allocated efficiently to maximize value over the short, medium and long term.

Many businesses describe this holistic approach as integrating ESG or sustainability into their DNA. In the same way that sustainability issues manifest differently for every industry, integrating ESG across internal business units looks different for every business.

For example, at BASF, the sustainability disclosure team is located within the corporate strategy function and works with colleagues from corporate finance, including treasury and investor relations, to compose a Sustainable Finance Roundtable. Conversations and key performance



When used together, tools from the Value Reporting Foundation – including the **Integrating Thinking Principles**, **<IR> Framework**, and **SASB Standards** – create a perpetual feedback loop, enabling businesses and investors to more effectively communicate on enterprise value and how it is created, preserved or eroded over time. SASB Standards help investors make more informed decisions, which, in turn, may inform changes to business strategy and disclosure. [Watch the video.](#)

indicators from this group are reviewed by the supervisory board and often disseminated for the board of directors. For other businesses, sustainability disclosure may sit within the finance, communications or executive functions and businesses should determine what structure is most appropriate for them.

Disclosure with the <IR> Framework and the SASB Standards is far more than a communications exercise. Within a business, these tools can help break down internal barriers, build connectivity and enhance decision-making. This promotes integrated thinking, a process by which boards and management teams gain new insights into their organization's value creation process. They improve their understanding of the resources and relationships (or capitals) on which the organization depends, the risks it faces and the financial and non-financial outcomes it generates.

Ford Motor Company's sustainability decision-making and reporting is informed by an annual roadshow with large shareholders, as well as ESG-focused conferences and other special events. The <IR> Framework and SASB Standards have helped improve those discussions and are valued by both sides. During the roadshow, relevant staff listen to external shareholders, reflect on company reports and activities, and uncover areas for improvement. An open dialogue with shareholders can be a critical ingredient to reporting that is constructive and useful for investors.

“We now have a common language with which to have discussions (with investors). It's a favorable shift because it's not perfunctory, it's not a check-box, it's real, genuine conversations. And it's critical to have that exchange of ideas.”

LYNN ANTIPAS TYSON
EXECUTIVE DIRECTOR OF INVESTOR RELATIONS,
FORD MOTOR COMPANY

Contributing to a More Sustainable Future



**COMPREHENSIVE
DISCLOSURE**

Enables



**CAPITAL
ALLOCATION**

Drives



OUTCOMES

Disclosure and transparency are a means to an end: more informed business and investment decision making that can lead to improved economic, environmental and societal outcomes.

Businesses engaging in sustainability disclosure and integrated reporting are embarking on a continuous journey, an interactive cycle, which benefits their business, their investors, society and the planet.

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THINKING
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