Summary of Consultation with Key Stakeholders

Technology and Communications Sector

Electronic Manufacturing Services & Original Design Manufacturing Industry

Software & IT Services Industry

Hardware Industry

Semiconductors Industry

Telecommunication Services Industry

Internet Media & Services Industry

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Introduction

Although evidence-based research provides a foundation for the Sustainability Accounting Standards Board's (SASB's) standard-setting process, its outcomes are shaped in large part by feedback from participants in the capital markets—primarily corporate issuers and mainstream investors. By providing ongoing and meaningful opportunities for communication and input, the SASB leverages the expertise of its stakeholders and facilitates a collaborative approach to establishing a market standard that more effectively responds to the needs of market participants.

The SASB actively solicits input and carefully weighs all stakeholder perspectives in considering which aspects of a sustainability topic warrant standardized disclosure and in determining how to frame, describe, and measure those aspects for the purposes of standardization. This market feedback helps the SASB better meet its core objectives of delivering material, decision-useful, cost-effective disclosures to the users and providers of financial capital. Furthermore, as changes occur in an industry's competitive context, in the broader sustainability landscape, or in the interests of the reasonable investor, this bottom-up, market-informed approach is key to ensuring that the SASB standards evolve to support market needs.

Such stakeholder engagement was instrumental not only to the development of the SASB's provisional standards, but also to its work to update and codify the standards, which will culminate in 2018. This document details how market feedback informed the latter effort, through deep, focused consultation with key issuers, investors, and other market participants.

SASB Consultation Period Overview

In April 2016, the SASB marked a pivotal point in its standard-setting work when it issued the last of its provisional sustainability accounting standards for all 79 Sustainable Industry Classification System (SICS™) industries. Having completed its provisional standards development, the SASB turned its attention to updating the standards for codification, thereby establishing the first complete authoritative set of sustainability accounting standards for use in the capital markets. In service of this objective, the SASB began a period of consultation and stakeholder engagement in Q4 2016 to gather additional input regarding the materiality of its disclosure topics and the usefulness of the associated performance metrics. This consultation period continued through the end of Q1 2017. Following this period, the SASB revised its standards and has since opened them for public comment before they are codified in 2018.

Codification Timeline

2016		2017				2018	
Q4	Q1	Q2	Q3	Q4		Q1	Q2
Consultation		SASB Research	Public Comment			Codification	

Objective & Approach

The goal of the consultation phase was to elicit and gather feedback on the provisional standards for each industry and the accompanying "hypothesis for change" developed by the SASB's sector analysts. The hypothesis for change put forth initial proposals for modifications to the standards; and stakeholders were then invited to

respond to these proposals, provide comments on other disclosure topics and metrics in the provisional standards but not specified in the hypothesis for change, or to suggest additional topics not yet considered by the SASB. The SASB staff incorporated the responses from this consultation process and proposed changes for each industry standard, which will receive additional input during a 90-day public comment period (with 30-day extension), ending on January 31, 2018. Comments received during this period will inform the deliberations of the SASB when the updated standards are put to a vote in 2018. Upon approval by the SASB, the updated standards will form the SASB Code.

Recruiting

Prior to engaging in consultation, the SASB's sector analysts developed consultation plans targeting companies, analysts, industry associations, and subject matter experts from whom they would seek feedback during the period. The SASB actively recruited consultation participants through a variety of channels, including:

- Referrals from previous individuals who had engaged with the SASB
- Outreach through the SASB's Investor Advisory Group (IAG)
- Presentation to and participation in conferences, panels, and industry events
- Michael Bloomberg and Mary Schapiro's outreach to the CEOs and CFOs of Fortune 500 companies
- Use of the Bloomberg Professional terminal to identify the leading publicly traded companies by market capitalization
- Use of the Thomson Reuters platform to identify analysts and portfolio managers
- Sector-specific webinars
- The general SASB email list and sector-specific email lists
- Announcements on the SASB website
- Other means, such as cold calls and emails, Twitter, and LinkedIn

Consultation Classification

The SASB classified engagements during consultation according to three categories. These categories and associated statistics apply within the context of the consultation phase only and do not include prior engagement, such as participation in an Industry Working Group (IWG) or Public Comment Period (PCP) prior to the release of the provisional standards.

- **Contacted:** The SASB sent a personalized invitation to participate in the consultation process to a company, investor, industry association, or subject matter expert (SME).
- **Briefing Held:** The SASB had a briefing meeting with a company, investor, industry association, or SME.
- **Consultation Feedback Received:** The SASB received consultative feedback (through a meeting, email, or other form of communication) from a company, investor, industry association, or SME.

Electronic Manufacturing Services & Original Design Manufacturing Industry

Feedback was received from five stakeholders during consultation for the Electronic Manufacturing Services & Original Design Manufacturing industry, as shown in the table below categorized by stakeholder type. Feedback from the range of stakeholders was generally in alignment. All respondents were supportive of the concept of SASB standards.

Consultation Feedback Received for the Electronic Manufacturing Services & Original Design Manufacturing Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	2	6	0	1	**9**
# of Briefings Held	2	2	0	1	**5**
# of Feedback	2	2	0	1	**5**

Stakeholders in this industry were concerned with the complexity of their industry creating difficulties with data collection, especially in relation to materials sourcing and product certification. Multiple stakeholders expressed the view that industry supply chains are often large and opaque, as companies can source tens of thousands of parts from a myriad of sources. An investor further noted the complexities with assessing industry sustainability impacts and financial impacts, as many of the large companies operate in international regions that may have relatively lax environmental and social standards. This environment creates challenging competitive forces in a price-focused industry with limited pressure from purchasers (which is slowly becoming more common). However, a large company explicitly discussed sustainability performance as an opportunity for differentiation.

Feedback was provided by stakeholders on the specific topics below.

- **Water & Waste Management in Manufacturing** – A subject matter expert suggested that the SASB broaden the technical definition of "hazardous waste" to be more international.

- **Supply Chain Management & Materials Sourcing** – An investor specified that regulations in Europe continue to make conflict minerals an important issue for the industry to manage, especially as most large companies operate around the world. Relatedly, an issuer noted that the SASB Standards should be updated to reference the forthcoming E.U. guidance. However, an issuer did cite related cost concerns with conflict mineral tracking for some companies, though not their own.

Software & IT Services Industry

Feedback was received from seven stakeholders during consultation for the Software & IT Services industry, as shown in the table below categorized by stakeholder type. Overall, feedback from different stakeholder groups was in alignment and focused mainly on issues around data center efficiency, data security, and data privacy. Feedback from stakeholders was generally supportive of the SASB Standards. However, there was one company (during the briefing phase) that declined to provide further comments because they felt that their business model, as a software company, was inherently sustainable and did not believe that disclosures similar to those that would be generated by the SASB standard would be to their benefit.

Consultation Feedback Received for the Software & IT Services Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	4	17	4	10	**35**
# of Briefings Held	4	6	1	1	**12**
# of Feedback	4	2	0	1	**7**

Feedback was provided by stakeholders on the specific topics below.

- **Environmental Footprint of Hardware Infrastructure** – Two issuers expressed a need for clarifications in the calculation of renewable energy. An issuer strongly felt that a new metric under consideration related to energy efficiency and system reliability was too untested in the market to warrant inclusion in the standard.

- **Data Privacy & Freedom of Expression** – Stakeholders noted the difficulty of capturing performance on this issue (e.g., company use of customer data and responsiveness to related governmental requests) but also shared that it is an important issue. A subject matter expert provided comments meant to help refine existing technical definitions and metric scopes in areas such as government information requests (e.g., asking for both the number of records and the number of specific individuals targeted).

- **Data Security** – Multiple investors noted that it would be helpful to a have data based on a quantitative, forward-looking metric related to data security. These investors suggested that the SASB reference industry accepted certifications (e.g., ISO 27001) and/or incorporate a metric focused on staff cybersecurity training to capture performance on this issue. An issuer noted that SASB's current definition of "data breach" was unclear and that the metric should be updated to ensure comparability. Further, they noted that including a metric in the standard, as the SASB does currently, that captures small and large past breaches is still useful.

- **Managing Systemic Risks from Technology Disruptions –** An issuer noted that company comparisons on this topic are difficult depending on the markets in which a company operates. Further, they noted that, for competitive reasons, companies might be reticent to report on the current provisional metrics as information about services outages could be used against a company by their competition.

Hardware Industry

Feedback was received from three stakeholders during consultation for the Hardware industry, as shown in the table below categorized by stakeholder type. Feedback from stakeholders were generally supportive of the provisional standards.

Consultation Feedback Received for the Hardware Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	1	9	3	3	**16**
# of Briefings Held	1	4	1	1	**7**
# of Feedback	1	2	0	0	**3**

Feedback was provided by stakeholders on the specific topics below.

- **Supply Chain Management & Materials Sourcing** – An investor specified that regulations in Europe continue to make conflict minerals an important issue for the industry to manage, especially as most large companies operate around the world. Relatedly, an issuer noted that the SASB Standards should be updated to reference the forthcoming E.U. guidance. However, an issuer did cite related cost concerns with conflict mineral tracking for some companies, though not their own.

- **Product Safety** – There was general consensus that additional metrics related to product security could be useful, as the topic was only going to gain importance, but that currently no established industry metrics adequately address the myriad of product types in this industry.

Semiconductors Industry

Feedback was received from three stakeholders during consultation for the Semiconductors industry, as shown in the table below categorized by stakeholder type. However, no issuers or industry associations provided feedback. The three stakeholders that provided feedback were generally supportive of the provisional standard.

Consultation Feedback Received for the Semiconductors Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	2	7	2	1	**12**
# of Briefings Held	2	2	2	1	**7**
# of Feedback	2	0	0	1	**3**

Feedback was provided by stakeholders on the specific topics below.

- **Water & Waste Management** – A subject matter expert suggested that SASB broaden the technical definition of "hazardous waste" to be more international.

- **Supply Chain Management & Materials Sourcing** – An investor specified that regulations in Europe continue to make conflict minerals an important issue for the industry to manage, especially as most large companies operate around the world. Relatedly, an issuer noted that the SASB Standards should be updated to reference the forthcoming E.U. guidance. However, an issuer did cite related cost concerns with conflict mineral tracking for some companies, though not their own.

- **Product Safety** – Investors expressed that a new quantitative metric under consideration related to the security of semiconductors, and an associated new topic, may be difficult to develop given the difficulty of measurement. Two investors expressed opposing views on whether this topic is worth monitoring.

Telecommunication Services Industry

Feedback was received from six stakeholders during consultation for the Telecommunication Services industry, as shown in the table below categorized by stakeholder type. One issuer and no industry associations provided feedback. Overall, feedback from different stakeholder groups was in alignment, except for disclosure related to net neutrality.

Consultation Feedback Received for the Telecommunication Services Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	5	6	2	n/a	**13**
# of Briefings Held	5	4	0	n/a	**8**
# of Feedback	5	1	0	0	**6**

Stakeholders were all in agreement that the revised industry scope and definition, based on both the Cable & Satellite industry provisional standard and the Telecommunications industry provisional standard, were a positive development given the inherent similarity in sustainability opportunities and risks in both industries.

Feedback was provided by stakeholders on the specific topics below.

- **Data Privacy** – Stakeholders noted the difficulty of capturing performance on this issue (e.g., companies' use of customer data and responsiveness to related governmental requests) but also stated it is an important issue. A subject matter expert provided comments meant to help refine existing technical definitions and metric scopes in areas such as governmental information requests (e.g., asking for both the number of records and the number of individuals targeted).

- **Data Security** – Multiple investors noted that it would be helpful to a have data based on a quantitative, forward-looking metric related to data security. These investors suggested that the SASB reference industry accepted certifications (e.g., ISO 27001) and/or incorporate a metric focused on staff training relating to cybersecurity to capture performance on this issue. Further, they noted that including a metric in the standard, as the SASB does currently, that captures small and large past breaches is still useful.

- **Competitive Behavior** – Multiple investors expressed views that disclosure on this topic, which relates to net neutrality, would still be useful even if the U.S. Federal Communications Commission changed the related rules. However, one investor stated that they do not view this as a material issue, though conceded that others would likely disagree.

Internet Media & Services Industry

Feedback was received from five stakeholders during consultation for the Internet Media & Services industry, as shown in the table below categorized by stakeholder type. Overall, feedback from different stakeholder groups was in alignment and focused mainly on issues around data center efficiency, data security, and data privacy. Feedback from stakeholders was generally supportive of the industry standard.

Consultation Feedback Received for the Internet Media & Services Industry

	Investor	Issuer	Industry Association	Subject Matter Expert	Total
# Contacted	3	4	4	8	**19**
# of Briefings Held	3	1	1	1	**6**
# of Feedback	3	1	0	1	**5**

Feedback was provided by stakeholders on the specific topics below.

- **Environmental Footprint of Hardware Infrastructure** – An issuer expressed a need for clarification in the calculation of renewable energy. This issuer also felt that a new metric under consideration related to energy efficiency and system reliability was too untested in the market to warrant inclusion in the standard.

- **Data Privacy, Advertising Standards & Freedom of Expression** – Stakeholders noted the difficulty of capturing performance on this issue (e.g., companies' use of customer data and responsiveness to related governmental requests) but also shared the view that it is an important issue. A subject matter expert provided comments meant to help refine existing technical definitions and metric scopes in areas such as governmental information requests (e.g., asking for both the number of records and the number of specific individuals targeted).

- **Data Security** – Multiple investors noted that it would be helpful to have data based on a quantitative, forward-looking metric related to data security. These investors suggested that the SASB reference industry accepted certifications (e.g., ISO 27001) and/or incorporate a metric focused on staff training relating to cybersecurity to capture performance on this issue. Further, they noted that including a metric in the standard, as the SASB does currently, that captures small and large past breaches is still useful.