ABOUT SASB
The Sustainability Accounting Standards Board (SASB) is an independent 501(c)3 nonprofit. SASB’s mission 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.

ABOUT THIS GUIDE
The SASB Implementation Guide is a reference document for issuers who are in the process of integrating the use of SASB standards into their existing 10-K or 20-F disclosure processes. SASB standards are a cost-effective way for issuers to communicate their material sustainability impacts to investors in a decision-useful format that satisfies the requirements of Regulation S-K.
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FOREWORD</strong></td>
<td>4</td>
</tr>
<tr>
<td><strong>OVERVIEW</strong></td>
<td>5</td>
</tr>
<tr>
<td><strong>1 MATERIALITY ASSESSMENT</strong></td>
<td>7</td>
</tr>
<tr>
<td>Review SASB Standards</td>
<td>8</td>
</tr>
<tr>
<td>Select Topics with the SASB Five-Factor Test</td>
<td>9</td>
</tr>
<tr>
<td><strong>2 DISCLOSURE ANALYSIS &amp; BENCHMARKING</strong></td>
<td>14</td>
</tr>
<tr>
<td>Assess the Current State of Disclosure</td>
<td>15</td>
</tr>
<tr>
<td>Align with Other Reporting Channels</td>
<td>18</td>
</tr>
<tr>
<td><strong>3 PERFORMANCE EVALUATION &amp; BENCHMARKING</strong></td>
<td>21</td>
</tr>
<tr>
<td>Assess the Current State of Management</td>
<td>21</td>
</tr>
<tr>
<td>Evaluate Performance in Context</td>
<td>22</td>
</tr>
<tr>
<td><strong>4 IMPLEMENTATION CONSIDERATIONS</strong></td>
<td>25</td>
</tr>
<tr>
<td>Financial Reporting Processes</td>
<td>25</td>
</tr>
<tr>
<td>Internal Controls and Procedures</td>
<td>27</td>
</tr>
<tr>
<td>Independent Assurance</td>
<td>30</td>
</tr>
<tr>
<td><strong>5 DISCLOSURE CONSIDERATIONS</strong></td>
<td>32</td>
</tr>
<tr>
<td>Improving Disclosure Effectiveness</td>
<td>32</td>
</tr>
<tr>
<td>Disclosure Requirements</td>
<td>35</td>
</tr>
<tr>
<td>Additional Considerations</td>
<td>39</td>
</tr>
<tr>
<td><strong>KEY RESOURCES</strong></td>
<td>40</td>
</tr>
<tr>
<td><strong>APPENDICES</strong></td>
<td>41</td>
</tr>
<tr>
<td>Appendix A: SASB’s Universe of Sustainability Issues</td>
<td>41</td>
</tr>
<tr>
<td>Appendix B: SASB’s Sustainable Industry Classification System (SICS™)</td>
<td>42</td>
</tr>
<tr>
<td>Appendix C: SASB’s Sources of Metrics and Alignment</td>
<td>43</td>
</tr>
<tr>
<td>Appendix D: Key References Underlying SASB Metrics</td>
<td>44</td>
</tr>
<tr>
<td>Appendix E: Current State of Disclosure In SEC Filings</td>
<td>46</td>
</tr>
<tr>
<td>Appendix F: Consensus Among SASB Industry Working Groups</td>
<td>51</td>
</tr>
<tr>
<td>Appendix G: Example 10-K for Processed Foods Company</td>
<td>52</td>
</tr>
<tr>
<td>Appendix H: Disclosure Topics</td>
<td>69</td>
</tr>
<tr>
<td><strong>REFERENCES</strong></td>
<td>74</td>
</tr>
</tbody>
</table>
Foreword by Robert Herz

I’ve devoted much of my career working to provide better information to the capital markets. What you measure matters, how you report it matters, and both are important to investment analysis and the healthy functioning of our economy. The corollary is that we should be measuring and reporting on those things that matter.

Investors tell me they’re interested in sustainability issues, but they have to sift through data that is not standardized, not comparable, and in many cases not material. They want standardized metrics that are targeted at the issues that really matter to a particular industry.

SASB standards identify sustainability topics and related metrics, at an industry level, that are likely to be material to companies in that industry. Companies can voluntarily use SASB standards to provide disclosures on material sustainability issues that are relevant, comparable, and useful to investors.

With more standardized disclosure across an industry, companies can benchmark themselves and investors can benchmark them. They are non-financial metrics, but they are metrics that drive financial performance and help answer the question, “If I were going to make a big investment in or buy a company, what would I look at besides the financial statements?”

This guide is intended to assist companies in using SASB standards—that is, select appropriate sustainability accounting standards for their organization and effectively embed those topics and metrics into core management and reporting functions. Ultimately, the disclosure of material sustainability information, including known trends, events, and uncertainties, is consistent with both the spirit of MD&A and the regulatory framework established by the SEC. SASB standards offer an opportunity to enhance accounting’s traditional role of providing necessary, relevant, and reliable information to the capital markets.

As financial reporting professionals, you have the unique opportunity to help your company provide the information that investors want and markets need. Thank you for your consideration of SASB standards.

Robert Herz
Former Chair of FASB
SASB Board of Directors
November 30, 2015
EXECUTIVE SUMMARY

In even the smallest and most straightforward organization, performance data travels a long, circuitous pathway to the annual report. For publicly traded corporations—particularly those with large, diversified operations that must file consolidated statements—the financial reporting cycle can be an especially formidable task. As companies move toward integrating sustainability performance data into their statutory filings, questions will arise about how the firm can most effectively measure, manage, and disclose information on the most crucial sustainability factors it faces.

The SASB Implementation Guide for Companies provides structure and key considerations for companies seeking to implement sustainability accounting standards within their existing business functions and processes. It serves as a reference document for publicly listed corporations in the process of integrating the use of SASB standards into their existing financial reporting cycle and their 10-K or 20-F filings with the U.S. Securities and Exchange Commission (“SEC”).

SASB standards are a cost-effective way for issuers to communicate their material sustainability impacts to investors in a decision-useful format that satisfies the requirements of Regulation S-K. The information contained in the Implementation Guide is intended to help companies use the standards to achieve three main objectives:

1. Identify the sustainability topics most likely to be material to an investor,
2. Understand the firm’s current state of disclosure and performance on those topics, and
3. Enhance existing reporting processes to more effectively disclose material information on sustainability topics.

To achieve these objectives, the Implementation Guide provides practical tools and guidance for companies as they progress through key steps:

- Select sustainability topics: Which SASB topics represent known trends, events, demands, or uncertainties that are reasonably likely to impact the business in the short, medium, and/or long term? Which of those topics are reasonably likely to have a material impact on the company’s financial condition or operating performance?
- Assess and benchmark current state of disclosure: Is the company already collecting and reporting information related to the SASB topics in some form? How can disclosures be made more useful? How do they compare to peer disclosures? Are they properly aligned across reporting channels?
- Evaluate current state of performance management: How does the company’s performance on a given SASB topic and associated accounting metrics compare with that of its industry peers? On which SASB topics could improved performance lead to value creation or competitive advantage?
- Support disclosure and management with internal control: What should the company consider when embedding SASB topics and metrics into core business functions—both for internal management and external reporting purposes? What are the systems, processes, and controls considerations?
- Present information for disclosure: What are the appropriate channels for disclosing material sustainability information in statutory filings? How can SASB standards improve the effectiveness of sustainability disclosures?

Informed by the Implementation Guide, a company will be able to more rigorously assess its readiness for sustainability reporting and focus its efforts more efficiently on those areas where improvement is needed, return is anticipated, or compliance is required.
OBJECTIVES OF THE GUIDE

The information contained in this Implementation Guide is intended to help companies achieve three objectives. Companies can use the Guide, along with SASB standards (or “Standards”), to:

1. Identify the sustainability topics most likely to be material to an investor,
2. Understand the current state of disclosure and performance on those topics, and
3. Enhance existing reporting processes to more effectively disclose material information on sustainability topics.

ABOUT SASB

The Sustainability Accounting Standards Board (SASB) is an independent 501(c)(3) organization that develops industry-specific standards for use in disclosing material sustainability information in mandatory filings made with the Securities and Exchange Commission (“SEC”).


SASB’s standards-development process includes evidence-based research, multi-stakeholder working groups, a 90-day public comment period, and a review by an independent standards council. The 2,800 participants in SASB’s working groups have included professionals from publicly traded companies with $11 trillion in market capitalization and investment firms with $23.4 trillion in assets under management.

WHY SASB?

In a world where megatrends such as population growth, food scarcity, climate change, and resource constraints are reshaping the business landscape, financial accounting alone cannot capture the complete picture of a company’s value. A variety of frameworks have emerged in response to the demand for non-financial information in corporate reporting. But the capital markets have their own needs, unique from those of suppliers, customers, communities, interest groups, and other stakeholders. Investors demand reliable and comparable sustainability information with clear links to financial performance.

Complementing the work of the SEC, the Financial Accounting Standards Board (FASB), and other organizations and initiatives, SASB aims to improve disclosure effectiveness, with a premium placed on material, decision-useful information for investors. Therefore, the Standards address sustainability topics that are reasonably likely to affect the financial condition or operating performance of a company or an entire industry and provide companies with a way to better satisfy the requirements of Regulation S-K.

With an average of just five topics and 13 metrics per industry, SASB standards offer a cost-effective way to meet the needs of investors and an efficient alternative to the demands of sustainability surveys and questionnaires. Furthermore, research shows that by focusing on the limited set of sustainability-related risks and opportunities identified by the SASB standards—those reasonably likely to have material impacts—companies can achieve superior results, including return on sales, sales growth, return on assets, and return on equity, in addition to improved risk-adjusted shareholder returns.1

ABOUT THE STANDARDS

The Standards are comprised of disclosure topics (“SASB topics”) and accounting metrics (“SASB metrics”) designed to facilitate sustainability disclosures in SEC filings that are comparable at an industry level, thereby enhancing the usefulness of reporting. Note that while the Standards provide guidance as to which topics are reasonably likely to constitute material information for a company within a particular industry, determination of materiality for the purposes of disclosure under Regulation S-K is entity-specific. Although the Guide provides a framework for selecting industry topics appropriate to a company’s particular context, management is responsible for determining whether the resulting information is material and should be included in filings.

The level of time and effort required by a company to fully implement SASB standards will vary depending on the availability and quality of data, the rigor of internal controls, the need to collaborate with business unit leaders and individuals across corporate functions (e.g.,
operations, finance, and sustainability), and the current state of the company’s disclosures.

AUDIENCE

The Guide is intended for corporate professionals responsible for reporting to investors and analysts, with a particular emphasis on preparing SEC filings such as the 10-K and 20-F.

Members of finance, accounting, audit, legal, sustainability, and risk functions are likely to find it useful in assessing and improving how their company measures, manages, and reports material information on the sustainability factors that are linked to financial value.

The Guide helps users to embed the Standards into existing processes in a way that enables effective management of risks and opportunities specific to their industry and operating context.

WHAT’S AHEAD

The Guide will facilitate completion of the following steps, intended to help companies more easily integrate the Standards into existing processes:

1 MATERIALITY ASSESSMENT

Which SASB topics represent known trends, events, demands, or uncertainties that are reasonably likely to impact the business in the short, medium, and/or long term?

Which of those topics are reasonably likely to have a material impact on the company’s financial condition or operating performance?

2 DISCLOSURE ANALYSIS & BENCHMARKING

Is the company already collecting and reporting information related to the SASB topics in some form in either internal, external, mandatory, or voluntary reports?

Does the company commonly use boilerplate language when discussing sustainability topics? How can disclosures be made more useful?

Is the information contained in the company’s various reporting channels properly aligned?

3 PERFORMANCE EVALUATION & BENCHMARKING

How does the company’s performance on a given SASB topic and associated accounting metrics compare with that of its industry peers?

On which SASB topics could improved performance lead to value creation or competitive advantage?

4 IMPLEMENTATION CONSIDERATIONS

What should the company consider when embedding SASB topics and metrics into core business functions—both for internal management and external reporting purposes?

What are the systems, processes, and controls considerations?

5 DISCLOSURE CONSIDERATIONS

What are the appropriate channels for disclosing material sustainability information in statutory filings?

How can SASB standards improve the effectiveness of sustainability disclosures?

---

Materiality Assessment
Select topics for implementation

Disclosure Analysis & Benchmarking
Assess readiness and alignment gaps

Performance Evaluation & Benchmarking
Identify strengths, weaknesses, opportunities, and threats

Implementation Considerations
Integrate into existing business processes

Disclosure Considerations
Develop narrative for MD&A
Section 1 provides guidance on how a company might consider the potential for material impacts associated with performance on the SASB disclosure topics for its industry. At the end of this section, a company will have selected the topics most appropriate for its business, which can then be considered for implementation and disclosure.

**INTRODUCTION**

Companies and providers of capital now recognize that sustainability issues can and do impact business outcomes. However, it is equally important to note that those impacts vary significantly from one industry to the next. Companies within an industry share similar sustainability challenges because of the resources they rely on to produce goods and services and the effects they have on society and the environment. By design, the SASB standards reflect the unique sustainability profile of each industry.

SASB achieves this focus on industry-specific impacts through the lens of materiality. Materiality is a legal concept defined in the U.S. by the Supreme Court. The Court defines material information 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.” SASB does not define “materiality,” but rather looks to the Court’s definition for the purpose of standard setting.

In addition to performing evidence-based research guided by this legal principle, SASB vets each of its disclosure topics with a group of industry experts—including balanced representation of corporate, investor, and other perspectives—to assess likely materiality. On average, more than 82 percent of investors and issuers agreed on the likely materiality of SASB’s proposed disclosure topics. When a topic failed to reach at least 75 percent consensus, it was either flagged for further review (if close to 75 percent) or not carried forward. (For a more detailed sector-specific breakdown of Industry Working Group feedback, see Appendix F.)

As a result, SASB standards identify the sustainability topics that are reasonably likely to have a material effect on the financial condition or operating performance of companies in a given industry. There is a reasonable likelihood that the SASB disclosure topics will be applicable to companies in the industry because 1) they are evidence-based, 2) they are consensus-driven, 3) they are industry-specific, and 4) more than two-thirds are already being disclosed in SEC filings.

Nevertheless, materiality is an “inherently fact-specific finding,” and the final determination of materiality is
the onus of the corporation. SASB recommends that companies follow a straightforward process, outlined below, to select the appropriate SASB standards to assess and implement, depending on the company’s specific operating context.

**Assembling a Team**

Assembling and educating a cross-functional team is a critical early step to start the integration process. A cross-functional team provides diverse perspectives in assessing sustainability topics for disclosure and considering how selected sustainability topics can be embedded in the DNA of the organization. It may be possible to leverage existing cross-functional teams—e.g., for internal control, disclosure processes, or business strategy. Companies may want to draw from:

- Finance and accounting
- Sustainability
- Environmental, health, and safety (“EH&S”)
- General counsel
- Risk management
- Internal audit
- Internal control
- Strategy
- Operations
- Information technology
- Compliance
- Human resources
- Investor relations
- Relevant functional areas (e.g., sales/marketing, supply chain, manufacturing)

**REVIEW SASB STANDARDS**

Before selecting topics and assessing their likelihood for material impacts, a company should familiarize itself with the SASB standards for its industry. The Standards can be accessed on SASB’s Standards Navigator by entering the company’s ticker symbol or by selecting its Sustainable Industry Classification System (SICS™) industry. SASB’s SICS code differs from the SEC’s industry classification coding, which issuers use during the filing process. If the company generates significant revenue from multiple industries, SASB recommends considering whether topics from multiple industry Standards may be applicable.

Note that because SASB standards are designed to address sustainability topics that are broadly applicable to companies within an industry, they will not necessarily include all the sustainability factors that are reasonably likely to have a material impact. Companies may find that information related to additional sustainability topics is appropriate for disclosure based on their specific facts and circumstances.

In the U.S., Regulation S-K establishes the requirements for disclosure of material information by publicly

**CLASSIFICATION SYSTEM**

Most major industry classification systems use sources of revenue as their basis for classifying companies into specific sectors and industries. However, a company’s market value is determined by more than financial performance. SASB developed the SICS™ to group industries based on their resource intensity and sustainability risks and opportunities. (See Appendix B.) Companies can find where they are classified within SICS and access industry standards on the SASB Standards Navigator.

**SUSTAINABILITY IN MD&A**

In the MD&A, companies are required to disclose any known event, trend, or uncertainty that is reasonably likely to have a material effect on the company’s results of operations, liquidity, or financial condition or would cause reported financial information not to be necessarily indicative of future operating results or financial condition. SEC guidance has established that this may include sustainability information.

SEC Commission Guidance Regarding Disclosure Related to Climate Change (February 2010)

**SEC STAFF ACCOUNTING BULLETIN (SAB) NO. 99**

SEC Staff Accounting Bulletin (SAB) No. 99 — Materiality states that registrants should not use financial thresholds or rules of thumb to make ultimate materiality determinations. Rather, registrants should perform “a full analysis of all relevant considerations,” including both quantitative and qualitative factors, in deciding whether information is material. Similarly, the FASB holds that materiality cannot be captured by a formula and that quantitative thresholds should not be used to make materiality determinations.


**PROVIDE FEEDBACK**

SASB welcomes feedback on the topics and metrics included in the Standards, as well as on the cost-effectiveness of their implementation. Visit comment.sasb.org to comment.
listed corporations. Although Regulation S-K includes no explicit requirement or reference to sustainability topics, SEC interpretive guidance has established that MD&A disclosure requirements may create sustainability-related disclosure obligations for companies. Disclosure will be covered in more detail in Section 5, and a list of relevant laws and regulations is included in the back of this Guide.

SASB recognizes that materiality is not an easily applied concept and requires significant judgment, particularly for non-financial information. The SEC has acknowledged that identifying and assessing known material trends, events, and uncertainties require companies to consider a substantial amount of financial and non-financial information available, including information that itself may not be required to be disclosed. Furthermore, assessing the materiality of sustainability information involves looking beyond conventional financial measures to a broader consideration of social, environmental, and governance issues (see Appendix A) that have the potential to affect the results of operations and/or financial condition in the near, medium, or long term.

Having reviewed the Standards for the relevant industry or industries, as well as the supporting resources provided by SASB, the company will be better prepared to select and assess the appropriate sustainability topics to disclose to investors.

**SELECT TOPICS WITH THE SASB FIVE-FACTOR TEST**

The topic selection exercise is designed to assist companies in considering the potential for a material impact associated with performance on each SASB disclosure topic for their industry. As one part of its standard-setting process (see sidebar), SASB has conducted this process for each topic at the industry level to arrive at a set of topics that are reasonably likely to constitute material information, so the company may wish to focus primarily on evidence that demonstrates the topic lacks relevance to its specific circumstances. Selected topics should serve as inputs to existing disclosure preparation and strategic management processes, where the following questions are answered:

- Is there sufficient evidence to conclude that company activities related to the topic are not reasonably likely to cause a material effect (positive or negative) on financial condition or results of operations?
- Is the evidence clear that the topic is not strategically appropriate to the company or of interest to investors?

**SASB PROCESS**

SASB has followed a rigorous, evidence-based, multi-stakeholder process to develop provisional sustainability accounting standards for 79 SICS industries in 10 sectors:

**Research phase:** SASB performs evidence-based research, including the following components:

**Evidence of interest:** SASB assesses investor interest in each topic using the Five-Factor Test.

**Evidence of impact:** SASB evaluates the type and magnitude of financial impacts for each topic.

**Development phase:** SASB engages a group of industry experts—including balanced representation from corporate, investor, and other perspectives—to provide feedback and reach consensus on the disclosure topics and metrics.

**Finalization phase:** The standards are exposed to public comment; process and outcomes are reviewed by an independent Standards Council.

**A MORE ROBUST APPROACH**

When assessing sustainability topics for inclusion in their CSR reports, many corporations use frameworks that compare stakeholder interests with company impacts. The SASB Five-Factor Test represents a more useful approach that is in keeping with the higher disclosure standard for SEC filings.

Stakeholder concerns can indeed rise to the level of investor interest when they are so serious as to affect financial value drivers such as brand value, customer safety or loyalty, or market share. However, the Five-Factor Test casts a wider net—beyond corporate and stakeholder views—by considering other factors that may trigger a material condition, including regulatory changes, industry norms, and the opportunity for innovation.
INTRODUCTION TO THE SASB FIVE-FACTOR TEST

SASB designed an evidence-based approach to help select the sustainability topics for which to develop a corresponding standard. The Five-Factor Test serves two important purposes for SASB. First, it acts as a method to identify topics that may present risks and/or impact the financial condition or results of operations for companies in a given industry. Second, it surfaces instances of investor interest in the topic.

In the same way that this process allows SASB to develop an understanding of which sustainability topics are important to address through standard-setting, it may help a company’s management to select topics appropriate to its specific operating context. The company can use the Five-Factor Test to assess whether company activities related to the topic might be reasonably likely to have a material impact on financial condition or results of operations.

The first factor addresses direct financial impacts and risks related to the company’s performance on each topic. The next three factors each address drivers and trends that have the potential to indirectly impact the company’s financial performance. The fifth factor addresses upside opportunities that can have an impact on the company’s financial performance.

DIRECT FINANCIAL IMPACTS & RISK:
This factor assesses the likelihood that corporate performance on the topic will have a direct and measurable impact on near- or medium-term financial performance.

LEGAL, REGULATORY & POLICY DRIVERS:
Existing, evolving, or emerging regulation may influence company actions and affect financial performance by forcing the internalization of certain costs and/or by creating upside opportunity associated with sustainability-related externalities.

INDUSTRY NORMS, BEST PRACTICES & COMPETITIVE DRIVERS:
Peer actions and disclosure on industry issues may create pressure for high standards of performance related to the management and disclosure of sustainability topics in order to remain competitive and satisfy investors.

STAKEHOLDER CONCERNS & SOCIAL TRENDS:
Stakeholders may raise concerns that could influence medium- or long-term financial or operating performance or create acute short-term financial impacts through changes in customer demand, influence on new regulations, and disruptions to business viability.

OPPORTUNITIES FOR INNOVATION:
New products and business models to address the topic can drive market expansion or have the potential for a disruptive change that provides new sources of competitive advantage. Financial impacts and risks associated with these innovations may be of interest to investors.

Applying the SASB Five-Factor Test
A company can systematically consider the Five-Factor Test for each topic, understand the triggers, catalog key findings, and draw insights regarding topics that are reasonably likely to have material impacts. In general, the more triggers that are strongly linked to a particular topic, the more likely it is that information related to the topic will be material to investors. However, a preponderance of evidence for even one of the five factors may be enough to indicate a reasonable likelihood for a potential material impact. A company may also choose to rate each issue on the Five Factors for the purpose of tracking trends over time. (See Figure 1, page 11.) When assessing whether management (or mismanagement) of the topic is reasonably likely to have an effect on the financial condition or operating performance of the

i In developing its Five-Factor Test, SASB modified an approach developed by Harvard Initiative for Responsible Investment in “From Transparency to Performance: Industry-Based Sustainability Reporting on Key Issues” (August 2010), which was based on logic put forward by AccountAbility in 2003.
company, the company should consider the following aspects of financial impact for each of the Five Factors:

- **Type of direct impact(s) on results of operations and financial condition**, including:
  - Revenues and/or Costs
  - Assets and/or Liabilities
  - Cost of Capital
  - Risk premium
  - Availability of capital
  - Industry divestment risk
  - General market conditions and trends

- **Likelihood of impact(s)**
- **Time frame of impact(s)** (short, medium, or long term)
- **Magnitude of impact(s)**

In its review of evidence for financial impacts, SASB considers a five-year time horizon, the typical basis for a discounted cash flow analysis. Note that the SEC has not quantified a specific future time period that must be considered in assessing the impact of a known trend, event, or uncertainty that is reasonably likely to have a material impact. As with any other judgment required by Item 303, the necessary time period will depend on a registrant’s particular circumstances and the particular trend, event, or uncertainty under consideration.6

**FACTOR 1: DIRECT FINANCIAL IMPACTS & RISK**

The company should consider whether management or mismanagement of the topic may impact the entity’s ability to create value. An impact may be acute in nature or chronic in its persistence.

An impact may also either positively or negatively affect the financial performance of the entity depending on performance.

---

**Figure 1. Sample Assessment Using the SASB Five-Factor Test**

<table>
<thead>
<tr>
<th>SUSTAINABILITY ISSUE / OPPORTUNITY</th>
<th>Notes / Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENVIRONMENT</strong></td>
<td></td>
</tr>
<tr>
<td>GHG Emissions</td>
<td>10 10 7 7 7 41</td>
</tr>
<tr>
<td>Air Quality</td>
<td>5 7 5 5 5 27</td>
</tr>
<tr>
<td>Water Management</td>
<td>8 6 7 5 10 36</td>
</tr>
<tr>
<td>Biodiversity Impacts</td>
<td>3 7 2 6 2 20</td>
</tr>
</tbody>
</table>

| **SOCIAL CAPITAL**                |                  |
| Security, Human Rights & Rights of Indigenous Peoples | 4 8 6 9 4 31 | Improve risk management plan for operations in areas of conflict |
| Community Relations               | 3 5 5 10 2 25   | Strengthen community outreach in later project stages |

| **LEADERSHIP & GOVERNANCE**       |                  |
| Business Ethics & Payments Transparency | 5 9 5 8 1 28 | Significant operations in areas of high corruption |
| Health, Safety & Emergency Management | 5 8 6 7 3 29 | Renew focus on emergency preparedness and response, safety culture |
| Reserves Valuation & Capital Expenditures | 10 9 3 7 7 36 | Significant CAPEX for exploration/development of new fossil fuel reserves |
| Management of the Legal & Regulatory Environment | 3 4 5 3 4 19 | Minimal political activity around company’s core operations |

0 = no impact  
5 = potential for impact  
10 = significant impact  
(immediacy, likelihood, magnitude of impact)

The Five-Factor Test is intended to help a company consider whether its activities related to a SASB disclosure topic might be reasonably likely to have a material impact on financial condition or results of operations. Numerical ratings are intended only as judgments of the potential for risk and/or opportunity related to the topic and do not represent a conclusion about materiality, or necessarily imply a duty to disclose.
To aid in selecting topics, the company might consider the following aspects of actual or potential financial impacts and risk:

- Does the topic correspond to impacts on balance sheet or income statement items?
- Is performance on the topic affecting intangible assets, reputation, cost and sourcing of capital, and the potential for long-term growth (i.e., factors outside financial statements affecting valuation)?

To support an examination of this factor, the company may wish to review the literature on the financial implications of sustainability issues, such as the SASB Industry Research Briefs or media reports of issues that affect tangible and intangible value. The company might also interview those who manage performance on the topic to better understand its potential to result in a financial impact. Furthermore, the company’s and its peers’ SEC filings can provide additional insights into financial impacts and risks associated with the topic.

**FACTOR 2: LEGAL, REGULATORY & POLICY DRIVERS**

The company should consider the legal, regulatory, and policy drivers that may affect business risks and opportunities in the industry, and how it is positioned relative to its competitors to adapt to such developments related to the topic. To aid in selecting topics, the company might consider the following:

- Do current laws or regulations related to the topic require the company to reduce, eliminate or otherwise manage activities that can have negative impacts?
- Are changes to laws and regulations related to the topic expected in the near, medium, or long term?
- Is the company at risk of being the focus of regulatory attention due to its historical performance on the topic?
- Could changes to laws and regulations related to the topic create market opportunities for the company?

The company may be aware of the legislative trends affecting its industry and it might work with internal or external counsel to review expected, imminent, and potential impacts. The company might also examine disclosures of peer companies to identify relevant legal, regulatory, and/or policy drivers related to the topic. Industry associations, legal news, and SASB Industry Research Briefs can also help companies identify drivers for consideration.

**FACTOR 3: INDUSTRY NORMS, BEST PRACTICES & COMPETITIVE DRIVERS**

The company should consider peer performance and practices (including disclosure) on the topic that may ultimately lead to normative standards of performance or competitive threats to the business.

To aid in selecting topics, the company might consider the following aspects of industry norms, best practices, and competitiveness that may affect financial performance:

- Do peer companies disclose information on the topic?
- How do peer companies frame economic or financial implications related to the topic?
- How are peer companies managing the topic? Are there best practices?
- Are peer companies acting to minimize costs or risks related to the topic? Are they creating new value or improving their competitive advantage?
- How does the company’s performance on the topic compare to that of the industry?

The company might review industry publications or meet with internal stakeholders to understand how the topic is being addressed by peer companies and what industry norms, best practices, or competitive efforts may be appropriate to consider.

**FACTOR 4: STAKEHOLDER CONCERNS & SOCIAL TRENDS**

The company should identify broad stakeholder concerns and social trends and consider how these currently affect the entity’s operating performance and may manifest as changes in demand for products or services, impacts on intangible assets and long-term growth, damage to tangible assets, creation of contingent liabilities, or operational risks. To aid in
selecting topics, the company might consider the following aspects of stakeholder concerns and social trends that may affect financial performance and reflect investor interest:

- Has the company faced shareholder resolutions associated with the topic?
- Is the number of resolutions and votes in favor of a resolution related to the topic increasing over time or expanding among peer companies?
- Are there other channels, such as questionnaires or analyst calls, through which investors are requesting information on the topic?
- What leverage do stakeholders (e.g., employees, customers, contractors, suppliers who have expressed concern or support for the company’s performance on the topics) have over the company’s financial performance or results of operations?
- Will changes in customer preferences or resource availability affect the company’s ability to effectively serve market demand?

The company might review surveys, questionnaires, and/or shareholder resolutions to consider if the topic has been raised by investors. Reviewing investor proxy voting guidelines, key assumptions disclosed in analyst reports, and analyst call transcripts may also be useful. The company might also review media reports of stakeholder concerns, social trends, or government investigations related to the company or broader industry to consider stakeholder concerns and social trends associated with the topic. Companies also obtain valuable information regarding topics that are of interest to stakeholders and that may become financially material in the future through deep engagement with a broader range of stakeholders.

**FACTOR 5: OPPORTUNITIES FOR INNOVATION**

The company should consider its business model in the context of technologies, markets, and new approaches that have the potential to create business opportunities related to the topic.

To aid in selecting topics, the company might consider the following aspects of opportunities for innovation that may affect financial performance:

- Are there emerging or best-in-class technologies or business practices that would allow the company to improve performance on the topic so as to minimize risks or capture value?
- Is there research and development within the company, or externally, that could result in disruptive technologies, processes, products, or services? Would these developments support new markets or help reach new customer segments?
- Are such innovations currently cost-effective to implement? How soon might they be cost-effective?

The company might draw insights from interviewing key directors and management, reviewing innovation-related articles in the media, and evaluating the presentation of the topic in industry or professional journals. By distinguishing innovations that add incremental value from those that can help solve large societal needs, the company can appropriately consider how performance on the topic may relate to reduced risk and/or opportunities for innovation.

**SUMMARY**

The Five-Factor Test is intended to be a starting point for companies to select sustainability topics appropriate to their specific operating context that warrant further consideration for management and/or disclosure. By considering the factors in aggregate for each topic, the company will be in a stronger position to move forward by assessing its current state of disclosure and management on those topics selected.

At this point, the company will have answered the following questions:

- Which SASB disclosure topics are not relevant to the company’s specific operating conditions?
- For each of the SASB disclosure topics, which of the Five Factors can trigger a material impact on the financial condition or operating performance of the company?
- Which SASB topics are appropriate for the company to disclose to investors?
- Which topics may present a risk to the company if disclosure is omitted?