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# IFRS S1 implementation: Sources of guidance SASB Standards – Oil & Gas

7 June 2023

BETTER INFORMATION FOR BETTER DECISIONS

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# Overview – Extractives – Oil & Gas

1. Sector snapshot

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2. Industry activities

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3. Disclosure topics

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4. Channels of financial impact

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5. SASB Standards reporters

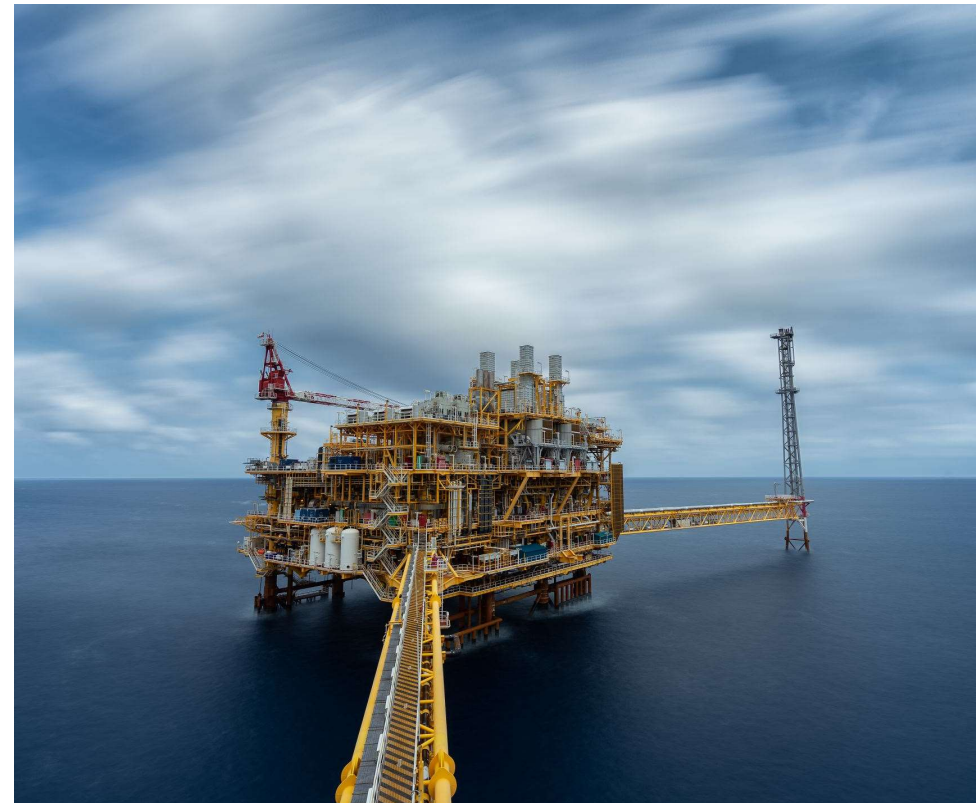
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SECTOR

## Extractives & Minerals Processing (EM)

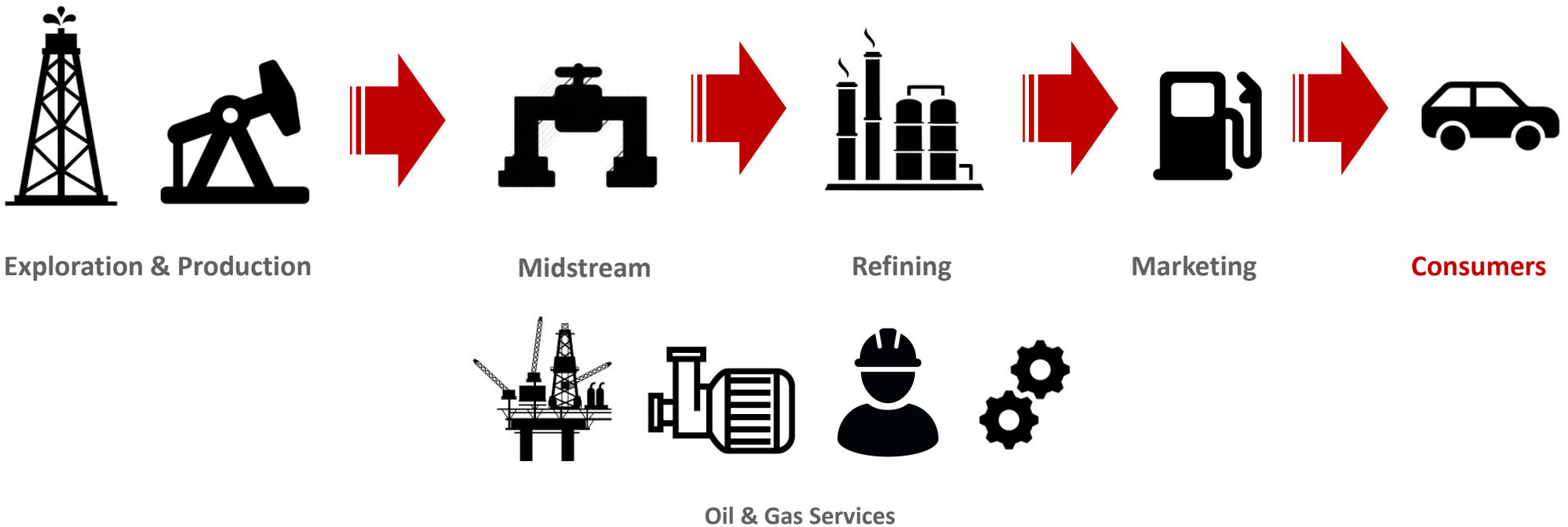
INDUSTRIES

- Oil & Gas Exploration & Production (EM-EP)
- Oil & Gas Midstream (EM-MD)
- Oil & Gas Refining & Marketing (EM-RM)
- Oil & Gas Services (EM-SV)
  
- Coal Operations (EM-CO)
- Construction Materials (EM-CM)
- Iron & Steel (EM-IS)
- Mining & Metals (EM-MM)



## Oil & gas industry value chain

Encompasses exploration, development, production, pipelines, refining and marketing



# EM-EP disclosure topics – risks & opportunities

Industry-specific reporting cost effectively provides material, decision-useful information to investors

IR capital	Relevance
Intellectual	<b>Reserves Valuation &amp; Capital Expenditures</b> (3/1)
Social	Community Relations (1/1)
	Human Rights and Rights of Indigenous Peoples (2/1)
	Business Ethics and Transparency (1/1)
	Critical Incident Risk Management (1/1)
Human	Management of the Legal and Regulatory Environment (0/1)
	Workforce Health and Safety (1/1)
Natural	<b>GHG Emissions</b> (2/1)
	Air Quality (1/0)
	<b>Water Management</b> (4/0)
	Biodiversity Impacts (2/1)
<b>Total metrics = 27 (18/9)</b> (#quantitative / #discussion)	



Sample Metrics:

**Reserves Valuation & Capital Expenditures:** Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves. (Quantitative, metric tonnes CO<sub>2</sub>-e)

**Community Relations:** Number and duration of non-technical delays. (Quantitative, #, days)

**Workforce Health & Safety:** Discussion of management systems used to integrate a culture of safety throughout the exploration and production lifecycle. (Discussion and analysis)

# EM-MD disclosure topics – risks & opportunities

Industry-specific reporting cost effectively provides material, decision-useful information to investors

IR capital	Relevance
Social	Competitive Behaviour (1/0)
	Operational Safety & Emergency Preparedness (3/1)
Natural	<b>GHG Emissions</b> (1/1)
	Air Quality (1/0)
	Ecological Impacts (3/1)

**Total metrics = 12 (9/3)**  
(#quantitative / #discussion)



Sample Metrics:

**Ecological impacts:** Percentage of land owned, leased, and/or operated within areas of protected conservation status or endangered species habitat. (Quantitative, % area)

**Ecological impacts:** Description of environmental management policies and practices for active operations. (Discussion and analysis)

**Operational Safety:** Number of reportable pipeline incidents, percentage significant. (Quantitative, #, %)

# EM-RM disclosure topics – risks & opportunities

Industry-specific reporting cost effectively provides material, decision-useful information to investors

IR capital	Relevance
Intellectual	<b>Product Specifications &amp; Clean Fuel Blends</b> (2/0)
Social	Pricing Integrity & Transparency (1/0) Critical Incident Risk Management (2/1) Management of the Legal and Regulatory Environment (0/1)
Human	Workforce Health and Safety (1/1)
Natural	<b>GHG Emissions</b> (1/1) Air Quality (2/0) <b>Water Management</b> (2/0) Hazardous Materials Management (2/0)
<b>Total metrics = 17 (13/4)</b> (#quantitative / #discussion)	



Sample Metrics:

**Air Quality:** Number of refineries in or near areas of dense population. (Quantitative, #)

**Water Management:** Number of incidents of non-compliance associated with water quality permits, standards, and regulations (Quantitative, #)

**Critical Incident Risk Mgmt:** Process Safety Event (PSE) rates for Loss of Primary Containment (LOPC) of greater consequence (Tier 1) and lesser consequence (Tier 2) (Quantitative, rates)

# EM-SV disclosure topics – risks & opportunities

Industry-specific reporting cost effectively provides material, decision-useful information to investors

IR capital	Relevance
Social	Business Ethics and Transparency (1/1)
	Critical Incident Risk Management (0/1)
	Management of the Legal and Regulatory Environment (0/1)
Human	Workforce Health and Safety (1/1)
Natural	<b>Emissions Reduction Services &amp; Fuels Mgmt</b> (2/1)
	<b>Water Management Services</b> (1/1)
	Chemicals Management (1/1)
	Ecological Impact Management (1/1)



Sample Metrics:

**Critical Incident Risk Management:** Description of management systems used to identify and mitigate catastrophic and tail-end risks. (Discussion and analysis)

**Chemicals Management:** Volume of hydraulic fracturing fluid used, percentage hazardous. (Quantitative, cubic metres, %)

**Emissions Reduction & Fuels Mgmt:** Total fuel consumed, percentage renewable, percentage used in (1) on-road equipment and vehicles and (2) off-road equipment. (Quantitative, g-joules, %)

**Total metrics = 15 (7/8)**  
 (#quantitative / #discussion)



## Financial impacts: Example = GHG emissions

### EM-EP, EM-MD & EM-RM

- The industry generates a significant Scope 1 / 2 / 3 GHG footprint (carbon-risk exposure)
- Governments can use regulatory caps, mandates, penalties and taxes to target GHG emissions
- Energy market transition could strand assets, reduce market size and accelerate investor divestment
- Opportunities for carbon capture and storage

Revenue			Operating Expenses		Non-operating Expenses		Assets		Liabilities		Risk Profile	
Market Share	New Markets	Pricing Power	Cost of Revenue	R&D	CAPEX	Extraordinary Expenses	Tangible Assets	Intangible Assets	Contingent Liabilities & Provisions	Pension & Other Liabilities	Cost of Capital	Industry Divestment Risk

## Financial impacts: Example = workforce health & safety

### EM-EP, EM-RM & EM-SV

- The industry strives to manage workforce health & safety and asset integrity to the highest levels
- Oil & gas operations are inherently risky, and accidents can be catastrophic
- Loss of life, acute injuries, chronic health problems, disrupted operations, damaged assets, regulatory penalties and legal liabilities

Revenue			Operating Expenses		Non-operating Expenses		Assets		Liabilities		Risk Profile	
Market Share	New Markets	Pricing Power	Cost of Revenue	R&D	CAPEX	Extraordinary Expenses	Tangible Assets	Intangible Assets	Contingent Liabilities & Provisions	Pension & Other Liabilities	Cost of Capital	Industry Divestment Risk

## Financial impacts: Example = water management

### EM-EP, EM-RM & EM-SV

- The industry is reliant on water for well development, production and processing
- Water constraints can increase OPEX, water treatment CAPEX and regulatory risks
- Water handling technologies offer opportunities to increase operational efficiencies

Revenue			Operating Expenses		Non-operating Expenses		Assets		Liabilities		Risk Profile	
Market Share	New Markets	Pricing Power	Cost of Revenue	R&D	CAPEX	Extraordinary Expenses	Tangible Assets	Intangible Assets	Contingent Liabilities & Provisions	Pension & Other Liabilities	Cost of Capital	Industry Divestment Risk

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## SASB Standards use – oil & gas industries



**197** organizations since 2021

<b><u>Based in:</u></b>	<b>#</b>
Asia Oceania	12
Europe	38
Latin America & the Caribbean	10
Middle East & Africa	2
North America	135

To access full list of reporters, please visit: <https://www.sasb.org/company-use/sasb-reporters/>

\* **Note:** Excludes Mexico, which is part of Latin America & the Caribbean

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## SASB reporters – African operations



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## Discussion & questions



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# How to prepare



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## Get involved



### Download

proposed IFRS Standards  
and supporting materials



### Listen

to our monthly podcast with highlights  
from meetings and key developments



### Respond

to live consultations



### Sign up

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services that can support you,  
including IFRS Sustainability  
Alliance and FSA Credential



### Observe

ISSB meetings are  
broadcast live



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## Preparing for the ISSB Standards

- Evaluate **internal systems and processes** for collecting, aggregating, validating sustainability-related information across the company and its value chain
- Consider the sustainability-related **risks and opportunities** that affect the business
- Review the ISSB's **proposed standards and supporting materials**, including the SASB Standards, CDSB Framework and TCFD Recommendations



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# Implement TCFD Recommendations

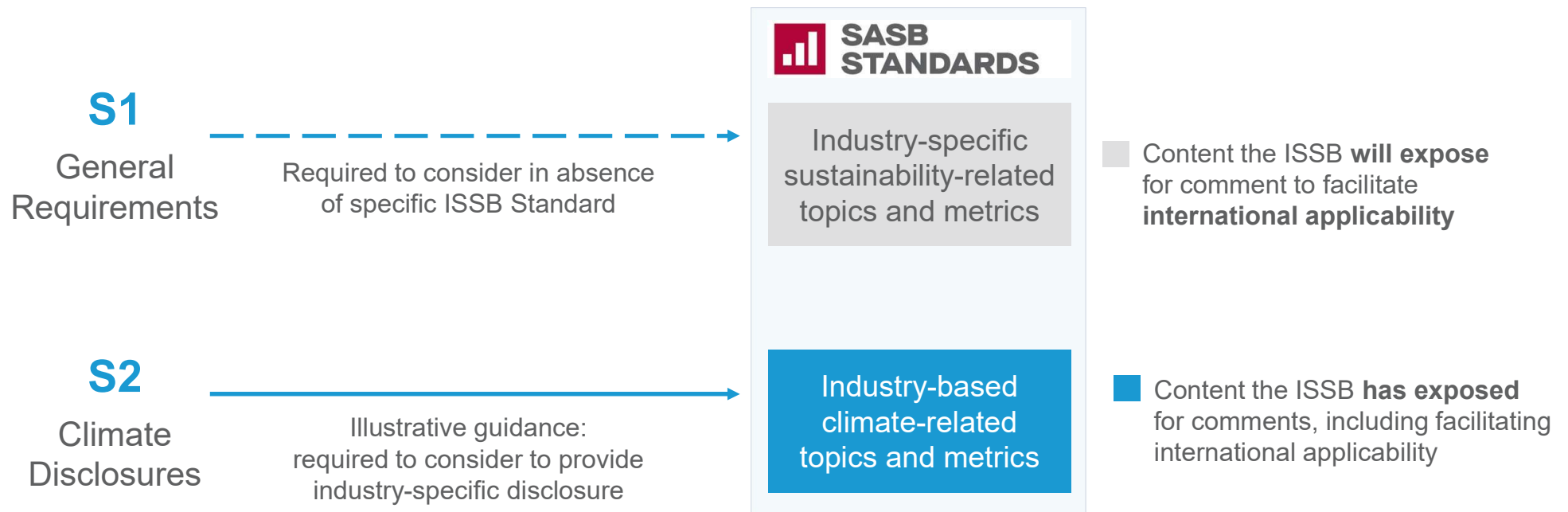
## Get ahead

ISSB Standards adopt the TCFD architecture of governance, strategy, risk management, and metrics and targets

- Designed to solicit decision-useful, forward looking information that can be included in mainstream financial filings
- Recommends that organisations describe the resilience of their strategy, taking into consideration different climate-related scenarios
- 4,000+ supporters in 100 jurisdictions



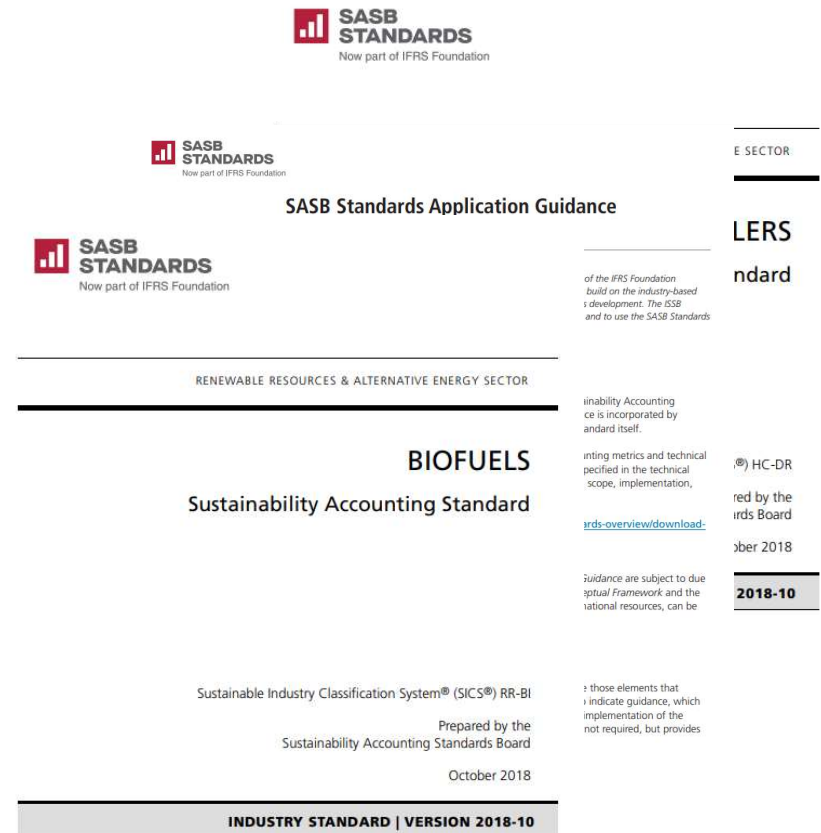
# SASB Standards












# Adopt the SASB Standards

## Get ahead

- S1 requires companies to consider SASB Standards in the absence of a specific ISSB Standard
- 77 industry-based disclosure standards
- Provide investors with comparable information on the sustainability factors most relevant to financial performance and enterprise value
- Developed through rigorous, market-informed, due process
- Used by 2,500+ companies in 70 jurisdictions; 56% outside the US
- SASB Standards will continue to be supported on a standalone basis by the ISSB for at least 4 years and realistically probably longer, with ISSB Standards that build on the SASB industry-based standards to follow



# What's in your toolkit?

2023		2024	
	S1 and S2 available*		S1 and S2 available*
	Apply to advance industry-specific disclosure		Required to consider for S1 application, in absence of specific ISSB Standard
	Apply as basis for disclosures and for cross-industry climate disclosure		Optional guidance, in absence of specific ISSB Standard
	Use to guide disclosure on biodiversity and water		Use to support connectivity between S1 and IFRS Accounting Standards or other GAAP
	Use to understand connection between sustainability and financial value creation		

*\*Fully incorporates TCFD*

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