

Guidance on Doing Well by Doing Good: Mapping SASB's Material Issues to the SDGs

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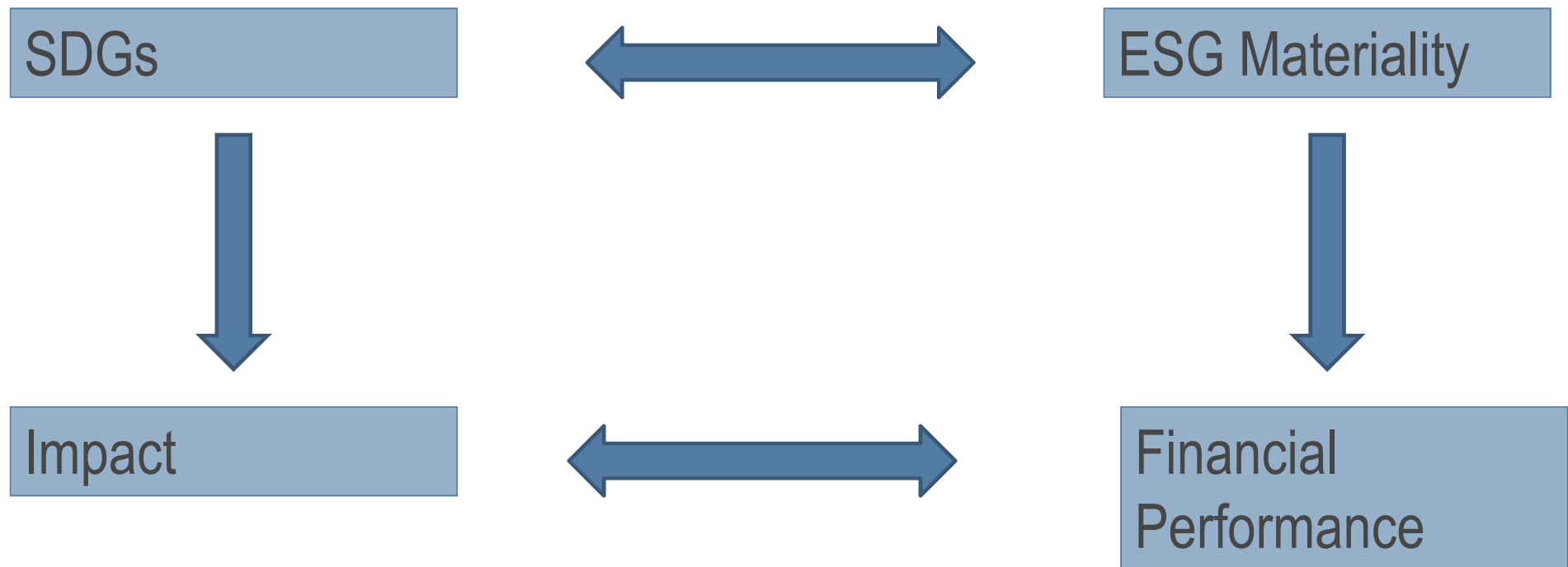
Agenda

1. Goal of the Research
2. Research Design
3. Research Background
4. Research Methodology
5. Calculated Indices
6. Next Steps

Goal of the Research

Answer the question: 'Can a company do well by doing good?'

Research Design



1. SDGs and Private Sector:

- Need of the private sector in financing the SDGs
- SDGs are business opportunities for private sector
- Existing impact measures
 - Outside the company (for example UN SDSN, 2015)
 - Inside the company but not synthetic measure : SDG prioritisation (PwC, 2018); SDG reporting , (KPMG, 2018); Total Value approach, EY (2018)...

2. ESG Materiality:

- SASB Materiality Map
- Evidence on materiality (Khan et al.,2016)

Sector-Level SASB Materiality Map

ISSUES

	Health Care	Financials	Technology and Communications	Non-Renewable Resources	Transportation	Services	Resource Transformation	Consumption	Renewable Resources & Alternative Energy	Infrastructure
	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand
Environment										
GHG emissions										
Air quality										
Energy management										
Fuel management										
Water and wastewater management										
Waste and hazardous materials management										
Biodiversity impacts										
Social Capital										
Human rights and community relations										
Access and affordability										
Customer welfare										
Data security and customer privacy										
Fair disclosure and labeling										
Fair marketing and advertising										
Human Capital										
Labor relations										
Fair labor practices										
Employee health, safety and wellbeing										
Diversity and inclusion										
Compensation and benefits										
Recruitment, development and retention										
Business Model and Innovation										
Lifecycle impacts of products and services										
Environmental, social impacts on assets & operations										
Product packaging										
Product quality and safety										
Leadership and Governance										
Systemic risk management										
Accident and safety management										
Business ethics and transparency of payments										
Competitive behavior										
Regulatory capture and political influence										
Materials sourcing										
FORSupply chain management										

Industry-Level SASB Materiality Map for Health Care

ISSUES	Health Care						Financials	Technology and Communications	Non-Renewable Resources	Transportation	Services	Res Transfo
	Biotechnology	Pharmaceuticals	Medical Equipment and Supplies	Health Care Delivery	Health Care Distribution	Managed Care	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to
Environment												
GHG emissions												
Air quality												
Energy management												
Fuel management												
Water and wastewater management												
Waste and hazardous materials management												
Biodiversity impacts												
Social Capital												
Human rights and community relations												
Access and affordability												
Customer welfare												
Data security and customer privacy												
Fair disclosure and labeling												
Fair marketing and advertising												
Human Capital												
Labor relations												
Fair labor practices												
Employee health, safety and wellbeing												
Diversity and inclusion												
Compensation and benefits												
Recruitment, development and retention												
Business Model and Innovation												
Lifecycle impacts of products and services												
Environmental, social impacts on assets & operations												
Product packaging												
Product quality and safety												
Leadership and Governance												
Systemic risk management												
Accident and safety management												
Business ethics and transparency of payments												
Competitive behavior												
Regulatory capture and political influence												
Materials sourcing												
Supply chain management												

Sector and Industry Level SASB Materiality Map: Health Care and Biotechnology

Health Care

Click to expand

ISSUES	Materiality
Environment	
GHG emissions	
Air quality	
Energy management	Dark grey
Fuel management	Dark grey
Water and wastewater management	Dark grey
Waste and hazardous materials management	Dark grey
Biodiversity impacts	Dark grey
Social Capital	
Human rights and community relations	Light grey
Access and affordability	Dark grey
Customer welfare	Dark grey
Data security and customer privacy	Dark grey
Fair disclosure and labeling	Light grey
Fair marketing and advertising	Light grey
Human Capital	
Labor relations	Light grey
Fair labor practices	Light grey
Employee health, safety and wellbeing	Light grey
Diversity and inclusion	Light grey
Compensation and benefits	Light grey
Recruitment, development and retention	Dark grey
Business Model and Innovation	
Lifecycle impacts of products and services	Dark grey
Environmental, social impacts on assets & operations	Light grey
Product packaging	Dark grey
Product quality and safety	Light grey
Leadership and Governance	
Systemic risk management	Light grey
Accident and safety management	Dark grey
Business ethics and transparency of payments	Light grey
Competitive behavior	Light grey
Regulatory capture and political influence	Light grey
Materials sourcing	Dark grey
Supply chain management	Dark grey

Dark grey: the issue is likely to be material for more than 50% of industries in the sector

Light grey: the issue is likely to be material for less than 50% of industries in the sector

White: the issue is not likely to be material for any of the industries in the sector

Biotechnology

ISSUES	Materiality
Environment	
GHG emissions	
Air quality	
Energy management	Dark grey
Fuel management	Dark grey
Water and wastewater management	Dark grey
Waste and hazardous materials management	Dark grey
Biodiversity impacts	Dark grey
Social Capital	
Human rights and community relations	Dark grey
Access and affordability	Dark grey
Customer welfare	Dark grey
Data security and customer privacy	Dark grey
Fair disclosure and labeling	Light grey
Fair marketing and advertising	Dark grey
Human Capital	
Labor relations	Light grey
Fair labor practices	Light grey
Employee health, safety and wellbeing	Dark grey
Diversity and inclusion	Light grey
Compensation and benefits	Light grey
Recruitment, development and retention	Dark grey
Business Model and Innovation	
Lifecycle impacts of products and services	Dark grey
Environmental, social impacts on assets & operations	Light grey
Product packaging	Dark grey
Product quality and safety	Light grey
Leadership and Governance	
Systemic risk management	Light grey
Accident and safety management	Dark grey
Business ethics and transparency of payments	Light grey
Competitive behavior	Light grey
Regulatory capture and political influence	Light grey
Materials sourcing	Dark grey
Supply chain management	Dark grey

Firms that perform well on material issues enjoy enhanced accounting and market returns over firms that perform poorly on these factors



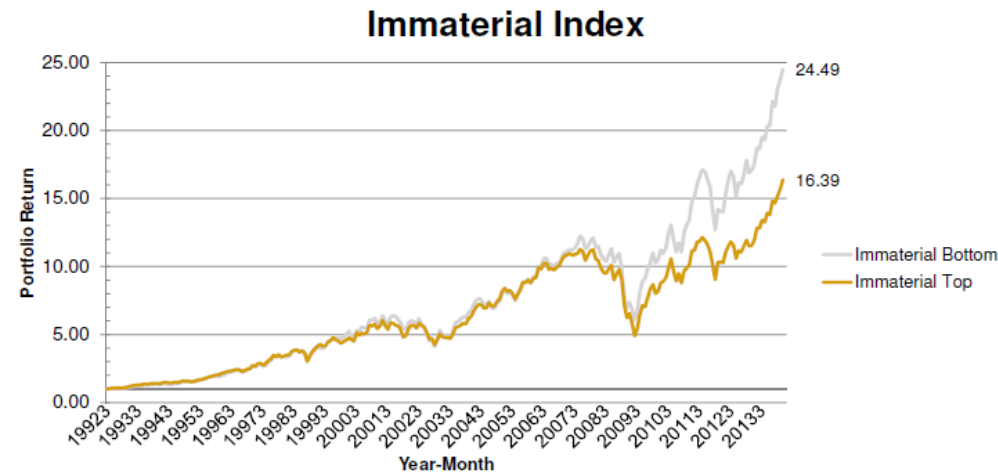
Mo Khan, George Serafeim and Aaron Youn, *Corporate Sustainability: First Evidence on Materiality*, HBS working paper, 2014.

Source, HBS research: <http://hbswk.hbs.edu/item/7755.html>

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Firms that perform well on immaterial issues do not achieve better returns than firms that perform poorly on these factors

HARVARD BUSINESS SCHOOL
Importance of Materiality

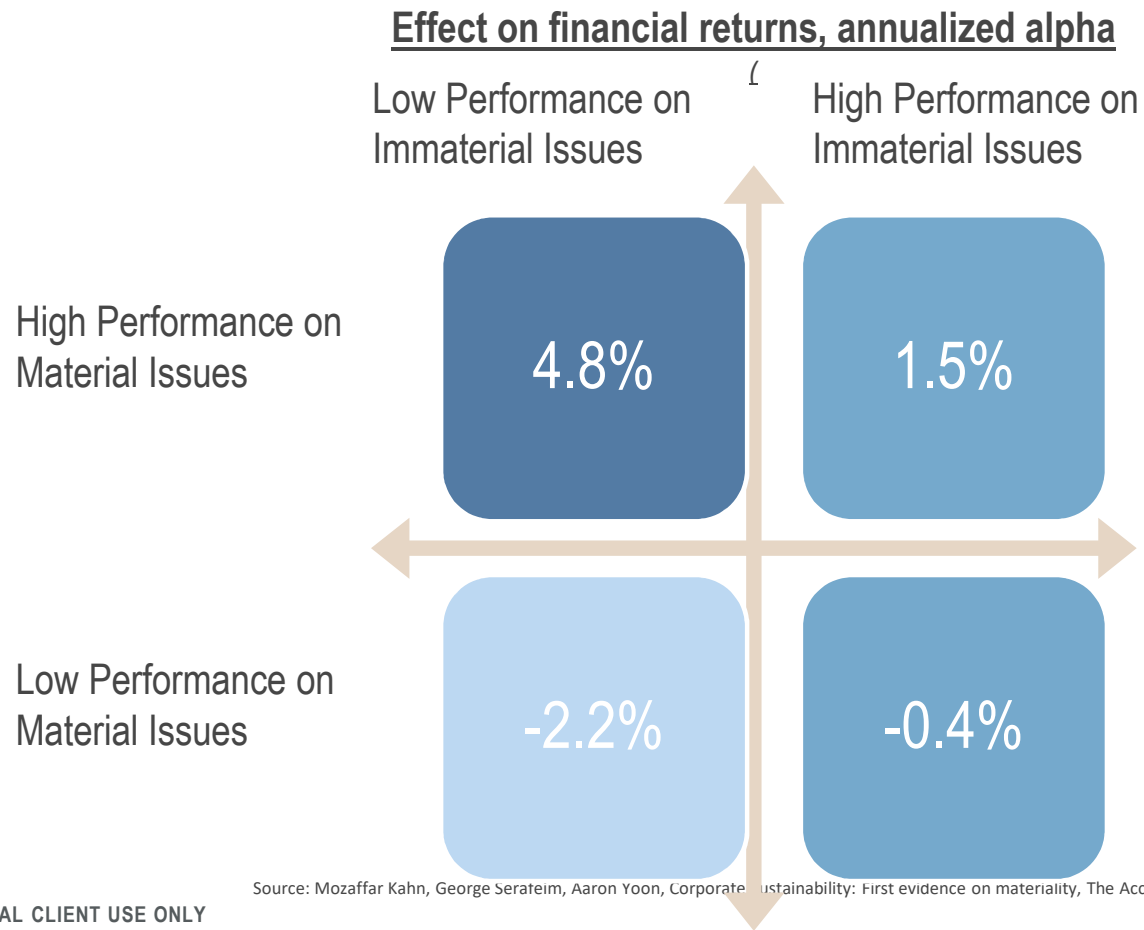


Mo Khan, George Serafeim and Aaron Youn, *Corporate Sustainability: First Evidence on Materiality*, HBS working paper, 2014.

Source, HBS research: <http://hbswk.hbs.edu/item/7755.html>

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Using SASB to Drive Performance



Source: Mozaffar Kahn, George Serateim, Aaron Yoon, Corporate Sustainability: First evidence on materiality, The Accounting Review, 2016.

Research Methodology

1. Map of each SASB's issue with SDGs

2. Two sets of indices:
 - a. Two indices that measure:the ability of SASB's issues to impact the SDGs and the relevance of the SDGs for SASB's issues
 - b. Four indices that measure the ability of each sector to impact the SDGs

Calculated Indices

Acronym	Full name	Measured for:	Description
SRI	SDG Relevance Index	Each SASB issue	Number of SDGs impacted by each SASB issue/16
ERI	ESG Relevance Index	Each SDG	Number of SASB's issue impacting the SDG/30
ISII	Industry SDG Impact Index	Each SDG in each industry	Ratio (multiplied by 100) between the number of industry specific material issues impacting the SDG on the total number of SASB'issues impacting the SDGs
SSII	Sector SDG Impact Index	Each SDG in each sector	Average of ISII for industries in the sector
AISII	Average Industry SDG Impact Index	All SDGs in each industry	Average of ISII for all SDGs
ASSII	Average Sector SDG Impact Index	All SDGs in each Sector	Average of SSII for all SDGs

Calculated Indices: SDG Relevance Index (SRI)

Acronym	Full name	Measured for:	Description
SRI	SDG Relevance Index	Each SASB's issue	Number of SDG impacted by each SASB's issue/16

Example:

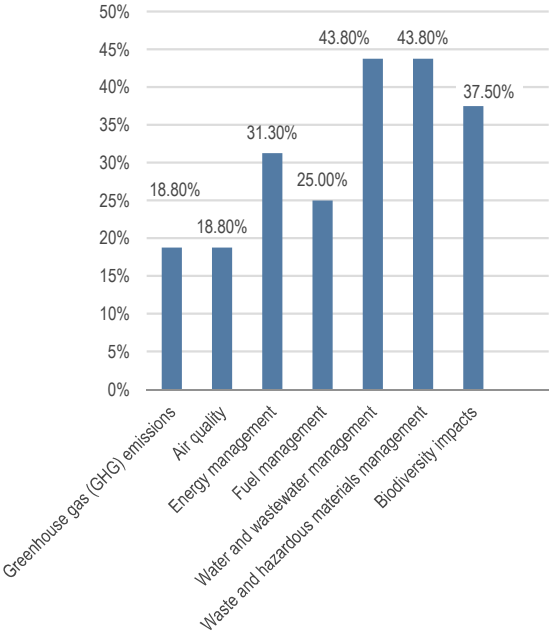
Data security and customer privacy: n° SDGs impacted: 1; SRI: 6.25%

Supply chain management: n° SDGs impacted 14; SRI: 87.5%

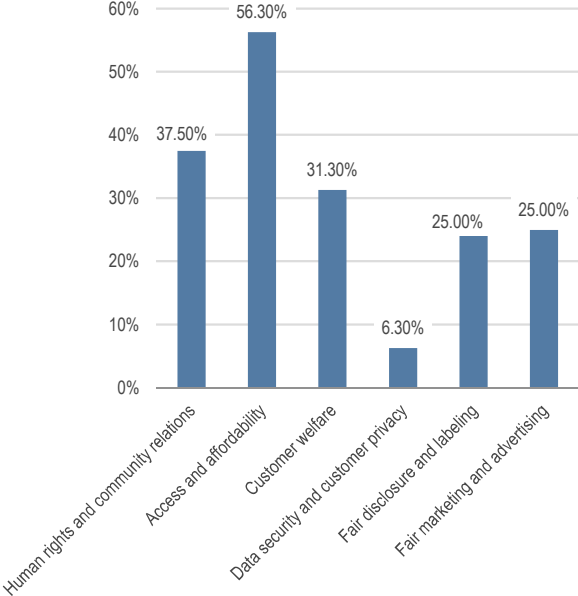
- The SRI index ranges from 6.3% to 87.5% with a mean of 34.2%
- This shows that some SASB topics are much important to the SDGs in terms of scope than others but also that the SASB topics are in general relevant to the SDGs

Calculated Indices: SDG Relevance Index (SRI)

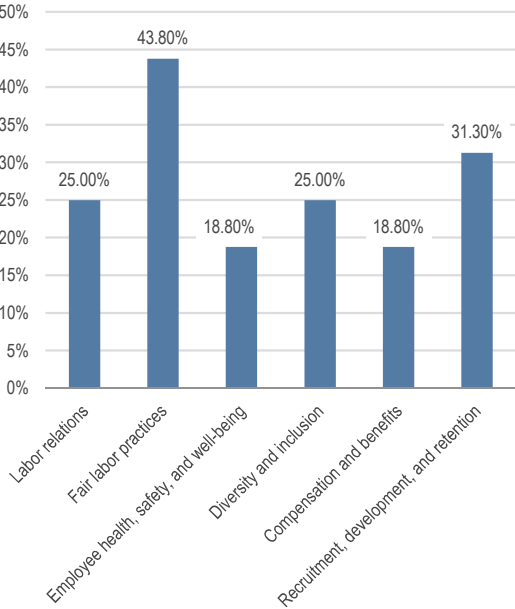
Environment SDG Relevance Index



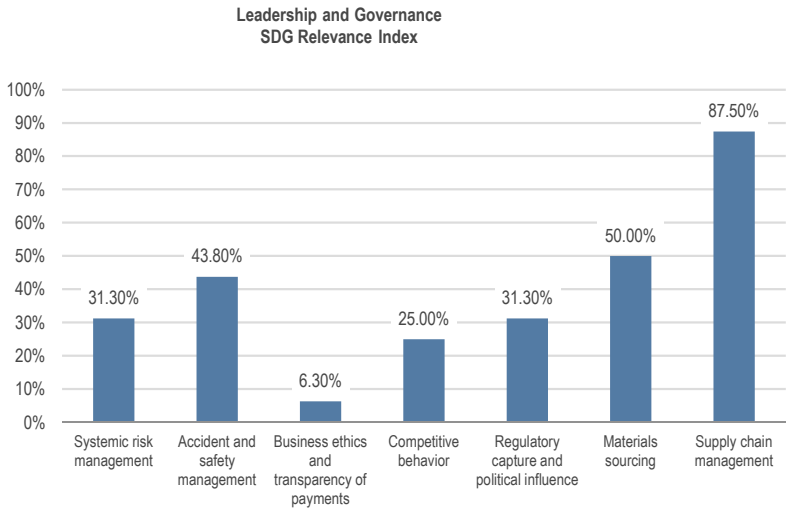
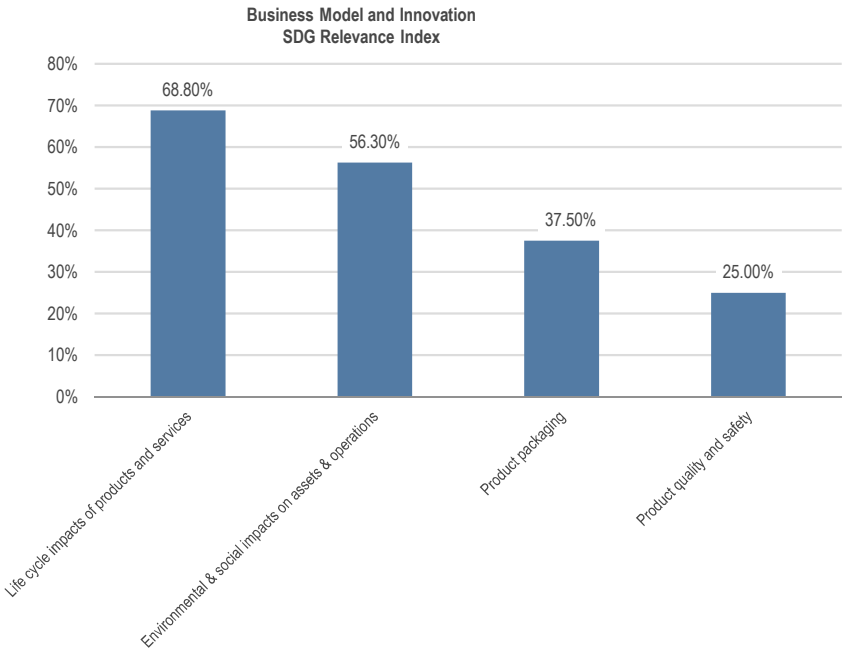
Social Capital SDG Relevance Index



Human Capital SDG Relevance Index



Calculated Indices: SDG Relevance Index (SRI)



Calculated Indices: ESG Relevance Index (ERI)

Acronym	Full name	Measured for:	Description
ERI	ESG Relevance Index	Each SDG	Number of SASB's issue impacting the SDG/30

Example:

SDG 4 : impacted by 4 SASB's issues; ERI: 13%

SDG 3: impacted by 18 SASB's issues; ERI: 60%

- ERI provides information about the extent to which each SDG is impacted by SASB's issues
- The ERI index ranges from 13% to 60% with a mean of 36%
- This shows that some SDGs are more impacted by SASB's issues than others

Calculated Indices: ESG Relevance Index (ERI)

SDG	SASB General Issue Category	% of SASB Issues Mapped with the Single SDG	SDG	SASB General Issue Category	% of SASB Issues Mapped with the Single SDG	SDG	SASB General Issue Category	% of SASB Issues Mapped with the Single SDG
SDG #1: End poverty in all its forms everywhere.	<ul style="list-style-type: none"> Access & affordability Accident & safety management Compensation & benefits Competitive behavior 	37%	SDG #7: Ensure access to affordable, reliable, sustainable, and modern energy for all.	<ul style="list-style-type: none"> Access & affordability Competitive behavior Energy management Environmental & social impacts on assets & operation Fuel management 	33%	SDG #12: Ensure sustainable consumption and production patterns.	<ul style="list-style-type: none"> Accident & safety management Air quality Biodiversity impacts Energy management Fuel management 	50%
SDG #2: End hunger, achieve food security and improved nutrition, and promote sustainable agriculture	<ul style="list-style-type: none"> Biodiversity impacts Customer welfare Environmental & social impacts on assets & operations Fair disclosure and labeling Fair marketing and advertising 	33%	SDG #8: Promote inclusive and sustainable economic growth, employment, and decent work for all.	<ul style="list-style-type: none"> Access & affordability Accident & safety management Compensation & benefits Diversity & inclusion Employee health safety & well-being 	47%	SDG #13: Take urgent action to combat climate change and its impacts.	<ul style="list-style-type: none"> Energy management Environmental & social impacts on assets & operation Fuel management Greenhouse gas (GHG) emissions Life cycle impacts of products & services 	30%
SDG #3: Ensure healthy lives and promote well-being for all at all ages.	<ul style="list-style-type: none"> Access & affordability Accident & safety management Air quality Customer welfare Employee health, safety & well-being (and 13 more...) 	60%	SDG #9: Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.	<ul style="list-style-type: none"> Access & affordability Competitive behavior Energy management Environmental & social impacts on assets & operation Greenhouse gas (GHG) emissions 	30%	SDG #14: Conserve and sustainably use the oceans, seas, and marine resources for sustainable development.	<ul style="list-style-type: none"> Accident & safety management Biodiversity impacts Greenhouse gas (GHG) emissions Life cycle impacts of products & services Product packaging 	27%
SDG #4: Ensure inclusive and equitable quality education for all and promote lifelong learning.	<ul style="list-style-type: none"> Customer welfare Fair disclosure & labeling Fair marketing & advertising Recruitment, development & retention 	13%	SDG #10: Reduce inequality within and among countries.	<ul style="list-style-type: none"> Access & affordability Compensation & benefits Competitive behavior Diversity & inclusion Fair labor practices 	33%	SDG #15: Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.	<ul style="list-style-type: none"> Accident & safety management Biodiversity impacts Customer welfare Environmental & social impacts on assets & operation Greenhouse gas (GHG) emissions 	40%
SDG #5: Achieve gender equality and empower all women and girls.	<ul style="list-style-type: none"> Access & affordability Diversity & inclusion Employee health safety & well-being Fair labor practices Materials sourcing Recruitment, development & retention 	23%	SDG #11: Make cities inclusive, safe, resilient, and sustainable.	<ul style="list-style-type: none"> Access & affordability Air quality Biodiversity impacts Environmental & social impacts on assets & operation Human rights and community relations 	33%	SDG #16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all level	<ul style="list-style-type: none"> Business ethics & transparency of payments Data security & customer privacy Diversity & inclusion Fair disclosure & labeling Fair labor practices 	37%
SDG #6: Ensure access to water and sanitation for all.	<ul style="list-style-type: none"> Access & affordability Accident & safety management Biodiversity impacts Customer welfare Environmental & social impacts on assets & operation 	43%						

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Calculated Indices: Industry SDG Impact Index (ISII)

Acronym	Full name	Measured for:	Description
ISII	Industry SDG Impact Index	Each SDG in each industry	Ratio (multiplied by 100) between the number of industry specific material issues impacting the SDG on the total number of SASB issues impacting the SDGs

Example: **Biotechnology Industry**

SDG	ISII	SDG	ISII
SDG1	40.00	SDG2	50.00
SDG3	55.56	SDG4	75.00
SDG5	57.14	SDG6	53.85
SDG7	40.00	SDG8	50.00
SDG9	55.56	SDG10	40.00
SDG11	60.00	SDG12	42.86
SDG13	37.50	SDG14	57.14
SDG15	54.55	SDG16	36.36

Calculated indices: Sector SDG Impact Index (SSII)

Acronym	Full name	Measured for:	Description
SSII	Sector SDG Impact Index	Each SDG in each sector	Average of ISII for industries in the sector

Example: **Health Care Sector**

SDG	SSII	SDG	SSII
SDG1	25.00	SDG2	39.58
SDG3	39.81	SDG4	54.17
SDG5	33.33	SDG6	38.46
SDG7	31.67	SDG8	29.76
SDG9	38.89	SDG10	21.67
SDG11	38.33	SDG12	29.76
SDG13	33.33	SDG14	35.71
SDG15	40.91	SDG16	28.79

Calculated indices: Average Industry SDG Impact Index (AISII) and Average Sector SDG Impact Index (ASSII)

Acronym	Full name	Measured for:	Description
AISII	Average Industry SDG Impact Index	All SDGs in each industry	Average of ISII for all SDGs
ASSII	Average Sector SDG Impact Index	All SDGs in each Sector	Average of SSII for all SDGs

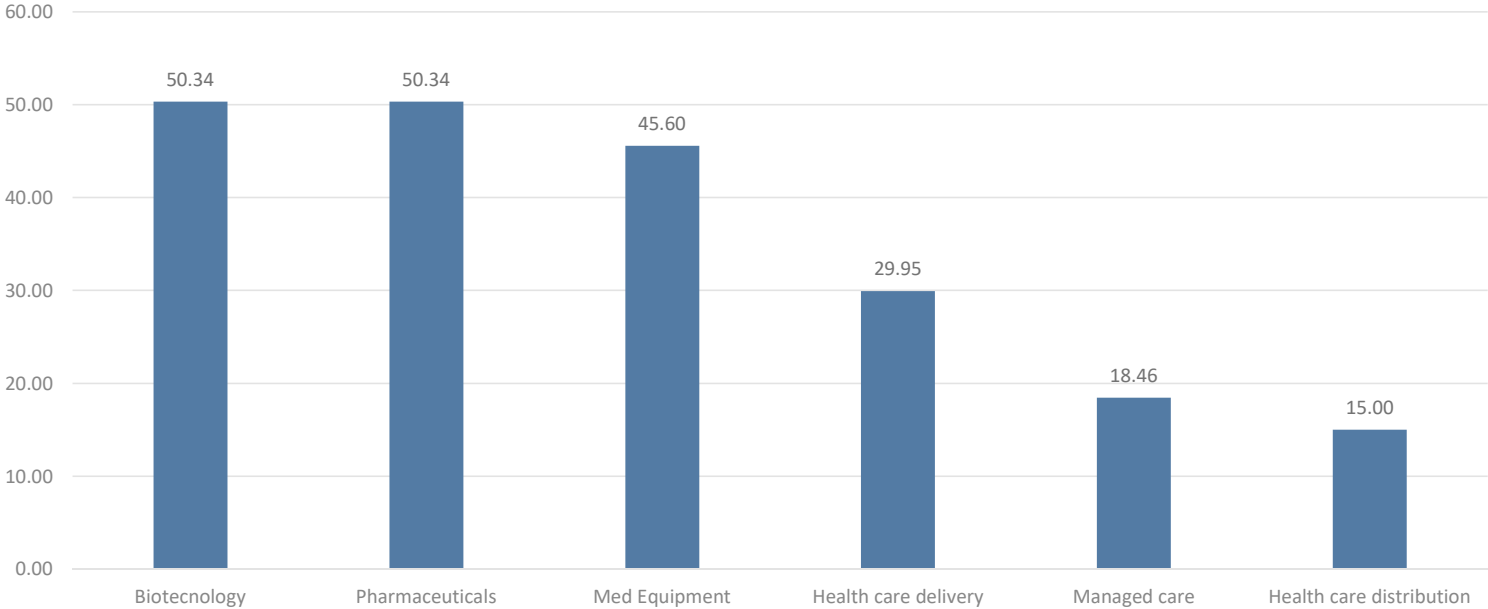
Example:

Biotechnology – AISII : 50.34

Health Care – ASSII : 34.95

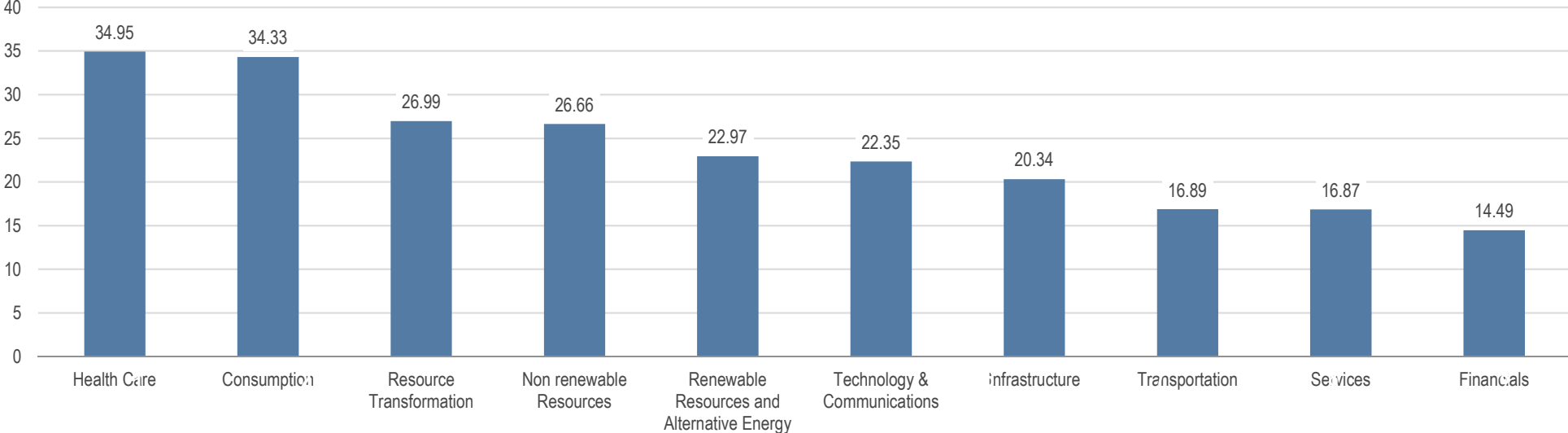
Industry Ranking for SDGs in the Health Care sector

SDG Total (AISII) in ranking order



Sector Ranking for SDGs

SDG Total (ASSII) in ranking order



Next Steps

- Target level mapping
- Make a user-friendly version of this tool and put it out in the public domain as a guide for investors and companies
- Discussing this now with a few asset managers, asset owners and sell-side firms
- Happy to share with anyone on this webinar
- Eager for suggestions on how to get the most practical use for this mapping and future research to be done
- Particularly interested in how to measure impact
-