SASB STANDARDS
Now part of IFRS Foundation

FINANCIALS SECTOR

COMMERCIAL BANKS

Sustainability Accounting Standard

Sustainable Industry Classification System® (SICS®) FN-CB

Prepared by the
Sustainability Accounting Standards Board

October 2018

INDUSTRY STANDARD | VERSION 2018-10

COMMERCIAL BANKS

Sustainability Accounting Standard

As of August 2022, the International Sustainability Standards Board (ISSB) of the IFRS Foundation assumed responsibility for the SASB Standards. The ISSB has committed to build on the industry-based SASB Standards and leverage SASB's industry-based approach to standards development. The ISSB encourages preparers and investors to continue to provide full support for and to use the SASB Standards until IFRS Sustainability Disclosure Standards replace SASB Standards.

Historical Information About the SASB Foundation

These materials were developed under the auspices of the SASB Foundation. The SASB Foundation was founded in 2011 as a not-for-profit, independent standards-setting organization. The SASB Foundation's mission was to establish and maintain industry-specific standards that assist companies in disclosing financially material, decision-useful sustainability information to investors. The SASB Foundation operated in a governance structure similar to the structure adopted by other internationally recognized bodies that set standards for disclosure to investors, including the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB). This structure included a board of directors ("the Foundation Board") and a standards-setting board ("the Standards Board" or "the SASB"). The Standards Board developed, issued, and maintained the SASB Standards. The Foundation Board oversaw the strategy, finances, and operations of the entire organization, and appointed the members of the Standards Board. The Foundation Board was not involved in setting standards, but was responsible for overseeing the Standards Board's compliance with the organization's due process requirements. As set out in the SASB Rules of Procedure, the SASB's standards-setting activities were transparent and followed careful due process, including extensive consultation with companies, investors, and relevant experts. The SASB Foundation was funded by a range of sources, including contributions from philanthropies, companies, and individuals, as well as through the sale and licensing of publications, educational materials, and other products.

sasb.org/contact

Table of Contents

INTRODUCTION

Purpose of SASB Standards

The SASB's use of the term "sustainability" refers to corporate activities that maintain or enhance the ability of the company to create value over the long term. Sustainability accounting reflects the governance and management of a company's environmental and social impacts arising from production of goods and services, as well as its governance and management of the environmental and social capitals necessary to create long-term value. The SASB also refers to sustainability as "ESG" (environmental, social, and governance), though traditional corporate governance issues such as board composition are not included within the scope of the SASB's standards-setting activities.

SASB standards are designed to identify a minimum set of sustainability issues most likely to impact the operating performance or financial condition of the typical company in an industry, regardless of location. SASB standards are designed to enable communications on corporate performance on industry-level sustainability issues in a cost-effective and decision-useful manner using existing disclosure and reporting mechanisms.

Businesses can use the SASB standards to better identify, manage, and communicate to investors sustainability information that is financially material. Use of the standards can benefit businesses by improving transparency, risk management, and performance. SASB standards can help investors by encouraging reporting that is comparable, consistent, and financially material, thereby enabling investors to make better investment and voting decisions.

Overview of SASB Standards

The SASB has developed a set of 77 industry-specific sustainability accounting standards ("SASB standards" or "industry standards"), categorized pursuant to SASB's Sustainable Industry Classification System® (SICS®). Each SASB standard describes the industry that is the subject of the standard, including any assumptions about the predominant business model and industry segments that are included. SASB standards include:

1. **Disclosure topics** – A minimum set of industry-specific disclosure topics reasonably likely to constitute material information, and a brief description of how management or mismanagement of each topic may affect value creation.

2. **Accounting metrics** – A set of quantitative and/or qualitative accounting metrics intended to measure performance on each topic.

3. **Technical protocols** – Each accounting metric is accompanied by a technical protocol that provides guidance on definitions, scope, implementation, compilation, and presentation, all of which are intended to constitute suitable criteria for third-party assurance.

4. **Activity metrics** – A set of metrics that quantify the scale of a company's business and are intended for use in conjunction with accounting metrics to normalize data and facilitate comparison.

Furthermore, the *SASB Standards Application Guidance* establishes guidance applicable to the use of all industry standards and is considered part of the standards. Unless otherwise specified in the technical protocols contained in the industry standards, the guidance in the SASB Standards Application Guidance applies to the definitions, scope, implementation, compilation, and presentation of the metrics in the industry standards.

The *SASB Conceptual Framework* sets out the basic concepts, principles, definitions, and objectives that guide the Standards Board in its approach to setting standards for sustainability accounting. The *SASB Rules of Procedure* is focused on the governance processes and practices for standards setting.

Use of the Standards

SASB standards are intended for use in communications to investors regarding sustainability issues that are likely to impact corporate ability to create value over the long term. Use of SASB standards is voluntary. A company determines which standard(s) is relevant to the company, which disclosure topics are financially material to its business, and which associated metrics to report, taking relevant legal requirements into account[1]. In general, a company would use the SASB standard specific to its primary industry as identified in SICS® . However, companies with substantial business in multiple SICS® industries can consider reporting on these additional SASB industry standards.

It is up to a company to determine the means by which it reports SASB information to investors. One benefit of using SASB standards may be achieving regulatory compliance in some markets. Other investor communications using SASB information could be sustainability reports, integrated reports, websites, or annual reports to shareholders. There is no guarantee that SASB standards address all financially material sustainability risks or opportunities unique to a company's business model.

Industry Description

Commercial banks accept deposits and make loans to individuals and corporations as well as engage in lending for infrastructure, real estate, and other projects. By providing these services, the industry serves an essential role in the functioning of global economies and in facilitating the transfer of financial resources to their most productive capacity. The industry is driven by the volume of deposits, quality of loans made, the economic environment, and interest rates. It is further characterized by risk from mismatched assets and liabilities. The regulatory environment that governs the commercial banking industry saw significant changes in the wake of the financial crisis of 2008 and continues to evolve today. These and other regulatory trends have the potential to impact shareholder value and sustainability performance. Commercial banks with global operations must manage new regulations in multiple jurisdictions that are creating regulatory uncertainty, particularly around consistent application of new rules.

Note: The SASB Commercial Banks (FN-CB) Standard addresses "pure play" commercial banking services, which the SASB recognizes may not include all the activities of integrated financial institutions, such as investment banking and brokerage

[1] **Legal Note**: SASB standards are not intended to, and indeed cannot, replace any legal or regulatory requirements that may be applicable to a reporting entity's operations.

services, mortgage finance, consumer finance, asset management and custody services, and insurance. Separate SASB accounting standards are available that address the sustainability issues for activities in those industries.

SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected[2]	Quantitative	Number, Percentage (%)	FN-CB-230a.1
	Description of approach to identifying and addressing data security risks	Discussion and Analysis	n/a	FN-CB-230a.2
Financial Inclusion & Capacity Building	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development[3]	Quantitative	Number, Reporting currency	FN-CB-240a.1
	(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	Quantitative	Number, Reporting currency	FN-CB-240a.2
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	Quantitative	Number	FN-CB-240a.3
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers[4]	Quantitative	Number	FN-CB-240a.4
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Commercial and industrial credit exposure, by industry	Quantitative	Reporting currency	FN-CB-410a.1
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	Discussion and Analysis	n/a	FN-CB-410a.2
Business Ethics	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[5]	Quantitative	Reporting currency	FN-CB-510a.1
	Description of whistleblower policies and procedures	Discussion and Analysis	n/a	FN-CB-510a.2
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category[6]	Quantitative	Basis points (bps)	FN-CB-550a.1

[2] Note to **FN-CB-230a.1**– Disclosure shall include a description of corrective actions implemented in response to data breaches.

[3] Note to **FN-CB-240a.1**– Disclosure shall include a description of how the entity's results of the Community Reinvestment Act (CRA) Examinations are integrated into its financial inclusion and capacity building strategy.

[4] Note to **FN-CB-240a.4**– Disclosure shall include a description of financial literacy initiatives.

[5] Note to **FN-CB-510a.1**– The entity shall briefly describe the nature, context, and any corrective actions taken as a result of the monetary losses.

[6] Note to **FN-CB-550a.1**– The entity shall describe whether the Global Systemically Important Bank (G-SIB) score is calculated by the entity or obtained from regulatory authorities and whether the entity is required to report the underlying data to the regulators.

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Discussion and Analysis	n/a	FN-CB-550a.2

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	Quantitative	Number, Reporting currency	FN-CB-000.A
(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate[7]	Quantitative	Number, Reporting currency	FN-CB-000.B

[7] Note to **FN-CB-000.B** – Mortgage loans as well as revolving credit loans shall be excluded from the scope of disclosure.

Data Security

Topic Summary

Ensuring the privacy and data security of personal financial data is an essential responsibility of the Commercial Banks industry. Companies that fail to manage performance in this area are susceptible to decreased revenue and consumer confidence. As growth in mobile banking and cloud storage continues and more of banks' operations become technology- and internet-dependent, data security will be an increasingly important issue to manage. Sophisticated technology and continuous training of personnel are essential in a world of growing cybersecurity threats. The metrics for this disclosure topic focus on providing more detail on efforts related to safeguarding data against emerging and continuously evolving cybersecurity threats and technologies, and actual security breaches compromising customers' personally identifiable information (PII). Enhanced disclosure on management strategies to address these risks will allow shareholders to understand how commercial banks are protecting shareholder value.

Accounting Metrics

FN-CB-230a.1. (1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected

1 The entity shall calculate and disclose (1) the total number of data breaches identified during the reporting period.

1.1 Data breach is defined as the unauthorized movement or disclosure of sensitive information to a party, usually outside the organization, that is not authorized to have or see the information. This definition is derived from the U.S. National Initiative for Cybersecurity Careers and Studies (NICCS) glossary.

1.2 The scope of disclosure is limited to data breaches that resulted in a deviation from the entity's expected outcomes for confidentiality and/or integrity.

2 The entity shall disclose (2) the percentage of data breaches in which personally identifiable information (PII) was subject to the data breach.

2.1 PII is defined as any information about an individual that is maintained by an entity, including (1) any information that can be used to distinguish or trace an individual's identity, such as name, Social Security Number (SSN), date and place of birth, mother's maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information. This definition is derived from the U.S. Government Accountability Office's Report to Congressional Requesters, *Alternatives Exist for Enhancing Protection of Personally Identifiable Information.*

2.2 The scope of disclosure shall include incidents in which encrypted data were acquired with an encryption key that was also acquired, as well as if there is a reasonable belief that encrypted data could be readily converted to plaintext.

2.2.1 Encryption is defined as the process of transforming plaintext into ciphertext. This definition is derived from the NICCS glossary.

2.3 The scope of disclosure is limited to breaches in which account holders were notified of the breach, either as required by law or voluntarily by the entity.

3 The entity shall disclose (3) the total number of unique account holders who were affected by data breaches, which includes all those whose personal data was compromised in a data breach.

3.1 Accounts that the entity cannot verify as belonging to the same account holder shall be disclosed separately.

4 The entity may delay disclosure if a law enforcement agency has determined that notification impedes a criminal investigation or until the law enforcement agency determines that such notification does not compromise the investigation.

Note to **FN-CB-230a.1**

1 The entity shall describe the corrective actions taken in response to data breaches, such as changes in operations, management, processes, products, business partners, training, or technology.

1.1 The U.S. SEC's Commission Statement and Guidance on Public Company Cybersecurity Disclosures may provide further guidance on disclosures on the corrective actions taken in response to data breaches.

2 All disclosure shall be sufficient such that it is specific to the risks the entity faces, but disclosure itself will not compromise the entity's ability to maintain data privacy and security.

3 The entity may disclose its policy for disclosing data breaches to affected account holders in a timely manner.

FN-CB-230a.2. Description of approach to identifying and addressing data security risks

1 The entity shall describe its approach to identifying vulnerabilities in its information systems that pose a data security risk.

1.1 Vulnerability is defined as a weakness in an information system, system security procedures, internal controls, and/or implementation that could be exploited.

1.2 Data security risk is defined as any circumstance or event with the potential to adversely impact organizational operations (including mission, functions, image, or reputation), organizational assets, individuals, other organizations, or nations through an information system via unauthorized access, destruction, disclosure, modification of information, and/or denial of service.

2 The entity shall describe its approach to addressing data security risks and vulnerabilities it has identified, including, but not limited to, operational procedures, management processes, structure of products, selection of business partners, employee training, and use of technology.

3 The entity shall discuss trends it has observed in type, frequency, and origination of attacks to its data security and information systems.

4 The entity shall describe its policies and procedures for disclosing the events of breaches to its customers in a timely manner.

5 The entity's disclosure shall include a discussion of data and system security efforts that relate to new and emerging cyber threats and attack vectors facing the financial services industry.

5.1 Emerging cyber threats include, but are not limited to, cyber threats arising from the use of near-field communication payment systems, mobile banking, and web-based banking.

5.2 Attack vectors include, but are not limited to, ransomware, loan stacking schemes, money mule schemes, and Remote Access Attacks.

6 The entity shall describe the regulatory environment in which it operates related to data security.

6.1 Discussion shall include, but is not limited to, data security policies and procedures that the entity adopted as a result of regulatory compliance efforts or voluntarily as an industry best practice.

7 The entity shall describe the degree to which its approach is aligned with an external standard or framework and/or legal or regulatory framework for managing data security, such as:

7.1 ISO/IEC 27001:2013—Information technology—Security techniques—Information security management systems—Requirements

7.2 *Framework for Improving Critical Infrastructure Cybersecurity* , Version 1.1, April 16, 2018, National Institute of Standards and Technology (NIST)

7.3 The New York State Department of Financial Services 23 NYCRR 500, "Cybersecurity Requirements for Financial Services Companies"

7.4 The Office of the Comptroller of the Currency (OCC) Bulletin 2013-29, "Third-Party Relationships: Risk Management Guidance," October 30, 2013

8 The U.S. SEC's Commission Statement and Guidance on Public Company Cybersecurity Disclosures may provide further guidance on disclosures on the entity's approach to addressing data security risks and vulnerabilities.

9 All disclosure shall be sufficient such that it is specific to the risks the entity faces, but disclosure itself would not compromise the entity's ability to maintain data privacy and security.

Financial Inclusion & Capacity Building

Topic Summary

Commercial banks, as their primary business activity, have to continuously balance their capacity building efforts with the risks and opportunities associated with lending to unbanked, underbanked, or underserved customers. Emerging financing models and technologies provide banks with an opportunity to offer products and services in previously underserved markets and obtain additional sources of revenue. Firms that are able to meet the need to extend credit and financial services to low-income populations and small businesses while avoiding predatory and irresponsible lending practices are likely to create long-term value and enhance social capital. These services should also be complemented by efforts to improve financial literacy, which will ensure that customers make informed decisions. The recent financial crisis demonstrated the importance of diversified and resilient funding sources that these communities can provide. By disclosing their approach to financial inclusion and capacity building, commercial banks can provide investors with decision-useful information for assessing banks' ability to ensure long-term, sustainable value creation.

Accounting Metrics

FN-CB-240a.1. (1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development

1 The entity shall disclose the total number of loans outstanding qualified to programs designed to promote small business and community development, and the total amount outstanding of these loans.

1.1 Loans qualified to programs designed to promote small business and community development are defined in accordance with the U.S. Federal Financial Institutions Examination Council's (FFIEC) definition of community development loans, pursuant to the Community Reinvestment Act of 1977 (CRA).

1.1.1 The scope of disclosure includes (1) Small Farm and Small Business loans and (2) Community Development Loans as defined by the FFIEC's Guide to CRA Data Collection and Reporting.

1.1.2 The scope of disclosure excludes (1) Home Mortgage Loans, (2) Consumer Loans, and (3) Other Loan Data as defined by the FFIEC's Guide to CRA Data Collection and Reporting.

2 The entity shall provide the number and amount of loans outstanding qualified to programs designed to promote small business and community development in accordance with the guidance to Schedule RC-C of the Consolidated Report of Condition and Income (Call Report).

3 The entity shall consider the FFIEC's Guide to CRA Data Collection and Reporting a normative reference, thus any future updates made to it shall be considered updates to this guidance.

Note to **FN-CB-240a.1**

1 The entity shall provide a description of its short-term and long-term strategy or plan to expand its portfolio of loans qualified to programs designed to promote small business and community development.

2 The entity shall include a discussion of its results of the examinations for compliance with the CRA.

2.1 The examinations include those conducted by the U.S. Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS).

3 The entity shall include a discussion of how its results of the CRA Examinations are integrated into its short-term and long-term financial inclusion and capacity building strategy.

FN-CB-240a.2. (1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development

1 The entity shall disclose the total number of loans past due and nonaccrual qualified to programs designed to promote small business and community development, and the total amount past due and nonaccrual of these loans.

1.1 Loans qualified to programs designed to promote small business and community development are defined in accordance with the U.S. Federal Financial Institutions Examination Council's (FFIEC) definition of community development loans, pursuant to the Community Reinvestment Act (CRA) of 1977.

1.1.1 The scope of disclosure includes (1) Small Farm and Small Business loans and (2) Community Development Loans as defined by the FFIEC's Guide to CRA Data Collection and Reporting.

1.1.2 The scope of disclosure excludes (1) Home Mortgage Loans, (2) Consumer Loans, and (3) Other Loan Data as defined by the FFIEC's Guide to CRA Data Collection and Reporting.

1.1.3 The scope of disclosure includes loans originated and purchased by the entity, reported in accordance with the FFIEC's Guide to CRA Data Collection and Reporting.

2 The entity shall provide the number and amount of loans past due and nonaccrual qualified to programs designed to promote small business and community development in accordance with the guidance to Schedule RC-N of the Consolidated Report of Condition and Income (Call Report).

3 The entity shall consider the FFIEC's Guide to CRA Data Collection and Reporting a normative reference, thus any future updates made to it shall be considered updates to this guidance.

FN-CB-240a.3. Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers

1 The entity shall disclose the total number of no-cost checking accounts that are held by unbanked or underbanked customers as of the end of the reporting period.

1.1 No-cost checking accounts are defined as bank accounts providing core services without extra fees, monthly or annual maintenance fees, or minimum average balance requirements.

1.1.1 Core services include, but are not limited to, access to a debit card, access to internet and mobile banking, and access to deposits or withdrawals.

1.2 Unbanked customers are defined by the U.S. Federal Deposit Insurance Corporation's National Survey of Unbanked and Underbanked Households as individuals and families who have rarely, if ever, held a checking account, a savings account, or other type of transaction or check cashing account at an insured depository institution.

1.3 A household is categorized as underbanked if it had a checking or savings account and used one of the following products or services from an alternative financial services (AFS) provider in the past 12 months: money orders, check cashing, international remittances, payday loans, refund anticipation loans, rent-to-own services, pawn shop loans, or auto title loans.

2 The entity may additionally disclose the number of no-cost checking accounts opened and closed during the reporting period by unbanked and underbanked customers.

FN-CB-240a.4. Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers

1 The entity shall disclose the number of individuals that participated in financial literacy initiatives for unbanked, underbanked, or underserved customers.

1.1 The scope of financial literacy initiatives includes, but is not limited to, educational programs, workshops, seminars, courses, counseling, and community partnerships.

1.2 Unbanked customers are those in households without a checking or savings account who may rely on alternative financial services (AFS), such as payday loans, non-bank money orders, non-bank check cashing services, non-bank remittances, rent-to-own services, pawn shops, or refund anticipation loans.

1.3 Underbanked customers are in households that have a checking and/or a savings account but may still regularly use AFS.

1.4 Underserved customers include those who are unbanked, underbanked, or otherwise have limited access to mainstream financial services, often due to limited or no credit history. These customers commonly include young adults, immigrants and/or non-native English speakers, the elderly, ethnic minorities, low-income customers (i.e., with less than $30,000 in household income), and members of the military.

2 The entity shall calculate the total number of unique individuals who are documented to have participated in at least one initiative conducted by the entity during the reporting period.

2.1 Disclosure shall include participants in ongoing programs in the case that active participation can be documented during the reporting period.

3 The scope of disclosure shall include both individual retail customers and relevant commercial customers (e.g., small and medium enterprises and minority owned business).

4 The scope of disclosure shall include financial literacy initiatives provided by the entity directly as well as by third-parties for which a contractual agreement to provide such initiatives exists with the entity.

Note to **FN-CB-240a.4**

1 The entity shall describe its initiatives, programs, and/or financial services that are focused on enhancing the financial literacy of unbanked, underbanked, or underserved customers.

Incorporation of Environmental, Social, and Governance Factors in Credit Analysis

Topic Summary

As financial intermediaries, commercial banks contribute to significant positive and negative environmental and social externalities through their lending practices. Therefore, environmental, social, and governance (ESG) factors can have material implications for the underlying companies, assets, and projects that commercial banks lend to across a range of industries. It is therefore increasingly necessary for companies to examine ESG factors when determining the quality of collateral. Commercial banks also have the potential to enable positive environmental and social externalities and to generate significant revenue streams through their lending practices. Commercial banks that fail to address these risks and opportunities could face diminished returns and reduced value for shareholders. Commercial banks should subsequently disclose how ESG factors are integrated into lending processes and the current level of portfolio risk associated with specific sustainability trends. In particular, investor and regulatory pressure is mounting for banks to disclose how they address climate change related risks.

Accounting Metrics

FN-CB-410a.1. Commercial and industrial credit exposure, by industry

1 The entity shall disclose its commercial and industrial credit exposure.

1.1 The entity shall calculate its exposure in accordance with the guidance to Schedule RC-C and Schedule RC-I of the Consolidated Report of Condition and Income (Call Report).

1.2 The reported value shall include the notional amount of direct outstanding and unfunded legally binding lending commitments net of amounts distributed (e.g., syndicated or participated) to other financial institutions.

2 The entity shall break down its commercial and industrial credit exposure by industry.

2.1 The entity shall use the North American Industry Classification System (NAICS) for classifying counterparties.

2.1.1 The entity shall use the NAICS 3 Digit Subsector code-level breakdown in its disclosure.

2.1.2 The entity shall use the latest version of the NAICS available at the time of disclosure.

2.2 The entity shall disclose its exposure to at least the 10 largest industries by monetary amount of exposure, or to industries representing at least 2 percent of the overall portfolio monetary exposure.

3 The entity shall consider guidance to Schedule RC-C and Schedule RC-I of the Call Report a normative reference, thus any future updates made to it shall be considered updates to this guidance.

FN-CB-410a.2. Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis

1 The entity shall describe its approach to the incorporating environmental, social, and governance (ESG) factors into its credit analysis.

1.1 The definition of incorporation of ESG factors is aligned with that of the Global Sustainable Investment Alliance (GSIA) and includes the use of ESG information in the investment decision-making processes.

1.2 Examples of ESG factors/issues are provided in the PRI Reporting Framework – Main definitions 2018, section "ESG issues."

1.3 Credit analysis is defined as method to calculate the creditworthiness of a business or organization, i.e., their ability to honor debt obligations, which seeks to identify the appropriate level of default risk associated with financing such business, organization, or project.

2 The scope of disclosure shall include commercial and industrial lending as well as project finance.

3 The entity shall describe policies that determine its approach to the incorporation of ESG factors in credit analysis.

4 The entity shall discuss how it incorporates ESG factors when estimating credit losses over the contractual term of the entity's financial assets.

5 The entity shall describe its approach to implementation of the aspects of the entity's ESG incorporation practices.

5.1 The discussion shall include, but is not limited to:

5.1.1 Parties responsible for day-to-day incorporation of ESG factors

5.1.2 Roles and responsibilities of employees involved

5.1.3 Approach to conducting ESG-related research

5.1.4 Approach to incorporating ESG factors into assessing creditworthiness of borrowers

6 The entity shall describe its oversight/accountability approach to the incorporation of ESG factors.

6.1 The discussion shall include, but is not limited to:

6.1.1 Formal oversight individuals and/or bodies involved

6.1.2 Roles and responsibilities of employees involved

6.1.3 Criteria used in assessing the quality of ESG incorporation

7 The entity shall discuss whether it conducts scenario analysis and/or modeling in which the risk profile of future ESG trends is calculated at the portfolio level of commercial and industrial credit exposure.

7.1 ESG trends include, but are not limited to, climate change, natural resource constraints, human capital risks and opportunities, and cybersecurity risks.

8 The entity shall discuss ESG trends that it views as broadly applicable in terms of their impact on sectors and industries, as well as the trends it views as sector- or industry-specific.

8.1 The entity may further provide the discussion in the context of geographic exposure of its commercial and industrial credit portfolio.

9 The entity shall describe significant concentrations of credit exposure to ESG factors, including, but not limited to, carbon-related assets, water-stressed regions, and cybersecurity risks.

10 The entity shall describe how ESG factors are incorporated in the assessment of and influence the entity's perspectives on:

10.1 Traditional macroeconomic factors such as the economic conditions, central bank monetary policy, industry trends, and geopolitical risks that affect creditworthiness of borrowers

10.2 Traditional microeconomic factors such as supply and demand for products or services that affect financial conditions and operational results of borrowers as well as their creditworthiness

10.3 Overall creditworthiness of a borrower

10.4 Maturity or tenor of a loan

10.5 Expected loss, including probability of default, exposure at default, and loss given default

10.6 Value of posted collateral

11 The entity may disclose additional quantitative measures related to its approach to the incorporation of ESG factors in credit analysis, such as:

11.1 Number of commercial and industrial loans and project finance screened according to the Equator Principles (EP III) (or equivalent) by EP Category

11.2 Number of loans for which a review of environmental or social risks was performed, e.g., by the entity's Environmental and Social Risk Management (ESRM) group

Business Ethics

Topic Summary

The regulatory environment surrounding the Commercial Banks industry continues to evolve in various jurisdictions globally. Commercial banks must adhere to a complex and inconsistent set of rules relating to performance and conduct as well as disclosure on issues including insider trading, anti-trust, price fixing, and market manipulation. In addition, commercial banks are subject to rules against tax evasion, fraud, money laundering, and corrupt practices. Finally, in some jurisdictions, enhanced rewards for whistleblowers may increase the number of complaints brought to regulators. Firms that are able to ensure regulatory compliance through robust internal controls will be better positioned to build trust with clients, leading to increased revenue, and to protect shareholder value by minimizing losses incurred as a result of legal proceedings.

Accounting Metrics

FN-CB-510a.1. 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

1 The entity shall disclose the total amount of monetary losses it incurred during the reporting period 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.

2 The legal proceedings shall include any adjudicative proceeding in which the entity was involved, whether before a court, a regulator, an arbitrator, or otherwise.

3 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement or verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (e.g., civil judgments or settlements), regulatory proceedings (e.g., penalties, disgorgement, or restitution), and criminal actions (e.g., criminal judgment, penalties, or restitution) brought by any entity (e.g., governmental, business, or individual).

4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defense.

5 The scope of disclosure shall include, but is not limited to, legal proceedings associated with the enforcement of relevant industry regulations promulgated by regional, national, state, and local regulatory authorities, such as:

5.1 The U.S. Securities and Exchange Commission (SEC)

5.2 The U.S. Commodity Futures Trading Commission (CFTC)

5.3 The U.S. Financial Industry Regulatory Authority (FINRA)

5.4 The European Commission

5.5 The U.K. Financial Conduct Authority (FCA)

5.6 The U.S. Federal Reserve Board

5.7 The U.S. Office of the Comptroller of the Currency (OCC)

5.8 The U.S. Financial Crimes Enforcement Network (FinCEN)

5.9 The U.S. Consumer Financial Protection Bureau (CFPB)

5.10 The U.S. Federal Deposit Insurance Corporation (FDIC)

6 Disclosure shall also include enforcements related to activities adjudicated by federal regulators with an enforcement mandate broader than the financial industry, such as:

6.1 Foreign Account Tax Compliance Act (FATCA) enforced by the U.S. Internal Revenue Service (IRS)

6.2 The Foreign Corrupt Practices Act enforced by the U.S. Department of Justice

6.3 The Specially Designated Nationals List enforced by the U.S. Treasury Department through its Office of Foreign Asset Control (OFAC)

Note to **FN-CB-510a.1**

1 The entity shall briefly describe the nature (e.g., judgment or order issued after trial, settlement, guilty plea, deferred prosecution agreement, or non-prosecution agreement) and context (e.g., fraud, anti-trust, or market manipulation) of all monetary losses as a result of legal proceedings.

2 The entity shall describe any corrective actions it has implemented as a result of the legal proceedings. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

FN-CB-510a.2. Description of whistleblower policies and procedures

1 The entity shall describe the processes and policies that are set forth within its whistleblower program, including, but not limited to, internal compliance programs, whistleblower hotline details (e.g., if it is managed by an independent third-party), reference to and publication of the hotline number (e.g., within corporate compliance manuals or code of ethics), whistleblower incentives for reporting violations, and methods for submitting tips.

2 Disclosure shall include the entity's compliance with applicable whistleblower regulations, including, but not limited to:

2.1 The U.S. Sarbanes-Oxley Act (SOX) [18 U.S.C. § 1514A]

2.2 The U.S. Consumer Financial Protection Act (CFPA) [12 U.S.C. § 5567]

3 Disclosure shall include a discussion of any violations of whistleblower regulations and any corrective actions the entity has implemented as a result of violations.

Systemic Risk Management

Topic Summary

The 2008 financial crisis highlighted the importance of managing risks to capital in the Commercial Banks industry. Specifically, firms that failed to manage the risk suffered significant losses to the value of their financial assets while increasing the amount of liabilities held on their books, which, due to the interconnectedness of the financial system, contributed to a significant market disruption. The systemic nature of the risk results from the interconnectedness of financial institutions and has become a central concern of national and international regulators. As a result, many banks are required to undergo supervisory stress tests to evaluate whether the company has the capital to absorb losses, continue operations, and meet obligations in the event of adverse economic and financial conditions. Their failure to meet regulatory requirements could substantially raise future compliance cost as well as lead to monetary penalties. In an effort to demonstrate how the risks associated with banks' size, complexity, interconnectedness, substitutability, and cross-jurisdictional activity are being managed, commercial banks should enhance disclosure on quantitative and qualitative metrics measuring how well they are positioned to absorb shocks arising from financial and economic stress and meet stricter regulatory requirements.

Accounting Metrics

FN-CB-550a.1. Global Systemically Important Bank (G-SIB) score, by category

1 The entity shall disclose its Globally Systematically Important Bank (G-SIB) score for the following categories: (1) Size, (2) Cross-jurisdictional activity, (3) Interconnectedness, (4) Substitutability, (5) Complexity, and (6) Overall score.

2 The G-SIB scores are defined and shall by calculated according to the methodology established by the Bank of International Settlements' (BIS) Basel Committee on Banking Supervision (BCBS) in Global systematically important banks: updated assessment methodology and the higher loss absorbency (HLA) requirement, July 2013.

2.1 The set of indicators used in calculation of the G-SIB score is outlined by the BCBS in the Reporting instructions and the Reporting template.

2.1.1 The entity shall refer to the Reporting instructions and the Reporting template for the relevant reporting period.

2.2 The G-SIB score calculation is provided by the BCBS in the technical summary. The BCBS further provides:

2.2.1 Denominators used for score calculation for the relevant reporting period

2.2.2 The cut-off score used to identify the G-SIBs and bucket thresholds used to allocate G-SIBs to buckets for the purposes of calculating the specific HLA requirements for each institution

3 If the G-SIB score is not available at the time of issuance of the annual report for the respective reporting period, the entity shall disclose the latest available G-SIB score.

4 The entity shall consider the above references used to determine the G-SIB score to be normative references, thus any future updates made to them shall be considered updates to this guidance.

Note to **FN-CB-550a.1**

1 The entity shall describe whether it obtains the score from the relevant supervisory authority after reporting the indicators used in calculation of the G-SIB or calculates the score internally using the Bank of International Settlements' (BIS) methodology.

2 The entity shall describe whether its relevant regulatory authority requires the entity to report the data required for the G-SIB calculation or if the entity chooses to report the data voluntarily.

FN-CB-550a.2. Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities

1 The entity shall discuss how results of mandatory and voluntary stress tests and capital planning reports inform the entity's decisions and are incorporated into capital planning, long-term corporate strategy, and other business activities.

1.1 Stress tests include, but are not limited to:

1.1.1 U.S. Comprehensive Capital Analysis and Review (CCAR)

1.1.2 U.S. Dodd-Frank Act supervisory stress testing

1.1.3 The Bank of England stress test

1.1.4 The European Union-wide banking stress testing

1.1.5 Monetary Authority of Singapore Annual Industry-Wide Stress Testing exercise

1.1.6 The China Banking Regulatory Commission's (CBRC) Regulatory Consistency Assessment Programme (RCAP)

1.1.7 Australian Prudential Regulation Authority (APRA) industry stress test

2 The entity shall discuss how the stress test results inform its approach with respect to its environmental, social, and governance (ESG) strategy.

3 The entity may disclose its stress test results along with the discussion.

SASB STANDARDS
Now part of IFRS Foundation

sasb.org/contact