
IFRS S1 Implementation:

Sources of guidance SASB Standards – Financials

8 June 2023

BETTER INFORMATION FOR BETTER DECISIONS



Financials Sector Snapshot

Seven industries

Financials Industries

- Asset Management & Custody Activities
- Commercial Banks
- Consumer Finance
- Insurance
- Investment Banking & Brokerage
- Mortgage Finance
- Security & Commodity Exchanges

Disclosure Topics

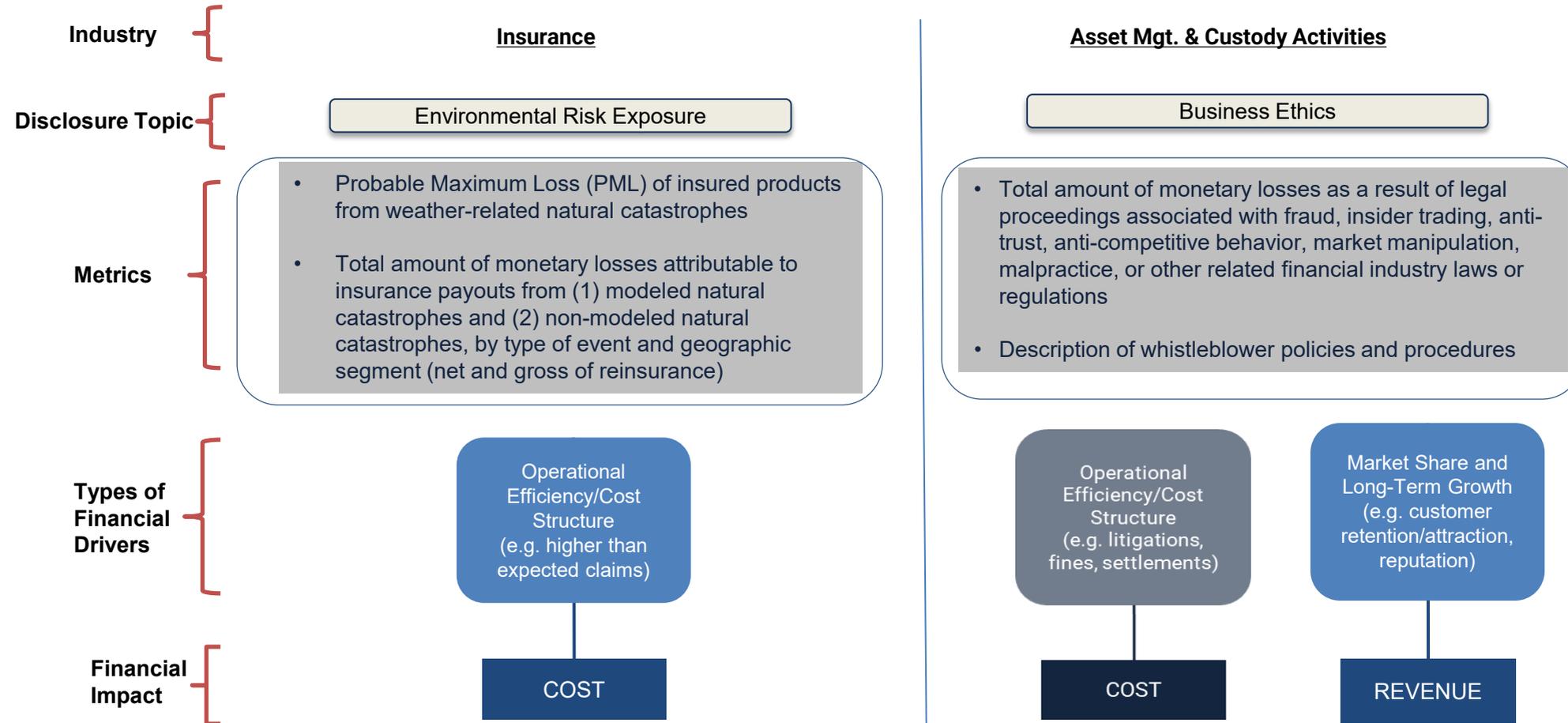
Financials Sector

	Commercial Banks	Investment Banking & Brokerage	Asset Management & Custody Activities	Consumer Finance	Mortgage Finance	Security & Commodity Exchanges	Insurance
Environment							
Social Capital	<ul style="list-style-type: none"> Data Security Financial Inclusion & Capacity Building 		<ul style="list-style-type: none"> Transparent Information & Fair Advice for Customers 	<ul style="list-style-type: none"> Data Security Customer Privacy Selling Practices 	<ul style="list-style-type: none"> Lending Practices Discriminatory Lending 		<ul style="list-style-type: none"> Transparent Information & Fair Advice for Customers
Human Capital		<ul style="list-style-type: none"> Employee Diversity & Inclusion 	<ul style="list-style-type: none"> Employee Diversity & Inclusion 				
Business Model & Innovation	<ul style="list-style-type: none"> Incorporation of Environmental, Social & Governance Factors in Credit Analysis* 	<ul style="list-style-type: none"> Integration of Environmental, Social, & Governance Factors in Investment Banking & Brokerage Activities* 	<ul style="list-style-type: none"> Incorporation of Environmental, Social & Governance Factors in Investment Management & Advisory* 		<ul style="list-style-type: none"> Environmental Risk to Mortgaged Properties* 	<ul style="list-style-type: none"> Promoting Transparent & Efficient Capital Markets 	<ul style="list-style-type: none"> Incorporation of Environmental, Social, & Governance Factors in Investment Management Policies Designed to Incentivize Responsible Behavior Environmental Risk Exposure*
Leadership & Governance	<ul style="list-style-type: none"> Business Ethics Systemic Risk Management 	<ul style="list-style-type: none"> Business Ethics Professional Integrity Systemic Risk Management Employee Incentives & Risk Taking 	<ul style="list-style-type: none"> Business Ethics 			<ul style="list-style-type: none"> Managing Conflicts of Interest Managing Business Continuity & Technology Risks 	<ul style="list-style-type: none"> Systemic Risk Management

Identify Business-Critical Sustainability Issues for Each Industry

Sustainability-related business issue	Sustainability Disclosure Topics	
	Insurance	Asset Management and Custody Activities
Selling Practices & Product Labeling Transparency, accuracy, and comprehensibility of marketing statements, advertising, and labeling of products	Transparent Information & Fair Advice for Customers	Transparent Information & Fair Advice for Customers
Employee Engagement, Diversity & Inclusion Potential discriminatory practices on the bases of race, gender, ethnicity, religion, sexual orientation, and other factors	<i>* Currently being reviewed as part of Human Capital: DE&I workstream</i>	Employee Diversity and Inclusion
Product Design and Life Cycle Management Demand for more sustainable products and services as well as to meet evolving environmental and social regulation	Incorporation of ESG Factors in Credit Analysis	Incorporation of ESG Factors in Investment Mgt.
	Policies Designed to Incentivize Responsible Behavior	
Physical Impacts of Climate Change Environmental and social issues that may arise from physical impacts of climate change on customers	Environmental Risk Exposure	
Systemic Risk Management Ability to absorb shocks arising from financial and economic stress due to the complexity and interconnectedness of companies in the industry including regulatory requirements.	Systemic Risk Management	
Business Ethics Ethical conduct of business e.g., fraud, corruption, bribery and facilitation payments, fiduciary responsibilities		Business Ethics

Examples of Disclosure Topics and Metrics



Common Disclosure Topics in the Sector

Disclosure topics are concentrated in the Social and Governance dimensions

		Financials						
Dimension	General Issue Category ⁽¹⁾	Asset Management & Custody Activities	Commercial Banks	Consumer Finance	Insurance	Investment Banking & Brokerage	Mortgage Finance	Security & Commodity Exchanges
Environment	GHG Emissions							
	Air Quality							
	Energy Management							
	Water & Wastewater Management							
	Waste & Hazardous Materials Management							
	Ecological Impacts							
Social Capital	Human Rights & Community Relations							
	Customer Privacy							
	Data Security							
	Access & Affordability							
	Product Quality & Safety							
	Customer Welfare							
Human Capital	Selling Practices & Product Labelling							
	Labor Practices							
	Employee Health & Safety							
	Employee Engagement, Diversity & Inclusion							
	Product Design & Lifecycle Management							
	Business Model Resilience							
Business Model & Innovation	Supply Chain Management							
	Materials Sourcing & Efficiency							
	Physical Impacts of Climate Change							
	Business Ethics							
Leadership & Governance	Competitive Behavior							
	Management of the Legal & Regulatory Environment							
	Critical Incident Risk Management							
	Systemic Risk Management							

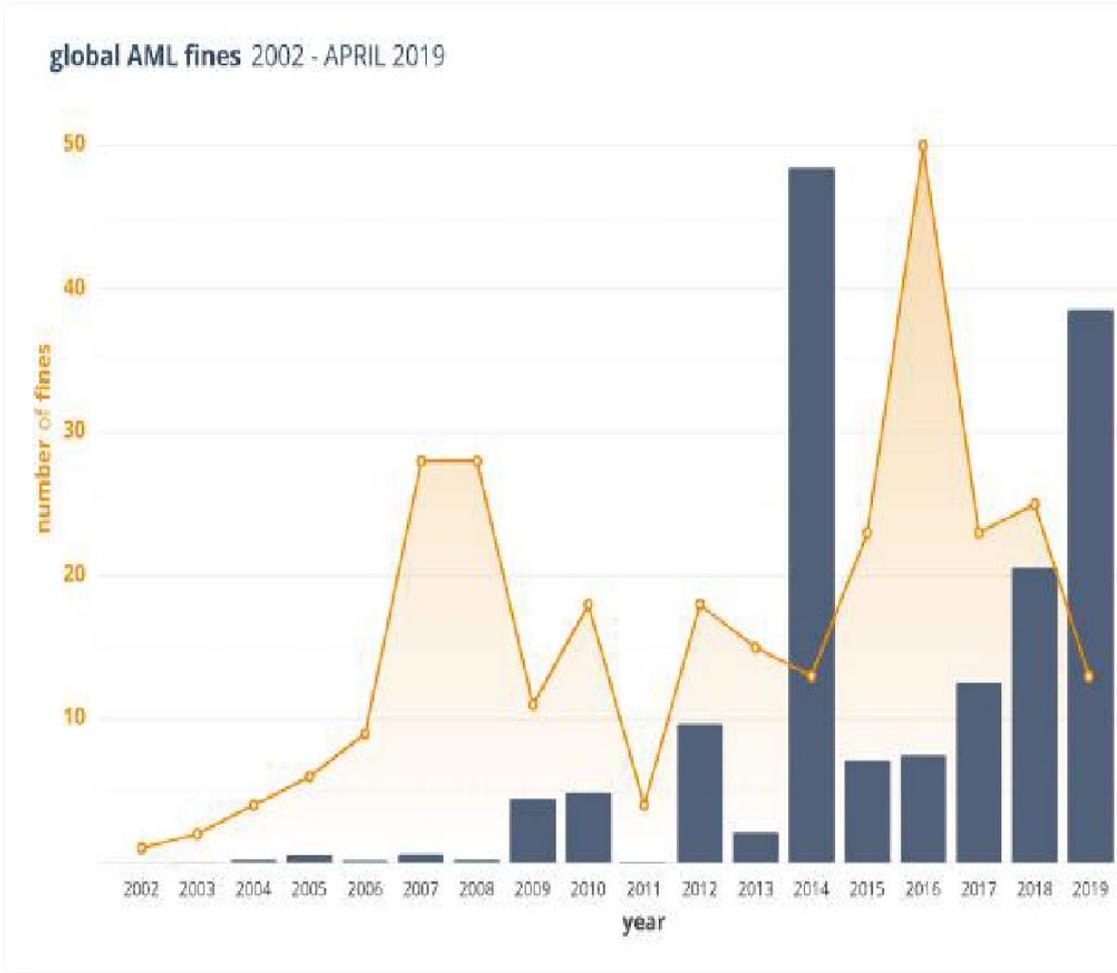
- Business ethics
- Incorporation of ESG factors in key activities
- Selling/lending practices and transparency of disclosure
- Data security and privacy
- Systemic risk management

Business Ethics

Regulatory fines and settlements continue to rise

- How has the company performed on preventing fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other illegal activities?
- How does the company ensure the effectiveness of its whistleblower policies for timely identification of illegal activities within the firm?

Accounting Metric	Category	Unit of Measure
Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or Regulations	Quantitative	Reporting currency
Description of whistleblower policies and procedures	Discussion and Analysis	n/a



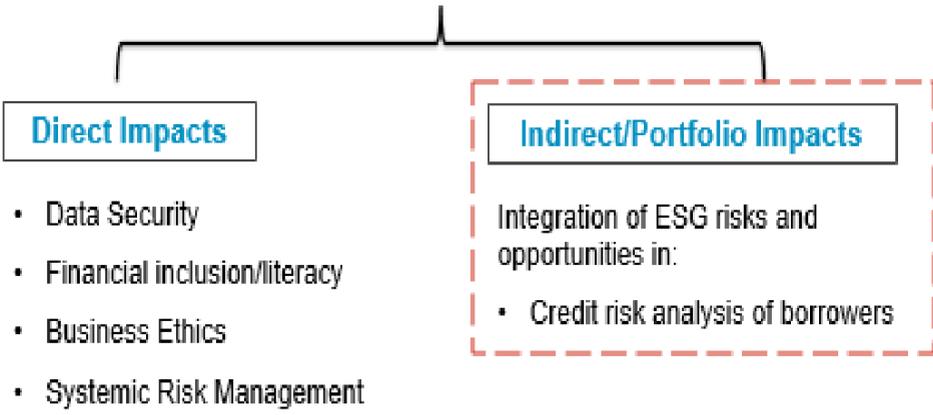
Incorporation of ESG factors in Key Activities

Portfolio-level risk and opportunity exposure

- What is the company's credit exposure to different industries and what is the company's exposure to sustainability-related risks and opportunities?
- What is the company's approach to the incorporation of ESG factors into its financing, lending, and decision-making processes?

Accounting Metric	Category	Unit of Measure
Commercial and industrial credit exposure, by industry	Quantitative	Reporting Currency
Description of approach to incorporation of environmental, social and governance (ESG) factors in credit analysis	Discussion and analysis	n/a

Commercial Banks Impacts

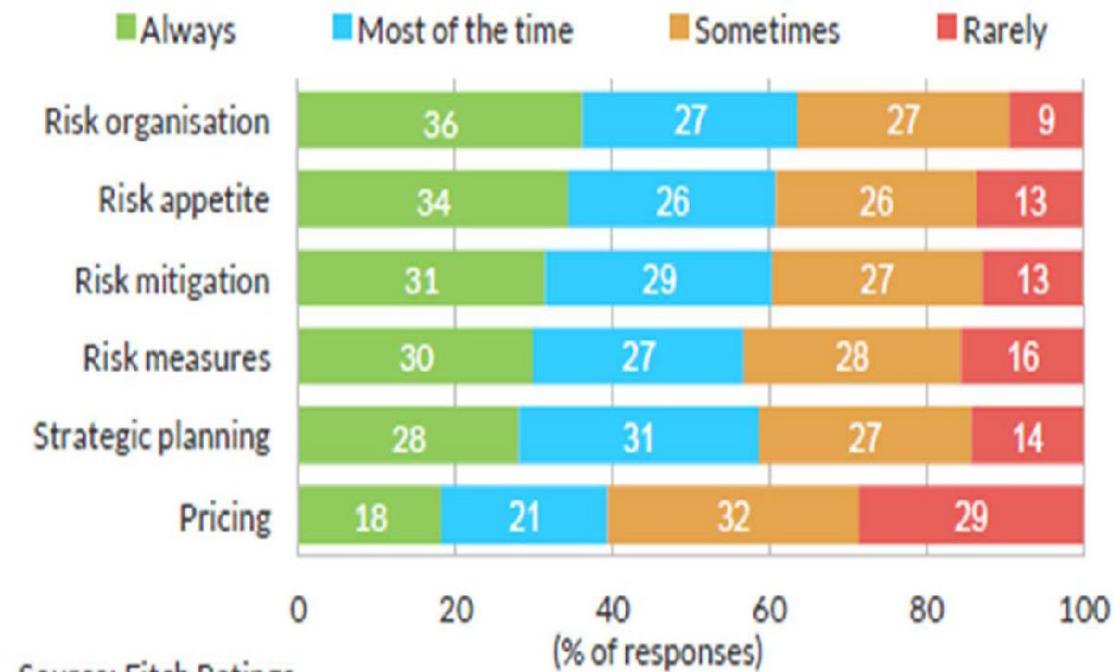


Incorporation of ESG Factors in Key Activities

Portfolio-level risk and opportunity exposure

- Credit risk analysis of commercial and industrial loans
- Integration of ESG in investment management across strategies and asset classes
- ESG exposure of investment portfolio of insurance companies
- Incorporation of ESG in underwriting and advisory

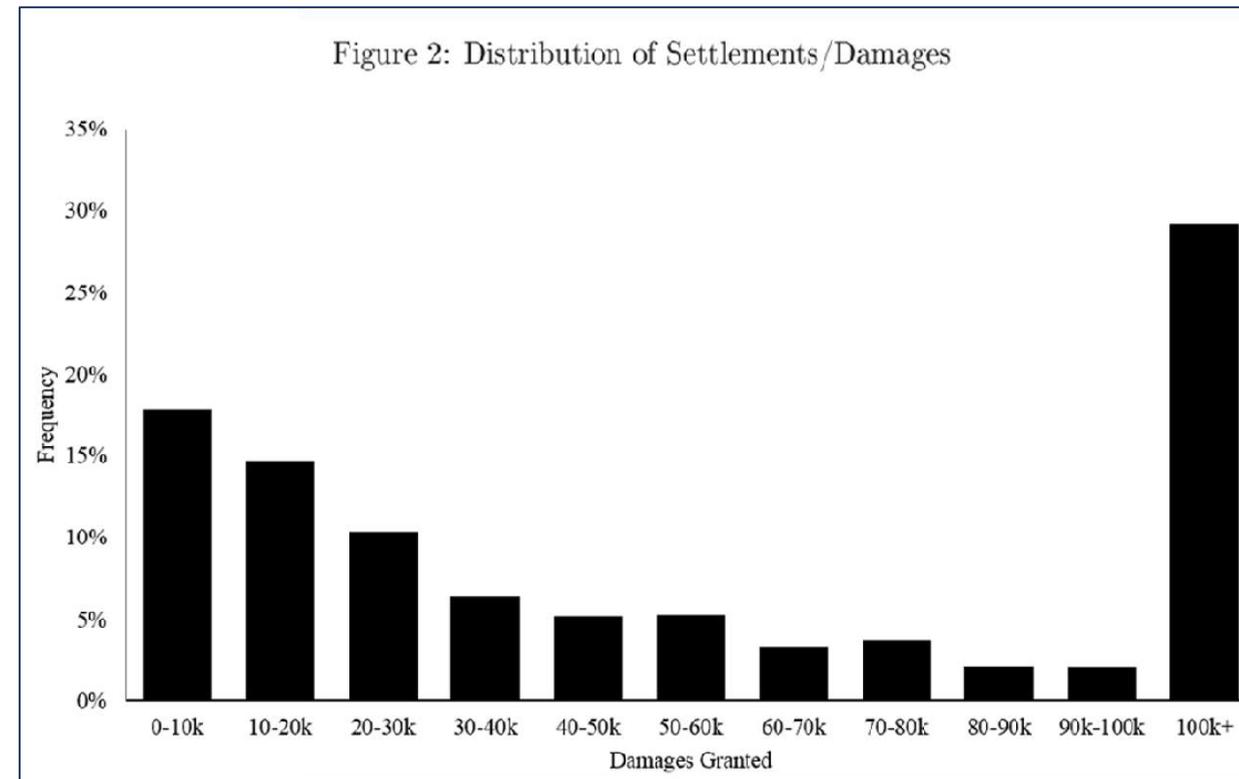
ESG in Risk Framework



Selling/Lending Practices and Transparency of Disclosure

Mortgage and other loan origination, consumer products, investment advice

- Incentive structure/remuneration
- Record of investment-related violations
- Transparency of information provided to customers
- Product characteristics by customer type
- Performance of products
- Customer complaints
- Customer retention rate
- Regulatory fines and settlement

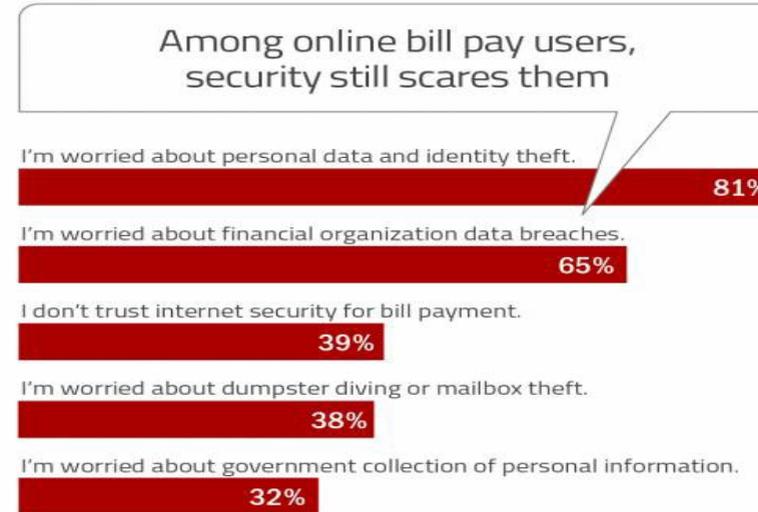


Data Security and Privacy

Financial institutions collect and store large amount of sensitive customer data

- How does the company identify and address vulnerabilities and threats as well as prevent data security breaches?
- How does the company manage leveraging customer personal data for revenue opportunities with maintaining customer privacy?

- Number of data breaches, percentage involving personally identifiable information, number of account holders affected
- Number of account holders whose information is used for secondary purposes
- Total amount of monetary losses as a result of legal proceedings associated with customer privacy



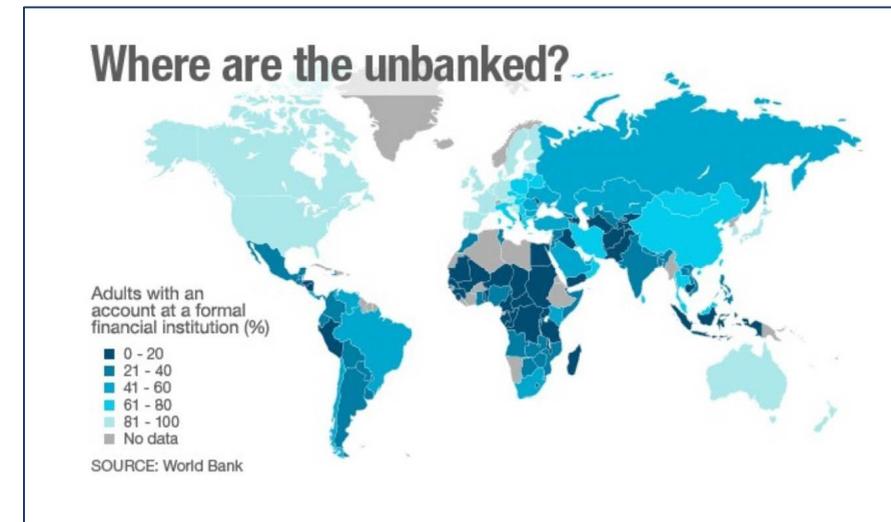
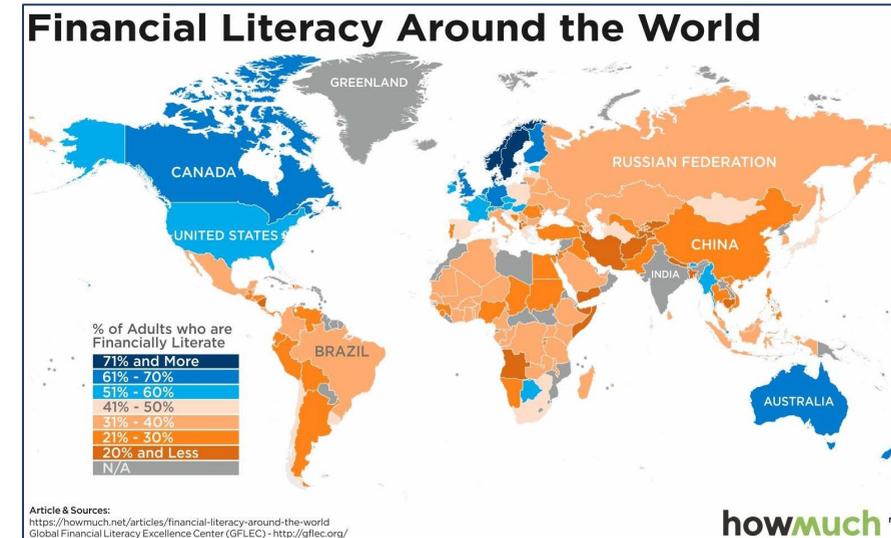
SOURCE: Fiserv © July 2018 The Financial Brand



Additional Disclosure Topics

Some industries in the sector have more unique ESG challenges and opportunities

- Financial literacy and inclusion
- Employee compensation and risk-taking
- Promoting efficient capital market by exchanges
- Climate exposure of insurance underwriting
- Insurance products that incentivize responsible behavior



Incoming Requirement for Financed Emissions Based on S2

- ✓ Scope 3 GHG emissions disclosure, across 15 categories*, when material
- ✓ Use of GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard
- ✓ Disclosure of how and why the entity has used specific inputs, assumptions and estimation techniques to measure its GHG emissions, and information about changes



Companies with emissions associated with investments need to provide additional disclosures for financed emissions.

This relates to companies that are in, or have activities associated, with:

- Asset Management & Custody Activities
- Commercial Banks
- Insurance, for their investment activities

Industry	Proposed SASB Industry- based Metrics
Commercial Banking Insurance	<ul style="list-style-type: none"> • Financed emissions (Scope 1, 2 & 3) by industry and asset class*, and associated carrying amount • Description of methodology used • % of assets covered in calculation
Insurance	<ul style="list-style-type: none"> • Financed emissions (Scope 1, 2 & 3) by industry and asset class*, and associated carrying amount • Description of methodology used • % of assets covered in calculation
Asset Management & Custody Activities	<ul style="list-style-type: none"> • % of AUM covered in calculation • Financed emissions (Scope 1, 2 & 3) by AUM, and associated amount of AUM • Description of methodology used

*Categories identified in the GHG Protocol

Corporate use – Financial Sector



366 organizations since 2021

Asia Oceania	72
Europe	91
Latin America & the Caribbean	53
Middle East & Africa	6
North America	144

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

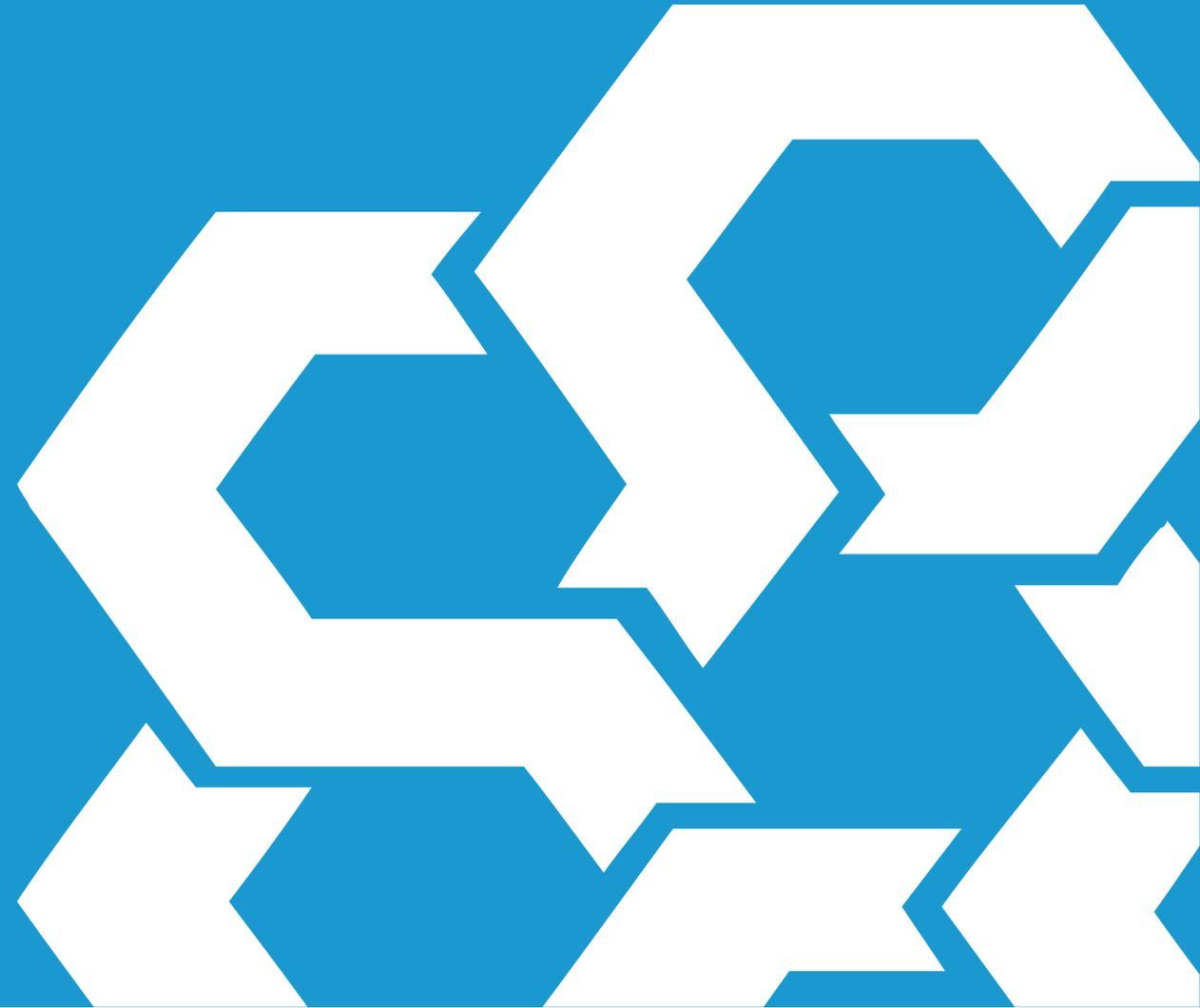
Corporate use – Financial sector --- see below



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Discussion & Questions



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