SASB STANDARDS
Now part of IFRS Foundation

Investment Banking & Brokerage

Sustainability Accounting Standard

FINANCIALS SECTOR

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

Under Stewardship of the International Sustainability Standards Board

INDUSTRY STANDARD | VERSION 2023-12

IFRS® Sustainability

sasb.org

ABOUT THE SASB STANDARDS

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 maintain, enhance and evolve the SASB Standards and encourages preparers and investors to continue to use the SASB Standards.

IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) requires entities to refer to and consider the applicability of disclosure topics in the SASB Standards when identifying sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects. Similarly, IFRS S1 requires entities to refer to and consider the applicability of metrics in the SASB Standards when determining what information to disclose regarding sustainability-related risks and opportunities.

In June 2023, the ISSB amended climate-related topics and metrics in the SASB Standards to align them with the industry-based guidance accompanying IFRS S2 *Climate-related Disclosures*. In December 2023, the ISSB amended the non-climate-related topics and metrics in connection with the International Applicability of SASB Standards project.

Effective Date

This version 2023-12 of the Standard is effective for all entities for annual periods beginning or after January 1, 2025. Early adoption is permitted for all entities.

Table of Contents

INTRODUCTION

Overview of SASB Standards

The SASB Standards are a set of 77 industry-specific sustainability accounting standards ("SASB Standards" or "Industry Standards"), categorised pursuant to the Sustainable Industry Classification System® (SICS®).

SASB Standards include:

1. **Industry descriptions** – which are intended to help entities identify applicable industry guidance by describing the business models, associated activities and other common features that characterise participation in the industry.

2. **Disclosure topics** – which describe specific sustainability-related risks or opportunities associated with the activities conducted by entities within a particular industry.

3. **Metrics** – which accompany disclosure topics and are designed to, either individually or as part of a set, provide useful information regarding an entity's performance for a specific disclosure topic.

4. **Technical protocols** – which provide guidance on definitions, scope, implementation and presentation of associated metrics.

5. **Activity metrics** – which quantify the scale of specific activities or operations by an entity and are intended for use in conjunction with the metrics referred to in point 3 to normalise data and facilitate comparison.

Entities using the SASB Standards as part of their implementation of ISSB Standards should consider the relevant ISSB application guidance.

For entities using the SASB Standards independently from ISSB Standards, 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.

Historically, the *SASB Conceptual Framework* set out the basic concepts, principles, definitions and objectives that guided the SASB Standards Board in its approach to setting standards for sustainability accounting.

Use of the Standards

SASB Standards are intended to aid entities in disclosing information about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. An entity determines which Industry Standard(s) and which disclosure topics are relevant to its business, and which associated metrics to report. In general, an entity should use the SASB Standard specific to its primary industry as identified in SICS®. However, companies with substantial business in multiple SICS® industries should refer to and consider the applicability of the disclosure topics and associated metrics in additional SASB Standards.

The disclosure topics and associated metrics contained in this Standard have been identified as those that are likely to be useful to investors. However, the responsibility for making materiality judgements and determinations rests with the reporting entity.

Industry Description

Investment Banking & Brokerage industry entities perform a wide range of functions in the capital markets, including raising and allocating capital and providing market-making and advisory services for corporations, financial institutions, governments and high net-worth individuals. Specific activities include financial advisory and securities underwriting services conducted on a fee basis; securities and commodities brokerage activities, which involve buying and selling securities or commodities contracts and options on a commission or fee basis; and trading and principal investment activities, which involve the buying and selling of equities, fixed income, currencies, commodities and other securities for client-driven and proprietary trading. Investment banks also originate and securitise loans for infrastructure and other projects. Entities in the industry generate revenues from global markets and, therefore, are exposed to various regulatory regimes. The industry continues to face regulatory pressure to reform and disclose aspects of operations that present systemic risks. Specifically, entities are facing new capital requirements, stress testing, limits on proprietary trading and increased scrutiny over compensation practices.

Note: This standard addresses 'pure play' investment banking and brokerage services. Separate standards exist for the Mortgage Finance (FN-MF), Commercial Banking (FN-CB), Consumer Finance (FN-CF), Asset Management & Custody Services (FN-AM), and Insurance (FN-IN) industries.

SUSTAINABILITY DISCLOSURE TOPICS & METRICS

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Employee Diversity & Inclusion	Percentage of (1) gender and (2) diversity group representation for (a) executive management, (b) non-executive management, (c) professionals, and (d) all other employees [1]	Quantitative	Percentage (%)	FN-IB-330a.1
Incorporation of Environmental, Social, and Governance Factors in Investment Banking & Brokerage Activities	Revenue from (1) underwriting, (2) advisory and (3) securitisation transactions incorporating integration of environmental, social and governance (ESG) factors, by industry	Quantitative	Presentation currency	FN-IB-410a.1
	(1) Number and (2) total value of investments and loans incorporating integration of environmental, social and governance (ESG) factors, by industry	Quantitative	Number, Presentation currency	FN-IB-410a.2
	Description of approach to incorporation of environmental, social and governance (ESG) factors in investment banking and brokerage activities	Discussion and Analysis	n/a	FN-IB-410a.3
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, antitrust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations [2]	Quantitative	Presentation currency	FN-IB-510a.1
	Description of whistleblower policies and procedures	Discussion and Analysis	n/a	FN-IB-510a.2

continued...

[1] Note to **FN-IB-330a.1** – The entity shall describe its policies and programmes for fostering equitable employee representation in its global operations.

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

...continued

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Professional Integrity	(1) Number and (2) percentage of licensed employees and identified decision-makers with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings [3]	Quantitative	Number, Percentage (%)	FN-IB-510b.1
	Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party	Quantitative	Number	FN-IB-510b.2
	Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care [4]	Quantitative	Presentation currency	FN-IB-510b.3
	Description of approach to ensuring professional integrity, including duty of care	Discussion and Analysis	n/a	FN-IB-510b.4
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category [5]	Quantitative	Basis points (bps)	FN-IB-550a.1
	Description of approach to integrate 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-IB-550a.2
Employee Incentives & Risk-taking	Percentage of total remuneration that is variable for Material Risk Takers (MRTs) [6]	Quantitative	Percentage (%)	FN-IB-550b.1
	Percentage of variable remuneration of Material Risk Takers (MRTs) to which malus or clawback provisions were applied [7]	Quantitative	Percentage (%)	FN-IB-550b.2
	Discussion of policies around supervision, control, and validation of traders' pricing of Level 3 assets and liabilities	Discussion and Analysis	n/a	FN-IB-550b.3

[3] Note to **FN-IB-510b.1** – The entity shall describe how it ensures that licensed employees and identified decision-makers file and update applicable jurisdictional legal or regulatory documentation in a timely manner.

[4] Note to **FN-IB-510b.3** – The entity shall briefly describe the nature, context and any corrective actions taken because of monetary losses.

[5] Note to **FN-IB-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.

[6] Note to **FN-IB-550b.1** – The entity shall discuss its remuneration policies for Material Risk Takers (MRTs).

[7] Note to **FN-IB-550b.2** – The entity shall discuss whether its initial ex-ante adjustments were sufficient in risk mitigation.

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
(1) Number and (2) value of (a) underwriting, (b) advisory, and (c) securitisation transactions[8]	Quantitative	Number, Presentation currency	FN-IB-000.A
(1) Number and (2) value of proprietary investments and loans by sector[9]	Quantitative	Number, Presentation currency	FN-IB-000.B
(1) Number and (2) value of market making transactions in (a) fixed income, (b) equity, (c) currency, (d) derivatives, and (e) commodity products	Quantitative	Number, Presentation currency	FN-IB-000.C

[8] Note to **FN-IB-000.A** – For syndicate transactions, the entity shall include only the value for which it was accountable.

[9] Note to **FN-IB-000.B** – The entity shall use the Global Industry Classification Standard (GICS) for classifying investees and borrowers.

Employee Diversity & Inclusion

Topic Summary

Entities in the Investment Banking & Brokerage industry face significant competition for skilled employees. As the industry continues to undergo rapid innovation through the introduction of more complex financial products and computerised algorithmic and high-frequency trading, material concerns such as profitability are more likely to determine the ability of entities to attract and retain skilled employees. By ensuring gender and racial diversity throughout the organisation, entities may expand their candidate pool, which may reduce hiring costs and improve operational efficiency. Evidence also suggests that entities with more diverse groups of employees may reduce risk-taking among employees involved in risk-prone trading activities (for example, trading), which may reduce the entity's overall risk exposure. Entities with more diverse workforces may, therefore, be better able to attract skilled labour, adapt to advancements in technology and safeguard employee well-being.

Metrics

FN-IB-330a.1. Percentage of (1) gender and (2) diversity group representation for (a) executive management, (b) non-executive management, (c) professionals, and (d) all other employees

1 The entity shall disclose (1) the percentage of gender representation among its employees for (a) executive management, (b) non-executive management, (c) professionals and (d) all other employees.

1.1 The entity shall categorise the gender of its employees as women, men or not disclosed.

1.1.1 The entity may disclose additional categories of gender identity or expression.

1.2 The entity shall use these employee categories: (a) executive management, (b) non-executive management, (c) professionals and (d) all other employees.

1.3 Executive management is defined as chief executives and senior officials who formulate and review the entity's policies, and plan, direct, coordinate and evaluate the overall activities of the entity with the support of other managers.

1.3.1 The entity may refer to the International Standard Classification of Occupations (ISCO) Sub-Major Group 11 or an applicable jurisdictional occupation classification system for a definition of executive management. In such cases, the entity shall disclose the occupation classification standard used to classify executive management.

1.4 Non-executive management is defined as those who plan, direct, coordinate and evaluate the activities of the entity, or of organisational units within it, and formulate and review its policies, rules and regulations, other than executive management.

1.4.1 The entity may refer to the ISCO Major Group 1 (excluding Sub-Major Group 11) or an applicable jurisdictional occupational classification system for a definition of non-executive management. In such cases, the entity shall disclose the occupation classification standard used to classify non-executive management.

1.5 Professionals are defined as employees who perform highly skilled or highly qualified work generally categorised in the business administration, finance, legal, sales, marketing, public relations, and information and communications technology occupations.

1.5.1 The entity may refer to the ISCO Major Group 2 or an applicable jurisdictional occupation classification system for a definition of professionals. In such cases, the entity shall disclose the occupation classification system used to classify professionals.

1.6 All other employees are defined as those employees who are not classified as executive management, non-executive management or professionals.

1.7 The entity shall calculate the percentage of gender representation for each employee category as the number of employees in each gender category divided by the total number of employees in the respective employee category.

2 The entity shall disclose (2) the percentage of diversity group representation among its employees for (a) executive management, (b) non-executive management, (c) professionals and (d) all other employees.

2.1 The entity shall identify diversity groups in its workforce.

2.1.1 Diversity is defined as the presence of people from populations who have been underrepresented in a particular field or are otherwise historically marginalised in a particular society.

2.1.2 Diversity groups may be defined by dimensions such as race, ethnicity, disability status, region of origin, migrant status, indigenous background, age, socioeconomic background, religious affiliation, sexual orientation or gender identity.

2.1.3 Diversity groups may be defined by applicable jurisdictional regulations or third-party frameworks.

2.1.4 The entity may omit diversity groups if collecting data on that group would be prohibited by applicable jurisdictional laws or regulations or would pose a risk of harm to members of the group.

2.2 The entity shall calculate the percentage of diversity group representation for each employee category as the number of employees in each diversity group, divided by the total number of employees in the respective employee category.

3 The entity may provide disclosures on gender or diversity group representation separated by jurisdiction.

4 The entity may provide supplementary contextual disclosures on factors that significantly influence gender or diversity representation, such as the jurisdiction in which employees are located.

5 The entity may disclose gender or diversity group representation by employee category in these table formats:

Table 3. Gender Representation of Global Employees (%)

	WOMEN	MEN	...	N/D*
Executive Management				
Non-Executive management				
Professionals				
All Other Employees				

N/D = not disclosed

Table 4. Diversity Group Representation of Global Employees (%)

	GROUP A	GROUP B	GROUP C	...	N/A*
Executive Management					
Non-Executive Management					
Professionals					
All Other Employees					

N/A = not available or not disclosed

Note to **FN-IB-330a.1**

1 The entity shall describe its policies and programmes for fostering equitable employee representation in its global operations.

1.1 Relevant policies may include maintaining transparency of hiring, promotion and wage practices, ensuring equal employment opportunities, developing and disseminating diversity policies and ensuring management accountability for equitable representation.

1.2 Relevant programmes may include training on diversity, mentorship and sponsorship programmes, partnership with employee resource and advisory groups and provision of flexible work schedules to accommodate the varying needs of employees.

Incorporation of Environmental, Social, and Governance Factors in Investment Banking & Brokerage Activities

Topic Summary

Environmental, social and governance (ESG) factors may have material impacts on the entities assets and projects across a range of industries to which investment banks provide services or in which they invest. Therefore, by accounting for these factors in underwriting, advisory, investing and lending activities, investment banks may manage significant positive and negative environmental and social externalities effectively. The potential for both value creation and loss associated with ESG factors suggests that investment banking and brokerage entities have a responsibility to shareholders and clients to consider these factors when analysing and valuing core products, including sell-side research, advisory services, origination, underwriting and principal transactions. Investment banking and brokerage entities that fail to manage these risks and opportunities effectively may expose themselves to increased reputational and financial risks. Appropriately pricing ESG risks may reduce investment banks' financial risk exposure, help generate additional revenue or open new market opportunities. To help investors better understand how entities in the industry manage these issues, investment banks should disclose how they incorporate ESG factors in their core products and services.

Metrics

FN-IB-410a.1. Revenue from (1) underwriting, (2) advisory and (3) securitisation transactions incorporating integration of environmental, social and governance (ESG) factors, by industry

1 The entity shall report the total revenue earned from transactions in which the entity incorporates integration of environmental, social and governance (ESG) factors.

1.1 Integration of ESG factors is defined as the systematic and explicit inclusion of material ESG factors into underwriting, advisory and securitisation activities and may include review of transactions by the entity's Environmental and Social Risk Management (ESRM) group or screening (exclusionary, inclusionary or benchmarked).

1.1.1 The entity shall describe how ESG factors are integrated in the aforementioned activities.

2 The entity shall disaggregate the revenue from transactions by important business activities including (a) underwriting, (b) advisory and (c) securitisation.

2.1 Underwriting is defined as activities in which the entity raises investment capital from investors on behalf of corporations and governments that are issuing either equity or debt securities. It includes public offerings and private placements, including local and cross-border transactions and acquisition financing of a wide range of securities and other financial instruments, including loans. Underwriting also includes derivative transactions entered into with public and private sector clients in connection with the entity's underwriting activities.

2.2 Advisory is defined as activities in which the entity provides financial advice to institutional clients on a fee basis. It excludes wealth management and asset management activities.

2.3 Securitisation is defined as the process through which the entity creates a financial instrument by combining other financial assets and then marketing different tiers of the repackaged instruments to investors. It may include securitisation of residential and commercial mortgages, corporate bonds, loans and other types of financial assets by selling these assets to securitisation vehicles (for example, trusts, corporate entities and limited liability entities) or through a re-securitisation.

3 The entity shall disaggregate the revenue from transactions by industry.

3.1 The entity shall use the Global Industry Classification Standard (GICS) six-digit industry-level code for classifying transactions.

3.1.1 The entity shall use the latest version of the classification system available at the date of reporting.

3.1.2 The entity shall disclose the classification standard used if different from GICS.

4 The entity shall provide disclosure for at least the 10 largest industries by monetary amount of exposure or to industries representing at least 2% of the overall monetary amount of exposure.

FN-IB-410a.2. (1) Number and (2) total value of investments and loans incorporating integration of environmental, social and governance (ESG) factors, by industry

1 The entity shall report the number of proprietary investments and loans incorporating integration of environmental, social and governance (ESG) factors.

2 The entity shall report the value of proprietary investments and loans incorporating integration of ESG factors.

3 The disclosure scope includes the entity's investing and relationship lending activities across asset classes, including debt securities and loans, public and private equity securities, infrastructure, and real estate. These activities include investing directly in publicly and privately traded securities and in loans, and also investing through some investment funds that the entity manages and through funds managed by external parties.

3.1 The scope of disclosure excludes commercial, consumer and mortgage-lending activities.

4 Integration of ESG factors is defined as the systematic and explicit inclusion of material ESG factors into traditional fundamental financial analysis through the consideration of qualitative risks and opportunities, quantitative metrics, and the incorporation of ESG variables into models to inform the entity 's decision-making processes involved in proprietary investing and lending.

5 The entity shall break down the number and value of investments and loans by industry.

5.1 The entity shall use the Global Industry Classification Standard (GICS) six-digit industry-level code for classifying investees and borrowers.

5.1.1 The entity shall use the latest version of the classification system available at the date of reporting.

5.1.2 The entity shall disclose the classification standard used if different from GICS.

5.2 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% of the overall portfolio monetary exposure.

FN-IB-410a.3. Description of approach to incorporation of environmental, social and governance (ESG) factors in investment banking and brokerage activities

1 The entity shall describe its approach to incorporation of environmental, social and governance (ESG) factors in its investment banking and brokerage activities.

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 The scope of investment banking and brokerage activities may include (a) underwriting, (b) advisory, (c) securitisation, (d) investing and lending and (e) securities services.

1.3.1 Underwriting is defined as activities in which the entity raises investment capital from investors on behalf of entities that are issuing either equity or debt securities. It includes public offerings and private placements, including local and cross-border transactions and acquisition financing of a wide range of securities and other financial instruments, including loans. Underwriting also includes derivative transactions entered into with public and private sector clients in connection with the entity's underwriting activities.

1.3.2 Advisory is defined as activities in which the entity provides financial advice to institutional clients on a fee basis.

1.3.3 Securitisation is defined as the process through which the entity creates a financial instrument by combining other financial assets and then marketing various tiers of the repackaged instruments to investors. It may include securitisation of residential and commercial mortgages, corporate bonds, loans and other types of financial assets by selling these assets to securitisation vehicles (for example, trusts, corporate entities and limited liability entities) or through a re-securitisation.

1.3.4 Investing and lending includes short-term and long-term investing and relationship lending activities across asset classes such as debt securities and loans, public and private equity securities, infrastructure, and real estate.

1.3.5 Securities services include (i) financing services (for the entity's clients' securities trading activities through margin loans that are collateralised by securities), (ii) securities lending services (borrowing and lending securities to cover institutional clients' short sales, borrowing securities to cover the entity's short sales, otherwise to making deliveries into the market, broker-to-broker securities lending, and third-party agency lending activities), and (iii) other prime brokerage services (clearing and settlement services).

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

2.1 The discussion shall include:

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

2.1.2 Roles and responsibilities of employees involved

2.1.3 Approach to conducting ESG-related research

2.1.4 Approach to incorporating ESG factors into products and services

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

3.1 The discussion shall include:

3.1.1 Formal oversight individuals or bodies involved

3.1.2 Roles and responsibilities of employees involved

3.1.3 Criteria used in assessing the quality of ESG incorporation

4 The entity shall discuss whether it conducts scenario analysis or modelling in which the risk profile of future ESG trends is calculated across its investment banking and brokerage activities.

4.1 Where relevant, the entity shall disclose whether such scenario analysis is performed for specific business activities, including (a) underwriting, (b) advisory, (c) securitisation, (d) investing and lending and (e) securities services lines of business.

4.2 ESG trends may include climate change, natural resource constraints, human capital risks and opportunities, and cybersecurity risks.

5 The entity shall discuss ESG trends that it considers apply broadly in terms of their effect on sectors and industries, as well as trends it deems as sector- or industry-specific.

5.1 The entity may further provide the discussion in the context of geographical exposure of its portfolio, by line of business.

6 The entity shall describe significant concentrations of exposure to ESG factors, which may include carbon-related assets, water-stressed regions and cybersecurity risks.

7 The entity shall describe how it incorporates ESG factors in the assessment of, and the entity's perspectives on:

7.1 Traditional macroeconomic factors such as the economic conditions, central bank monetary policy, industry trends and geopolitical risks that affect the risk profile of clients or individual transactions

7.2 Traditional microeconomic factors such as supply of and demand for products or services which affect financial conditions and operational results of clients as well as their creditworthiness

7.3 Time horizon of investments and loans

7.4 Risk and return profiles of investments and loans

7.5 Risk profiles of (a) underwritten debt and equity securities, (b) advisory transactions (for example, mergers and acquisitions) and (c) securitised assets.

8 The entity may disclose additional quantitative measures related to the incorporation of ESG factors in investment banking and brokerage activities, such as:

8.1 Number of investment banking and brokerage transactions screened according to Equator Principles (EP III) (or equivalent) by EP Category

8.2 Number of investment banking and brokerage transactions for which a review of environmental or social risks was performed, for example, by the entity's Environmental and Social Risk Management (ESRM) group.

Business Ethics

Topic Summary

The regulatory environment surrounding the Investment Banking & Brokerage industry continues to evolve internationally. Entities must adhere to a complex and often inconsistent set of rules relating to performance and conduct, as well as provide disclosure on issues including insider trading, antitrust behaviour, price fixing and market manipulation. Entities are subject to strict legal requirements against tax evasion, fraud, money laundering and corrupt practices. In some jurisdictions, enhanced rewards for whistle-blowers may increase the number of complaints brought to regulators. Entities that ensure regulatory compliance through robust internal controls may build trust with clients, increase revenue and protect shareholder value by minimising losses incurred because of legal proceedings.

Metrics

FN-IB-510a.1. Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, antitrust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations

1 The entity shall disclose the total amount of monetary losses incurred during the reporting period resulting from legal proceedings associated with fraud, insider trading, antitrust, anti-competitive behaviour, market manipulation, malpractice or other related financial industry laws or regulations.

2 The legal proceedings shall include any adjudicative proceeding involving the entity, 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, verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (for example, civil judgements or settlements), regulatory proceedings (for example, penalties, disgorgement or restitution) and criminal actions (for example, criminal judgements, penalties or restitution) brought by any entity (for example, governmental, business or individual).

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

5 The scope of the disclosure shall include legal proceedings associated with the enforcement of applicable jurisdictional laws or regulations.

6 The scope of the disclosure shall exclude the amount of any monetary losses disclosed in metric FN-IB-510b.3.

7 The disclosure shall also include enforcements related to activities adjudicated by applicable jurisdictional legal or regulatory authorities with mandates broader than the financial industry.

8 The entity shall disclose the relevant jurisdictional legal or regulatory authorities involved.

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

1 The entity shall briefly describe the nature (for example, judgement or order issued after trial, settlement, guilty plea, deferred prosecution agreement or non-prosecution agreement) and context (for example, fraud, antitrust or market manipulation) of all monetary losses resulting from legal proceedings.

2 The entity shall describe any corrective actions implemented in response to legal proceedings. This may include specific changes in operations, management, processes, products, business partners, training or technology.

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

1 The entity shall describe the processes and policies that are set out in its whistleblower programme, which may include internal compliance programmes; whistleblower hotline details (for example, whether it is managed by an independent third party); reference to, and publication of, the hotline number (for example, within corporate compliance manuals or code of ethics); whistleblower incentives for reporting violations; and methods for submitting tips.

2 The disclosure shall identify the applicable jurisdictional whistleblower laws or regulations with which the entity must comply.

3 The disclosure shall include a discussion of any violations of whistleblower regulations and any corrective actions the entity has implemented because of violations.

Professional Integrity

Topic Summary

The success of entities in the Investment Banking & Brokerage industry is dependent on cultivating client trust and loyalty. To ensure long-term, mutually beneficial relationships, entities must provide services that satisfy the highest professional standards, which means taking careful measures to avoid conflicts of interest, misrepresentation and negligence. Professional integrity also means following a code of ethics with respect to transparency and disclosure. These measures are important both for preserving an entity's licence to operate, as well as for attracting and retaining clients. Failure to meet professional standards may lead to negative consequences such as legal penalties or reputational damage, harming the entity's clients as well as its shareholders. To maintain professional integrity, entities must ensure employees are trained in, and committed to adhering to, applicable financial industry regulations. A description of management's approach to assuring professional integrity may help investors understand risk exposure and processes in place to avoid misconduct. Disclosure of the entity's amount of legal and regulatory fines and settlements may provide investors and stakeholders with more transparent information regarding which financial institutions are adhering to regulatory norms.

Metrics

FN-IB-510b.1. (1) Number and (2) percentage of licensed employees and identified decision-makers with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings

1 The entity shall disclose (1) the total number of licensed employees and identified decision-makers with a record of investment-related investigations, consumer-initiated complaints, private civil litigations or other regulatory proceedings.

2 Licensed employees are defined as employees subject to registering with, or obtaining a licence from, applicable jurisdictional legal or regulatory authorities for employment in securities or investment businesses.

3 Identified decision-makers are defined as senior managers, directors or other persons identified by applicable jurisdictional authorities as holding individual accountability relating to securities and investment businesses.

3.1 Examples of jurisdictional authority statements include the UK Senior Managers Regime, the Monetary Authority of Singapore's Guidelines on Individual Accountability and Conduct, or similar programmes.

4 The entity shall include all licensed employees and identified decision-makers employed by the entity at any time during the reporting period in the calculation.

5 The entity shall (2) disclose the percentage of licensed employees and identified decision-makers with a record of investment-related investigations, consumer-initiated complaints, private civil litigations or other regulatory proceedings.

5.1 The numerator of the percentage is defined as the number of licensed employees and identified decision-makers with any record of investment-related investigations, consumer-initiated complaints, private civil litigations or other regulatory proceedings employed by the entity at any time during the reporting period.

5.2 The denominator of the percentage is defined as the total number of licensed employees and identified decision-makers employed by the entity at any time during the reporting period.

Note to **FN-IB-510b.1**

1 The entity shall describe its policies and procedures regarding supervision and compliance with applicable jurisdictional requirements regarding licensed employees or identified decision-makers.

FN-IB-510b.2. Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party

1 The entity shall disclose the total number of mediation and arbitration cases associated with professional integrity, including duty of care, filed against the entity during the reporting period.

1.1 A mediation is defined as a non-judicial, non-binding dispute resolution method in which an impartial third-party mediator facilitates negotiations between disputing parties.

1.2 An arbitration is defined as a non-judicial, binding or non-binding dispute resolution method in which several impartial third-party arbitrators resolve the dispute by majority vote.

2 The scope of the disclosure shall include mediation and arbitration cases related to professional integrity such as breach of contract, promissory notes, commissions, clearing disputes, breach of fiduciary duty, misrepresentation, negligence and omission of facts.

3 The scope of the disclosure shall exclude mediation and arbitration cases related to wrongful termination, compensation, discrimination and harassment.

4 The entity shall disaggregate the number of mediation and arbitration cases by type of counterparty: (a) clients, (b) employees and (c) other parties.

FN-IB-510b.3. Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care

1 The entity shall disclose the total amount of monetary losses incurred during the reporting period resulting from legal proceedings associated with professional integrity, including duty of care.

2 The legal proceedings shall include any adjudicative proceeding involving the entity, 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, verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (for example, civil judgements or settlements), regulatory proceedings (for example, penalties, disgorgement or restitution) and criminal actions (for example, criminal judgements, penalties or restitution) brought by any entity (for example, governmental, business or individual).

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

5 The scope of the disclosure shall exclude the amount of any monetary losses disclosed in metric FN-IB-510a.1.

Note to **FN-IB-510b.3**

1 The entity shall briefly describe the nature (for example, judgement or order issued after trial, settlement, guilty plea, deferred prosecution agreement or non-prosecution agreement) and context (for example, fraud, antitrust or market manipulation) of all monetary losses resulting from legal proceedings.

2 The entity shall describe any corrective actions implemented in response to legal proceedings. This may include specific changes in operations, management, processes, products, business partners, training or technology.

FN-IB-510b.4. Description of approach to ensuring professional integrity, including duty of care

1 The entity shall discuss its policies that aim to ensure professional integrity.

1.1 The scope of the disclosure includes aspects of professional integrity related to negligence, breach of fiduciary duty, misrepresentation, omission of facts and malpractice.

2 The scope of the disclosure may include policies, training and implementation of codes of ethics as well as investigations, enforcements and disciplinary procedures relating to:

2.1 conflicts of interest, such as mitigation and transparency of potential or perceived conflicts;

2.2 oversight of advisory services and recommendations;

2.3 maintenance and reporting of accurate data;

2.4 protection of confidential business information, including accuracy, retention and destruction of business records and documents;

2.5 fair pricing;

2.6 employee training on relevant regulations; or

2.7 processes for internal investigations for malpractice or negligence.

3 The entity shall discuss compliance with industry best practices, including codes of conduct and codes of ethics, as a measure of its management approach to ensuring quality of work and professional integrity.

Systemic Risk Management

Topic Summary

Investment Banking & Brokerage entities that fail to manage risks to capital effectively may suffer significant value losses to their financial assets while increasing liabilities. Because of the interconnectedness of the global financial system, these failures can contribute to significant market disruption and financial crises. This systemic nature of risk has become a central concern for regulators. As a result, many jurisdictions require that banks undergo supervised stress tests to evaluate whether the entity has sufficient capital and liquidity to absorb losses, continue operations and meet obligations in adverse economic and financial conditions. Failure to meet regulatory requirements may lead to penalties and substantially increased future compliance costs. Investment banks should improve their disclosures by measuring how well they can absorb shocks arising from systemic stresses to demonstrate how risks associated with their size, complexity, interconnectedness, substitutability and cross-jurisdictional activity are being managed. Entities that commit to enhanced disclosures may experience improved investor and shareholder confidence, potentially leading to increased revenues.

Metrics

FN-IB-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 these categories: (1) size, (2) cross-jurisdictional activity, (3) interconnectedness, (4) substitutability, (5) complexity and (6) overall score.

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

2.1 The set of indicators used in the calculation of the G-SIB score is outlined by the BCBS assessment methodology 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 technical summary of the BCBS assessment methodology. The BCBS assessment methodology further provides:

2.2.1 denominators used for score calculation for the relevant reporting period; and

2.2.2 the cut-off score used to identify G-SIBs and bucket thresholds used to allocate G-SIBs to buckets for the purposes of calculating the specific higher loss absorbency (HLA) requirements for each institution.

3 The entity shall disclose the latest available G-SIB score at the time of reporting.

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

Note to **FN-IB-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 BCBS assessment methodology.

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

FN-IB-550a.2. Description of approach to integrate 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 for prudential regulatory purposes inform the entity's decisions and are integrated into capital planning, long-term corporate strategy and other business activities.

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 the results of its stress tests along with this discussion.

Employee Incentives & Risk-taking

Topic Summary

Variations in employee compensation structures in the Investment Banking & Brokerage industry may incentivise employees to focus on short- or long-term entity performance. Structures that emphasise short-term performance may encourage excessive risk-taking, with adverse implications for long-term corporate value. Various financial crises in recent decades have increased regulatory and shareholder scrutiny towards excessive risk-taking behaviour. Enhanced disclosure of employee compensation, focusing on performance metrics and variable remuneration, policies regarding clawback provisions, supervision, control and validation of traders' pricing of Level 3 assets may provide investors with a better understanding of how entities are preserving corporate value by prioritising long-term growth over short-term reward.

Metrics

FN-IB-550b.1. Percentage of total remuneration that is variable for Material Risk Takers (MRTs)

1 The entity shall disclose the percentage of variable remuneration for its employees classified as Material Risk Takers (MRTs).

1.1 The entity shall consider its employees MRTs if their actions may have a material effect on the entity's risk exposure. Such employees generally exhibit characteristics that may include:

1.1.1 membership of the management body in its management or supervisory function;

1.1.2 membership of senior management;

1.1.3 leadership of a material business unit, or responsibility for risk management within a business unit;

1.1.4 responsibility for initiating credit proposals or structuring credit products;

1.1.5 responsibility for making, approving or vetoing a decision on transactions on the trading book; or

1.1.6 being in the top 10% of the entity's highest paid employees by total remuneration.

1.2 Variable remuneration is defined as all remuneration that is not fixed.

1.3 Remuneration is fixed if all the conditions for its award and its amount:

1.3.1 are based on predetermined criteria;

1.3.2 are non-discretionary, reflecting the level of professional experience and seniority of staff;

1.3.3 are transparent with respect to the individual amount awarded to the individual staff member;

1.3.4 are permanent, maintained over a period tied to the specific role and organisational responsibilities;

1.3.5 are non-revocable, meaning that the permanent amount is only changed via collective bargaining or following renegotiation in line with national criteria on wage-setting;

1.3.6 cannot be reduced, suspended or cancelled by the institution;

1.3.7 do not provide incentives for risk assumption; and

1.3.8 do not vary with performance.

2 The percentage shall be calculated as the aggregate amount of the variable remuneration of the entity's MRTs divided by the aggregate amount of the total remuneration of the entity's MRTs.

3 The entity may disclose the percentage of total remuneration that is variable for employees not classified as MRTs.

4 The entity may disclose the number of employees classified as MRTs, provided at the group level and disaggregated by geographical segment, if the number of MRTs is more than 10.

Note to **FN-IB-550b.1**

1 The entity shall discuss its remuneration policies for MRTs.

1.1 The discussion shall include: (a) the employee remuneration regulatory environment in which the entity operates, whether the entity is required to have specific remuneration policies in place, and whether it has adopted its remuneration policies because of regulatory requirements or voluntarily as industry best practice; (b) the performance objectives for the institution, business areas and staff; (c) the applicable qualitative and quantitative criteria the entity considers in classifying its employees as MRTs; (d) the methods for the measurement of performance of MRTs, including performance criteria; and (e) the structure of variable remuneration, including (if applicable) the instruments in which parts of the variable remuneration are awarded.

2 The entity shall discuss how remuneration policies for MRTs fit into the entity's overall risk management framework.

2.1 The discussion shall include: (i) the role and decision-making process of the Board and the Firm Risk Committee; (ii) the role and decision-making process of the Chief Risk Officer; and (iii) how risks associated with remuneration of MRTs are identified, measured and managed at the entity level.

FN-IB-550b.2. Percentage of variable remuneration of Material Risk Takers (MRTs) to which malus or clawback provisions were applied

1 The entity shall disclose the percentage of variable remuneration for employees classified as Material Risk Takers (MRTs) to which malus or clawback provisions were applied during the reporting period.

1.1 The entity shall consider its employees MRTs if their actions may have a material effect on the entity's risk exposure. Such employees generally exhibit characteristics that may include:

1.1.1 membership of the management body in its management or supervisory function;

1.1.2 membership of senior management;

1.1.3 leadership of a material business unit, or responsibility for risk management within a business unit;

1.1.4 responsibility for initiating credit proposals or structuring credit products;

1.1.5 responsibility for making, approving or vetoing a decision on transactions on the trading book; and

1.1.6 being in the top 10% of the entity's highest paid employees by total remuneration.

1.2 Variable remuneration is defined as all remuneration that is not fixed.

1.3 Remuneration is fixed if all the conditions for its award and its amount:

1.3.1 are based on predetermined criteria;

1.3.2 are non-discretionary reflecting the level of professional experience and seniority of staff;

1.3.3 are transparent with respect to the individual amount awarded to the individual staff member;

1.3.4 are permanent, maintained over a period tied to the specific role and organisational responsibilities;

1.3.5 are non-revocable, meaning that the permanent amount is only changed via collective bargaining or following renegotiation in line with national criteria on wage-setting;

1.3.6 cannot be reduced, suspended or cancelled by the institution;

1.3.7 do not provide incentives for risk assumption; and

1.3.8 do not vary with performance.

1.4 Malus and clawback provisions are considered explicit ex-post risk adjustment mechanisms in which the entity adjusts remuneration of MRTs based on mechanisms that may include lowering awarded cash remuneration or reduction of the number or value of the instruments awarded.

2 The percentage shall be calculated as the aggregate amount of the variable remuneration of the entity's MRTs to which malus or clawback provisions were applied divided by the aggregate amount of the variable remuneration of the entity's MRTs prior to when the malus or clawback provisions were applied.

3 The entity may disclose the percentage of the variable remuneration of employees not classified as MRTs to which malus or clawback provisions were applied during the reporting period.

Note to **FN-IB-550b.2**

1 The entity shall discuss whether its initial ex-ante adjustments were sufficient in risk mitigation (for example, whether risks were omitted or underestimated, new risks were identified, or unexpected losses occurred).

2 The entity shall discuss whether it is required to have specific malus or clawback policies in place, including whether it has adopted its malus or clawback policies because of regulatory requirements or voluntarily as industry best practice.

FN-IB-550b.3. Discussion of policies around supervision, control, and validation of traders' pricing of Level 3 assets and liabilities

1 The entity shall disclose its policies regarding the supervision, control and validation processes for the pricing of Level 3 assets and liabilities.

1.1 Level 3 assets and liabilities are those whose fair value is measured using significant unobservable inputs.

1.1.1 Level 3 inputs are defined in accordance with International Financial Reporting Standards (IFRS) Accounting Standards or other generally accepted accounting principles or practices (GAAP).

2 The entity shall disclose its policies on supervision of pricing of Level 3 assets and liabilities by traders to avoid intentional mispricing of assets.

3 The entity shall disclose its controls and validation mechanisms for assumptions and inputs used for the pricing of Level 3 assets and liabilities.

4 The entity shall disclose the structure of incentive packages for employees responsible for the supervision, control and validation of the estimates used for the pricing of Level 3 assets and liabilities.

SASB STANDARDS

Now part of IFRS Foundation