



Sustainability Accounting Standards Board

Standards Board Meeting

Tuesday, June 23, 2020

June 23 2020 Standards Board Meeting

Welcome & Agenda Overview



June 23 2020 Standards Board Meeting

Objectives for Today's Meeting

Standard-setting Agenda & project pipeline overview

Discuss progress on projects

Consider staff recommendations on projects

Meeting Overview

Public Meeting		
Time	Agenda Item	Discussion Leader
9:00am – 9:30am	Welcome & Overview <ul style="list-style-type: none"> - Meeting overview - Standards-setting agenda & project pipeline overview 	Bryan Esterly, David Parham, Jeff Hales
9:30am – 11:00am	For Discussion <ul style="list-style-type: none"> - Content Moderation on Internet Platforms - Conceptual Framework - Rules of Procedure 	Greg Waters, Shivani Kuckreja
11:00am – 12:30pm	For Decision* <ul style="list-style-type: none"> - Plastics Risks and Opportunities in Pulp & Paper Products and Chemicals Industries - Tailings Management in Extractives - Systemic Risk in Asset Management 	Anton Gorodniuk, Ekaterina Hardin, Gail Glazerman

*Decision-making session

Note: Short breaks planned on as needed basis in between sessions

Standards-setting Agenda & Project Pipeline Overview



David Parham

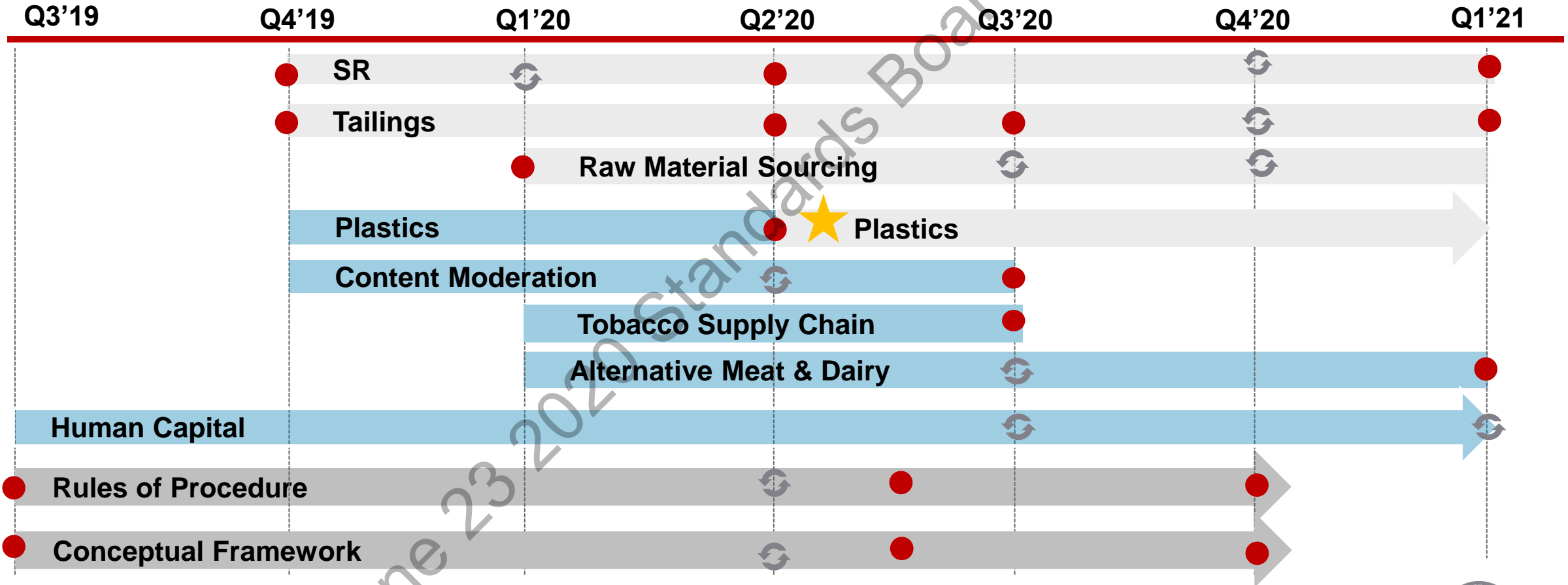
Director of Research – Projects

June 23 2020 Standards Board Meeting

Project Pipeline – 2020 Project Timelines



Standards Board Meetings



Note: One or more standard setting projects may be proposed upon completion of a research project.



Implications of COVID-19 for the SASB Standards

Research Team is monitoring the evolving body of evidence

We're Learning the Lessons of the Pandemic Alongside Markets

The spread of COVID-19 has unleashed unthinkable devastation across the globe, forcing people to grapple with the loss of livelihoods on top of the loss of life. These human consequences are of the paramount importance.

In this time of uncertainty with large swaths of the world operating under some variation of self-isolation order, it is virtually impossible to know what is going to happen next week never mind for the rest of the year and beyond. But the global response to the virus has surfaced many issues with consequences for ESG activities. SASB is monitoring these developments closely to expand our understanding of how these lessons will inform our standards development over time.

Response to the virus has served to further intensify focus on the importance of human capital in a myriad of ways. Some companies reliant on "gig-economy" workers have started offering health care and paid leave benefits previously unavailable. Many retail and ecommerce companies have offered raises or bonuses to encourage employees to accept the risk associated with working in public at a time when the virus is spreading. Some employees have walked off the job to demand more safety protections at work. There are fears about the availability of labor to maintain the food supply chain. Several large COVID-19 outbreaks have occurred at a meat processing plants, in many cases idling the facilities and in some cases leading to shortages for downstream businesses. These workforce impacts all directly relate to and will likely inform SASB's [ongoing work related to human capital](#) as well as future work as our understanding of the breadth and depth of these impacts grows.



David Parham, Director of Research – Projects

- COVID-19 and actions in response to pandemic have a diverse range of ESG implications
- One of the most prominent areas include impacts related to Human Capital, with potential implications for our current research project
- Invited market participants to contact Research Team to provide views

Implications of COVID-19 for the SASB Standards

Research Team is actively monitoring the evolving body of evidence



Top-Down Research:

- Tracking COVID-19 developments, and analyzing potential ESG implications
- Assessing these broad implications against our taxonomy of sustainability issues, including for human capital
- May inform potential standard-setting projects

Bottom-Up Research:

- Industry-specific impacts through sector coverage
- Analysts remain actively engaged with market participants



Technical Corrections

Plan to address known technical issues in standards

- Nearly 1000 metrics across the 77 industry standards—each with a robust technical protocol
- With increased use of the standards in the market, occasionally a technical issue is surfaced
- Staff plans to initiate a process to address known technical issues in standards by bringing such issues and their resolutions to the Board
- Issues are narrow in scope—typically, a correction or clarification that does not alter the intent of the metric, but improves the technical accuracy of the standard
- Volume of technical issues is expected to be modest
- Technical corrections process is necessary to maintain the standards on a semi-regular basis

Staff welcomes stakeholders that have identified any technical issues in the standards to communicate with staff (as well as broader standards feedback): <https://www.sasb.org/provide-feedback/>

Content Moderation on Internet Platforms

Greg Waters

Analyst, Technology &
Communications Sector Lead



June 23 2020 Standards Board Meeting

Content Moderation on Internet Platforms – Discussion

1

Consultation period highlights

2

Review of Content Moderation Taxonomy

- Social issues
- Relevant business activities

3

Board Discussion

- Taxonomy
- Standard-Setting

Content Moderation Research Project Update

Staff Targets Project completion at the Q3 Standards Board Meeting

Objective

- Identify what SASB considers as “content moderation” issues and the industries/business activities to which they apply
- Categorize content moderation issues through the lens of SASB’s General Issue Categories
- Deliver recommendation to Standards Board on whether to proceed to standard-setting



Project Background

- News media has covered a variety of issues related to online content, the role that platforms play and the nature of their responsibility. Related issues have clear implications for value creation at major companies in the sector
- No clear understanding of industry applicability beyond three social media companies at project launch
- Given interrelatedness of many content moderation issues, there was a lack of clarity in how SASB should categorize them in its framework



Project Outcomes

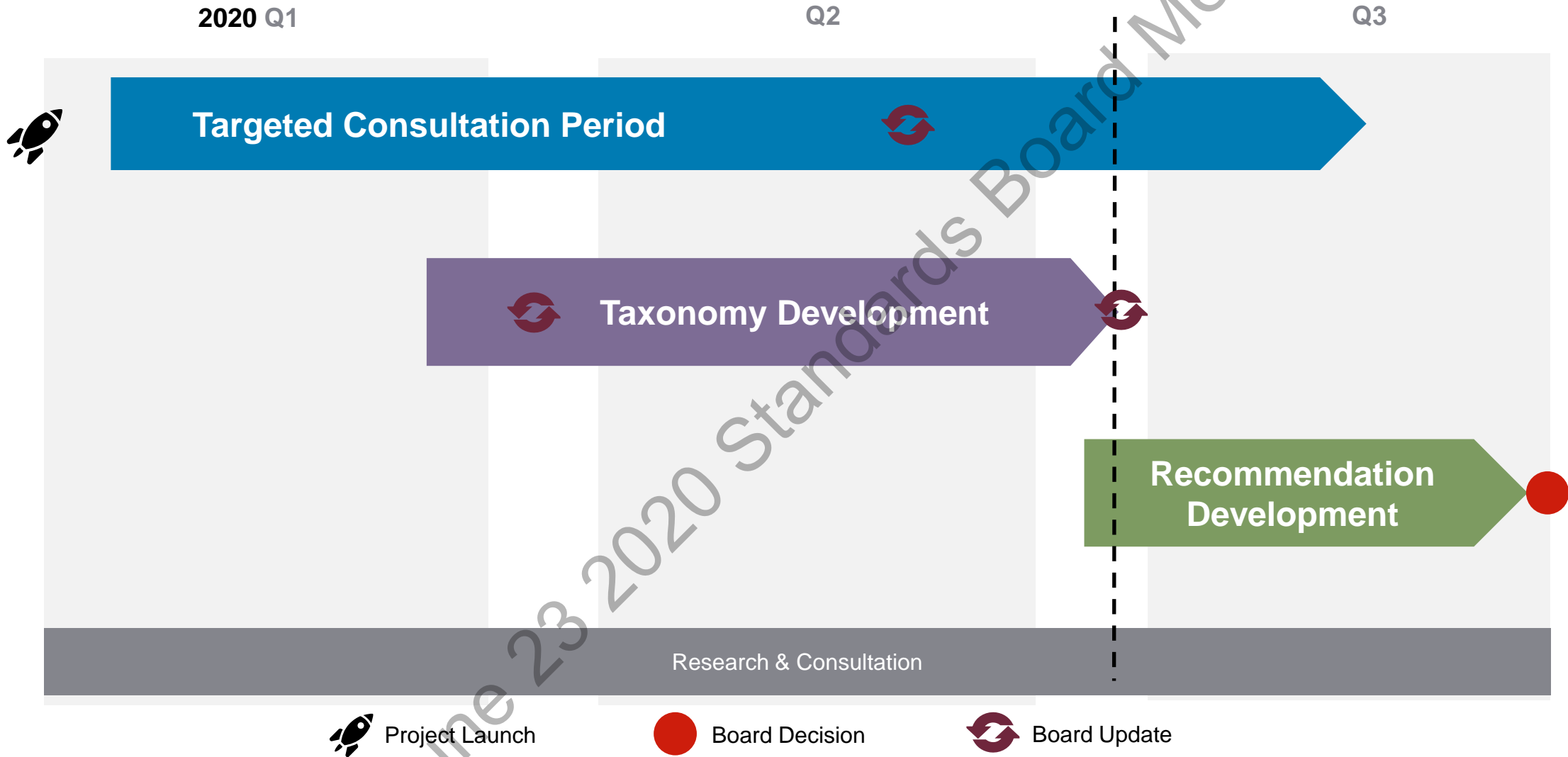
- Evidence-based “taxonomy” of content moderation themes as they apply to SASB’s General Issue Categories across relevant SICS industries
- Recommendation to the Standards Board on whether to proceed to standard-setting in one or more industries/areas

Project Lead: Greg Waters

Project website: <https://www.sasb.org/standard-setting-process/current-projects/content-moderation-on-internet-platforms-research-project/>

Project Timeline

Target project completion: Q3 2020



Consultation Period Highlights (to Date)

Broad range of market input informed Taxonomy and staff views on standard-setting

❖ **Issuers** from the following SASB SICs Industries:

- ❑ Internet Media & Services (*social media, other platforms*)
- ❑ Software & IT Services (*gaming, cloud-based services*)
- ❑ Telecommunication Services (*ISPs*)

❖ **Investors** from the U.S. and Europe, including:

- ❑ Asset managers & asset owners
- ❑ Investor groups focused on engaging tech in this area

❖ **Subject Matter Experts**, including:

- ❑ Academics
- ❑ NGOs, field-building/advocacy groups
- ❑ Journalists

Investors view this issue as financially material at social media platforms

- **Variety of viewpoints on nature/magnitude of risk**

Experts believe the issues are more broadly applicable than currently understood

- **“Trust & Safety” an emerging job function**

Content Moderation Taxonomy

Staff Has Identified 3 Key Social Issues

Theme	Social issue/externality	SASB GIC
Harmful Content	<ul style="list-style-type: none">• Platforms can enable the sharing (and amplification) of content with negative impacts, such as:• Hate speech/incitement of violence• Child Sexual Abuse Material (CSAM)• Some types of misinformation	Product Quality & Safety or Customer Welfare
User Privacy & Freedom of Expression	<ul style="list-style-type: none">• Content moderation decisions themselves have social consequences on privacy and freedom of expression• Staff refers to these decisions, and decision-making structures, as content governance	Further Review (PQ&S, CW or Privacy)
Worker Health & Safety	<ul style="list-style-type: none">• Workers reviewing content may experience secondary trauma and PTSD• Much of this work is done through contracted third-parties	Employee Health & Safety or Supply Chain Management

Content Moderation Taxonomy

Business Activity Applicability

Social Issue	Social Media Platforms	Messaging Services	Game Publishers & Platforms	Internet infra/ cloud services	Outsourced Services	Internet Service Providers
<i>SASB SICs Industry</i>	<i>Internet Media & Services</i>		<i>Software & IT Services</i>			<i>Telecommunication Services</i>
Harmful Content	<i>Applies broadly</i>	<i>Applies broadly</i>	<i>Applies in some instances</i>	<i>Applies in some instances</i>	N/A	<i>Applies in some instances</i>
User Privacy & Freedom of Expression	<i>Applies broadly</i>	<i>Applies broadly</i>	<i>Applies in some instances</i>	<i>Applies in some instances</i>	N/A	<i>Applies in some instances</i>
Worker Health & Safety	<i>Applies, especially large platforms</i>	N/A	<i>Does not appear to apply</i>	<i>Does not appear to apply</i>	<i>Applies in some instances</i>	N/A

Board Discussion and Input: Taxonomy

Are the three social issues outlined in the Taxonomy sufficiently distinct and clear?

Board Discussion on Standard-setting: Question 1

While research and consultation continues, **staff is increasingly likely to recommend standard-setting in the Internet Media & Services industry** given the evidence gathered to date.

Question 1:

Staff has focused its initial research and consultation on the large-scale internet platforms, where there appears to be a compelling case for financial materiality.

- ❖ How important is it to the Board to assess the body of evidence and obtain market input on the smaller scale firms?

Board Discussion on Standard-setting: Question 2

While research and consultation continues, **staff is increasingly likely to recommend standard-setting in the Internet Media & Services industry** given the evidence gathered to date.

Question 2:

The link to financial impact is dynamic and rapidly evolving. For example, there are few laws currently requiring Internet platforms to action harmful content, although there appears to be significant regulatory momentum in this area. This regulatory momentum, especially from lawmakers in the United States and European Union, is a significant driver of investor interest.

- ❖ How does the Standards Board weigh *potential* regulatory action versus current law in this area, noting that such potential action is a driver of investor interest and may have considerable implications for financial value?

Board Discussion on Standard-setting: Question 3

While research and consultation continues, **staff is increasingly likely to recommend standard-setting in the Internet Media & Services industry** given the evidence gathered to date.

Question 3:

Worker health & safety does not appear to be as prominent an area of focus for investors as the other two themes, and there appears to be a lack of standards or cross-industry practices for protecting the mental health of content moderators. However, initial research and consultation suggests there could be significant financial impact attached to this issue.

- ❖ What information would help Standards Board members determine whether this area is appropriate for standard-setting?

Next Steps

1

Further consultations

- Focus on social media platforms
- Review of Taxonomy with stakeholders

2

Research

- Revise Taxonomy
- Document evidence of financial impact
- Detailed analysis of current disclosures in Transparency Reports
- Further determinations on SASB General Issue Categories

3

Drafting of a standard-setting proposal for Board review at a future meeting

Content Moderation on Internet Platforms

Staff welcomes feedback on the Taxonomy and areas of further research regarding harmful content and content moderation themes (Taxonomy to be made public after further review and revisions)



<https://www.sasb.org/standard-setting-process/current-projects/content-moderation-on-internet-platforms-research-project/>



Greg Waters

Analyst, Sector Lead– Technology & Communications

greg.waters@sasb.org

We'll be back after a short break

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Conceptual Framework & Rules of Procedure

Shivani Kuckreja

Associate Analyst

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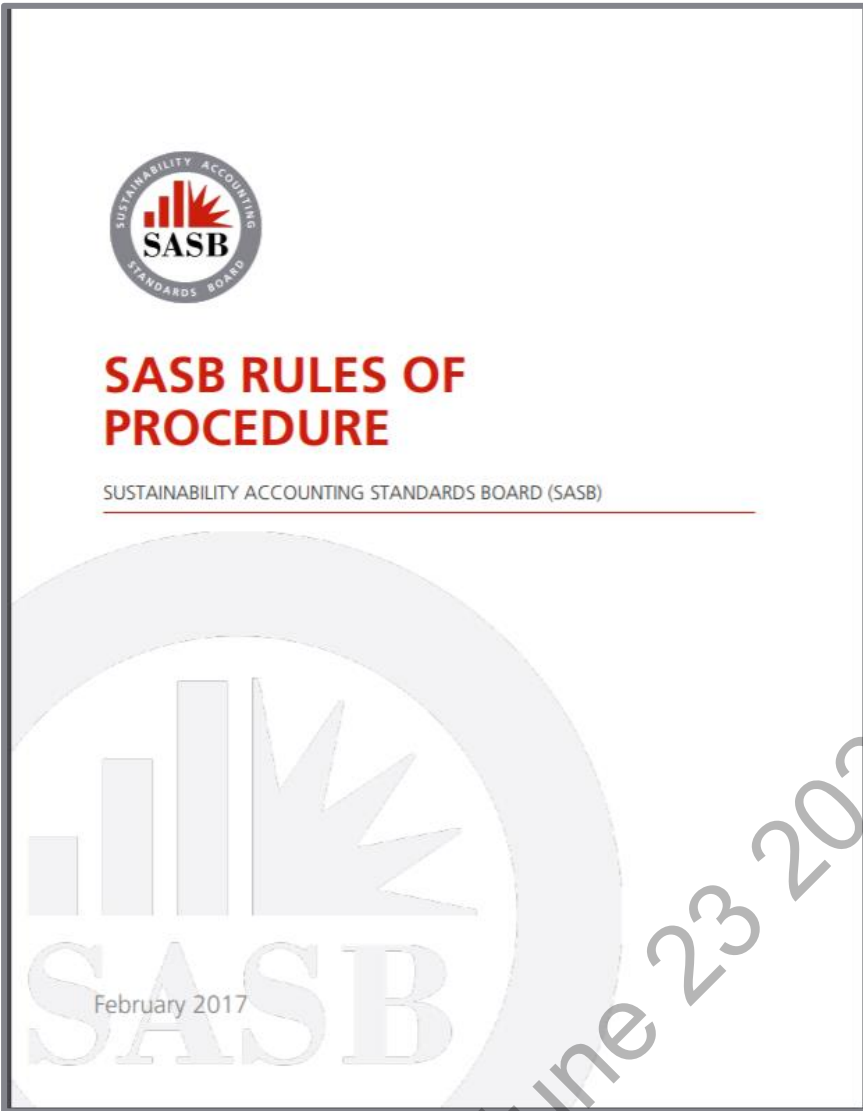


Conceptual Framework & Rules of Procedure – Discussion

Session agenda

- 1** Discussion on the complementary nature of SASB's Conceptual Framework and Rules of Procedure documents
- 2** Review of the project objectives & what's been done so far
- 3** Board discussion on key Conceptual Framework and Rules of Procedure items
- 4** Upcoming public comment period

Complementary Documents



Conceptual Framework Governance Project Overview

Project duration: Q3 2019 – estimated Q4 2020

Objective

SASB's Conceptual Framework document was published in February of 2017 and does not reflect SASB's updated mission statement, nor does it reflect SASB's global reach, and the document contains outdated assumptions, definitions, and data. The Conceptual Framework project will revise the current, published Conceptual Framework document while correcting for its shortcomings.



Project Background

Conceptual Framework document objectives:

- Details the principles, objectives, assumptions, and definitions that guide SASB's thinking and approach to Standard-setting/revising
- Guides the work of SASB's research team and Standards Board and communicates SASB's thinking to external stakeholders



Project Outcomes

Anticipated Outcome

Present a revised Conceptual Framework document to the Standards Board to publish in place of our current Conceptual Framework document.

<https://www.sasb.org/standard-setting-process/current-projects/conceptual-framework/>

Project Lead: Shivani Kuckreja (Shivani.Kuckreja@sasb.org)

Project website:

Rules of Procedure Governance Project Overview

Project duration: Q3 2019 – estimated Q4 2020

Objective

SASB's Rules of Procedure document was published in February of 2017 and does not reflect SASB's updated mission statement, nor does it reflect SASB's sole focus on a project-based approach. The Rules of Procedure project will ensure that the operations and Standard-setting/revising processes detailed in the document reflect SASB's procedures today.



Project Background

Rules of Procedure document objectives:

- Details SASB's project-based model & due process
- Communicates how external stakeholders can engage with SASB



Project Outcomes

Anticipated Outcome

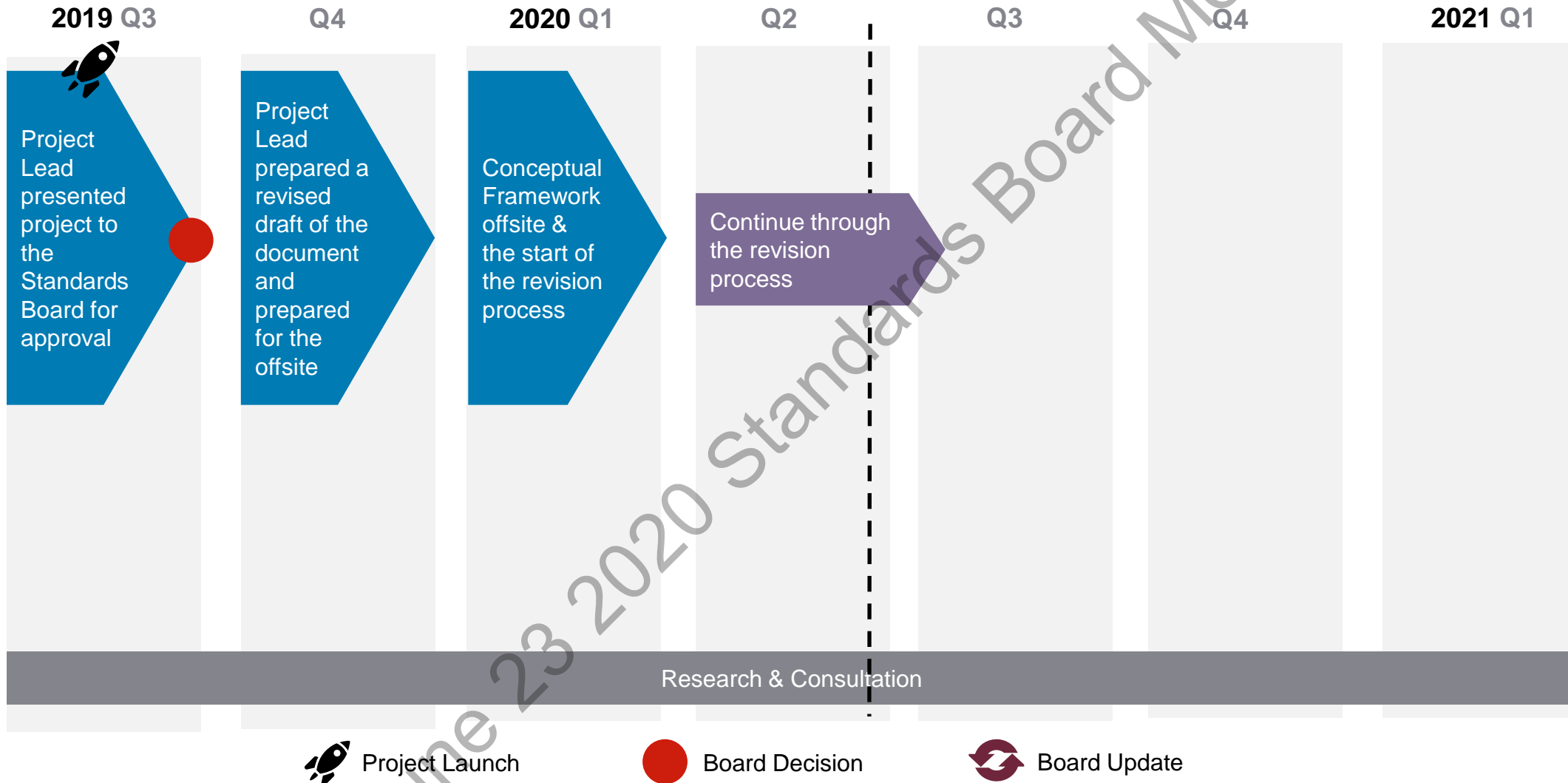
Present a revised Rules of Procedure document to the Standards Board to publish in place of our current Rules of Procedure document.

Project Lead: Shivani Kuckreja (Shivani.Kuckreja@sasb.org)

Project website: <https://www.sasb.org/standard-setting-process/current-projects/rules-of-procedure/>

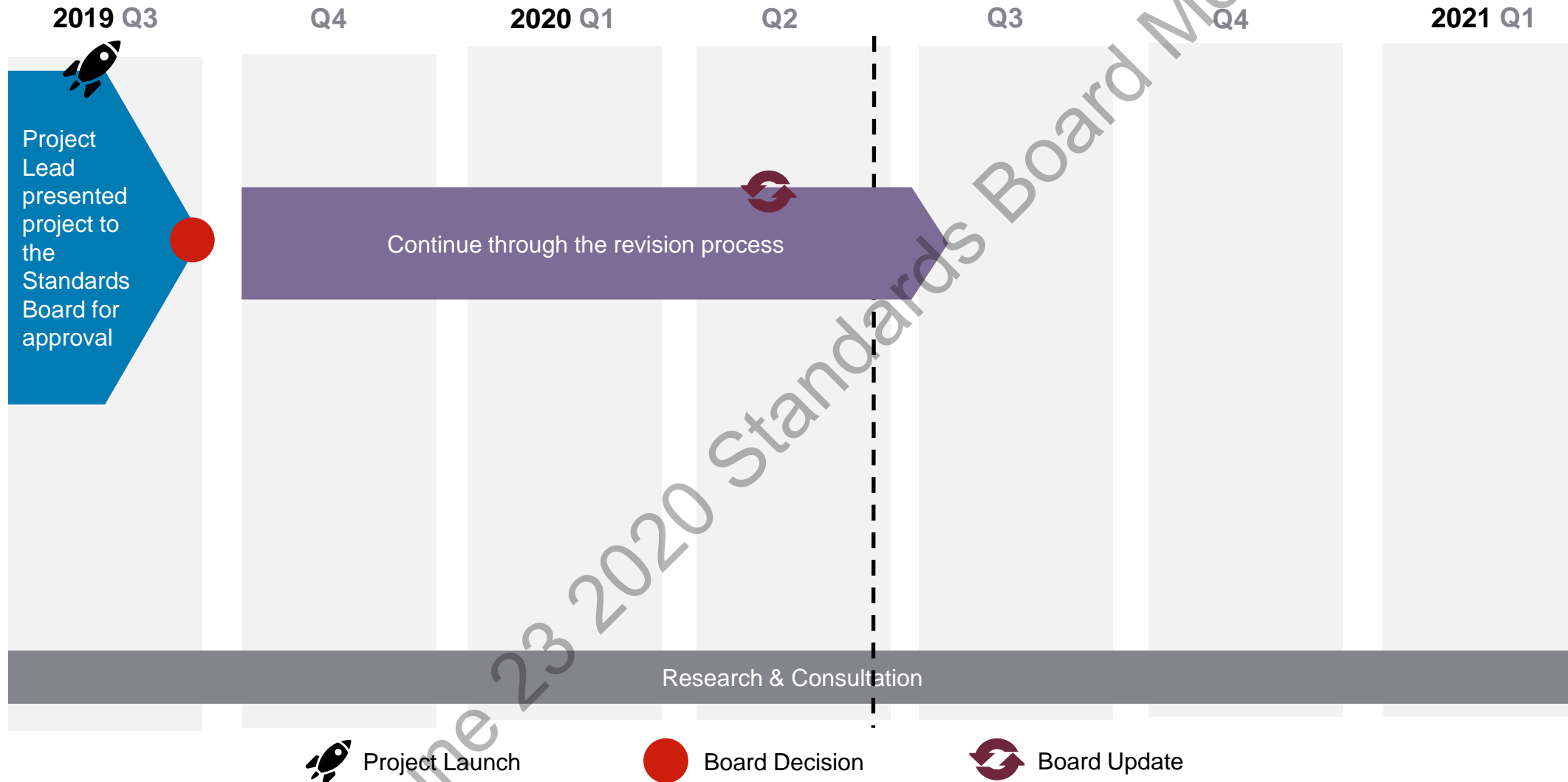
Progress to Date (Conceptual Framework)

Internal teamwork, team offsite, external discussion group, and Standards Board review



Progress to Date (Rules of Procedure)

Internal team revisions and Standards Board Review



The Revised Conceptual Framework...

- Contains revised SASB Foundation mission statement
- Improves clarity around SASB as a global standard-setter
- Places SASB into a broader landscape of corporate reporting (the prior version only contrasted sustainability reporting with traditional financial accounting)
- Contains improved language for financial materiality that more effectively communicates SASB's audience and time horizon
- Simplifies the discussion of SASB's three fundamental tenets (evidence-based, industry-specific, and market-informed)
- Contains revised and more succinct characteristics of topics and metrics

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- Contains improved language for financial materiality that more effectively communicates SASB's audience and time horizon
- **Simplifies the discussion of SASB's three fundamental tenets (evidence-based, industry-specific, and market-informed)**
- **Contains revised and more succinct characteristics of topics and metrics**

Key discussion items

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Discussion items

- **Six principles vs. tenets and objectives & industry specificity**
- Transparency
- Characteristics of topics and metrics

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Rules of Procedure	Conceptual Framework
<p><u>Six Principles</u></p> <ul style="list-style-type: none"> • Accountability • Credibility • Transparency • Stakeholder consultation • Quality • Timeliness 	<p><u>Guiding Tenets for Standard Setting</u></p> <ul style="list-style-type: none"> • Evidenced-based • Industry-specific • Market-informed <p><u>Objective of Standards</u></p> <ul style="list-style-type: none"> • Financially material • Decision-useful • Cost-effective

- **RoP Memo Q2:** Do you agree with the idea of eliminating the six principles and instead referring to the tenets and objectives detailed within the Conceptual Framework document?
- **RoP Memo Q3:** Are the principles that guide our standard-setting process sufficiently clear through relying on: 1) the Conceptual Framework core objectives and fundamental tenets, and 2) the “Operating Procedures” section of the Rules of Procedure? For example, is the importance of transparency in the process adequately clear in the Rules of Procedure?

Discussion items

- Six principles vs. tenets and objectives & industry specificity
- **Transparency**
- Characteristics of topics and metrics

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- Is the importance of “transparency” in the standard-setting process highlighted sufficiently in the Conceptual Framework?
- **CF Memo Q4.** Should the importance of transparency throughout the standard-setting process be incorporated more directly into the fundamental tenets detailed in the revised Conceptual Framework? Or addressed more directly in the Rules of Procedure?

FUNDAMENTAL TENETS OF SASB'S APPROACH TO STANDARD SETTING

While the reporting landscape is likely to evolve over time, as will SASB standards, there are three fundamental tenets that guide SASB's approaches to standard setting – namely, that SASB standards, and changes to those standards, will be evidenced-based, industry-specific, and market-informed.

- 1. Evidence-Based.** The Standards Board conducts extensive research to identify evidence of financial impact associated with sustainability topics and relies on robust and diverse sources of credible evidence that support different types of financial impacts. To help ensure that the disclosure topics identified are relevant for an industry over time, the Standards Board evaluates evidence based on the underlying industry structure, regulatory environment, and financial drivers of an industry, and by focusing on long-term trends rather than anecdotal impacts from a specific corporation. This research is supplemented by evaluating the current state of affairs in an industry or sector, to ensure emerging sustainability topics are included in the standards as they become relevant.
- 2. Industry-Specific.** Companies operating in a specific industry are likely to have similar business models and use resources in similar ways, therefore, they are likely to have similar sustainability risks and opportunities. The Standards Board develops sustainability accounting standards at the industry level, focusing on issues that are closely tied to resource use, business models, and other factors at play in the industry.
- 3. Market-Informed.** The Standards Board actively solicits input and carefully weighs the perspectives of all market participants (i.e., industry experts, including corporate professionals, investors, creditors, lenders) 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. Ultimately, the standards are intended to support SASB's mission, and market input is a crucial input into the Standards Board's assessments about the extent to which proposed standards or revisions to the standards are mission-aligned.

The above tenets represent SASB's approach to standard setting at a high level. For additional information on how the Standards Board embeds these tenets into its standard setting activities, see SASB's *Rules of Procedure*.

Discussion items

- Six principles vs. tenets and objectives & industry specificity
- Transparency
- **Characteristics of topics and metrics**

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- **CF Memo Q5:** Do you agree with the approach taken to simplify the discussion of characteristics? Do you have specific concerns with any of the items added or omitted? Are there any characteristics that you believe are missing?
- Is each definition clear and additive to your understanding of topics and metrics?

CHARACTERISTICS OF SUSTAINABILITY TOPICS

The Standards Board considers the following set of characteristics when considering sustainability topics for inclusion in an industry standard.

- **Financially relevant.** Topics are linked to operational and/or financial performance through at least one of the following channels: (1) revenues or costs, (2) assets or liabilities, and/or (3) cost of capital or risk profile.
- **User interest.** Topics are of interest to investors, creditors, and/or lenders when assessing aspects of financial performance or long-term enterprise value to inform their capital allocation decisions or related decisions associated with their rights as a capital provider.
- **Actionable.** Topics are actionable if they capture sustainability risks or opportunities for which companies have the ability to alter the profile of expected future cash flows associated with that topic, in terms of the amount, timing, or uncertainty of that impact.
- **Prevalent.** Topics are prevalent if they are likely to apply to many companies within the industry and across geographies.

CHARACTERISTICS OF SUSTAINABILITY ACCOUNTING METRICS

At the level of accounting metrics, the Standards Board considers two key characteristics when evaluating metrics to capture performance on a sustainability topic – namely, that they should be representationally faithful and complete, as described below:

- **Representationally faithful.** A metric is representationally faithful if performance on the metric correlates with performance on the disclosure topic it is intended to address.
- **Complete.** A set of metrics is complete if individually, or as a set, the metrics provide enough data and information to understand and interpret performance associated with all aspects of the sustainability topic.

In addition to the two primary characteristics discussed above, there are other supporting characteristics of sustainability metrics that the Standards Board considers:

- **Comparable.** Metrics are comparable if they yield information that allows users to identify companies with similar or different performance on a sustainability topic without creating a false appearance of being so.
- **Neutral.** Metrics are neutral if they are free from bias and value judgment on behalf of the Standards Board, so that they yield an objective measure of performance related to the disclosure topic they are intended to address.
- **Verifiable.** Metrics are verifiable if their calculation or production can be replicated by others who follow the same guidance. Verifiability can help support the development of effective internal controls and external assurance.

While the above items capture characteristics that are intrinsic to the metrics and the associated sustainability topic, the Standards Board also considers how the metrics relate to users of the standards and the resulting disclosures, as reflected in the following two characteristics:

- **Aligned.** Metrics are aligned if they are based on or consistent with other standards or guidance already in use. Aligned metrics allow companies to use one metric for multiple reporting purposes.
- **Understandable.** Metrics are understandable if the intended primary user of that information can accurately interpret how that metric is intended to be used.

Revisions to Topic-level Characteristics

Revised characteristics

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- **Prevalent.** Topics are prevalent if they are likely to apply to many companies within the industry and across geographies.

Principles in original document

- **Potential to affect corporate value.** Through research and stakeholder input, the SASB identifies topics that can or do affect operational and financial performance through three channels of impact: (1) revenues and costs, (2) assets and liabilities, and (3) cost of capital or risk profile.
- **Of interest to investors.** The SASB addresses issues likely to be of interest to investors by assessing whether a topic emerges from the “total mix” of information available through the existence of, or potential for, impacts on five factors: (1) direct financial impacts and risk; (2) legal, regulatory, and policy drivers; (3) industry norms, best practices, and competitive drivers; (4) stakeholder concerns that could lead to financial impacts; and (5) opportunities for innovation.
- **Relevant across an industry.** The SASB addresses topics that are systemic to an industry and/or represent risks and opportunities unique to the industry and which, therefore, are likely to apply to many companies within the industry.
- **Actionable by companies.** The SASB assesses whether broad sustainability trends can be translated into industry-specific topics that are within the control or influence of individual companies.
- **Reflective of stakeholder (investor and issuer) consensus.** The SASB considers whether there is consensus among issuers and investors that each disclosure topic is

Revisions to Metric-level Characteristics

Revised characteristics

CHARACTERISTICS OF SUSTAINABILITY ACCOUNTING METRICS

At the level of accounting metrics, the Standards Board considers two key characteristics when evaluating metrics to capture performance on a sustainability topic – namely, that they should be representationally faithful and complete, as described below:

- **Representationally faithful.** A metric is representationally faithful if performance on the metric correlates with performance on the disclosure topic it is intended to address.
- **Complete.** A set of metrics is complete if individually, or as a set, the metrics provide enough data and information to understand and interpret performance associated with all aspects of the sustainability topic.

In addition to the two primary characteristics discussed above, there are other supporting characteristics of sustainability metrics that the Standards Board considers:

- **Comparable.** Metrics are comparable if they yield information that allows users to identify companies with similar or different performance on a sustainability topic without creating a false appearance of being so.
- **Neutral.** Metrics are neutral if they are free from bias and value judgment on behalf of the Standards Board, so that they yield an objective measure of performance related to the disclosure topic they are intended to address.
- **Verifiable.** Metrics are verifiable if their calculation or production can be replicated by others who follow the same guidance. Verifiability can help support the development of effective internal controls and external assurance.

While the above items capture characteristics that are intrinsic to the metrics and the associated sustainability topic, the Standards Board also considers how the metrics relate to users of the standards and the resulting disclosures, as reflected in the following two characteristics:

- **Aligned.** Metrics are aligned if they are based on or consistent with other standards or guidance already in use. Aligned metrics allow companies to use one metric for multiple reporting purposes.
- **Understandable.** Metrics are understandable if the intended primary user of that information can accurately interpret how that metric is intended to be used.

Criteria in original document

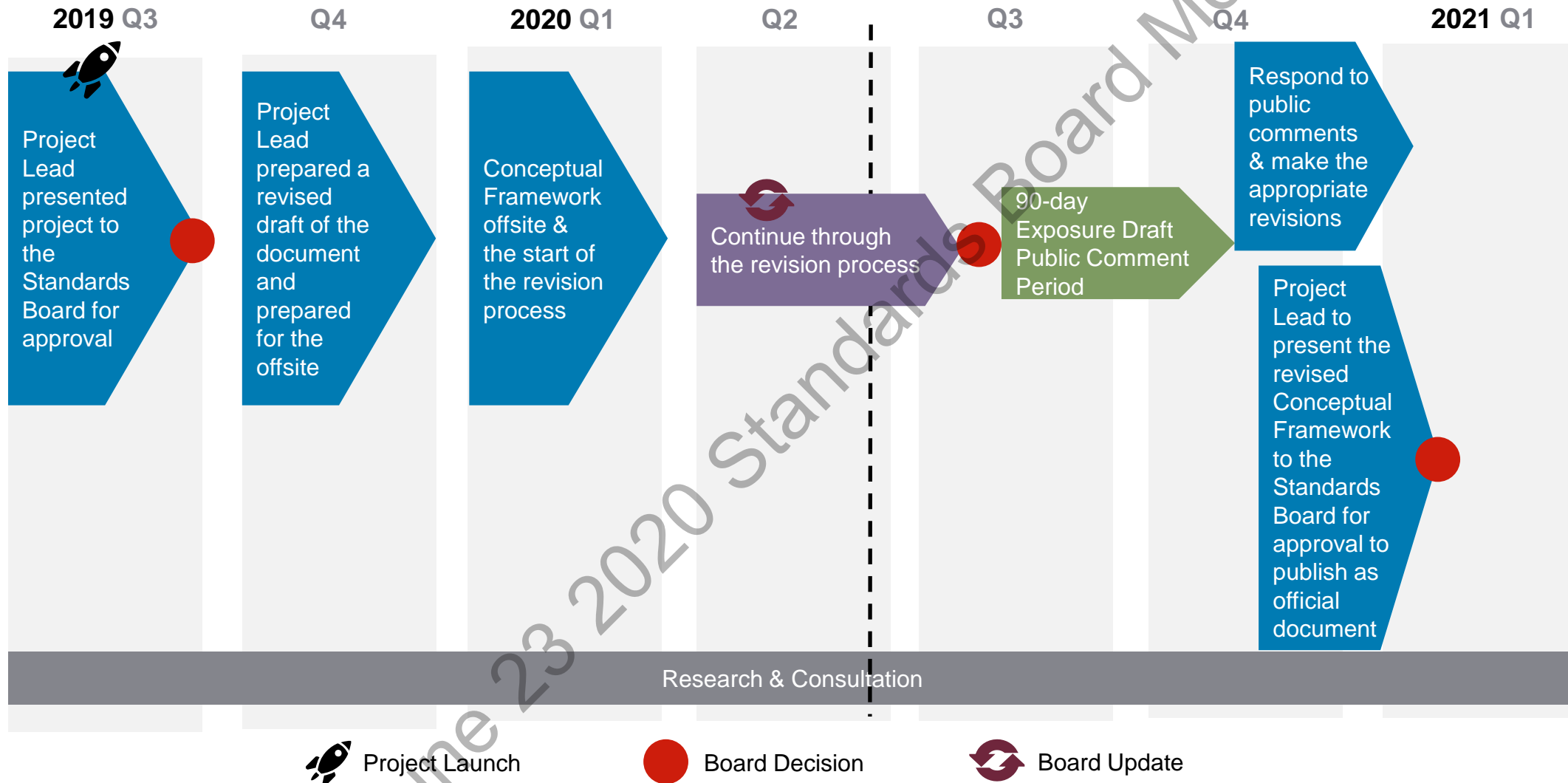
- **Fair Representation:** A metric adequately and accurately describes performance related to the aspect of the disclosure topic it is intended to address, or is a proxy for performance on that aspect of the disclosure topic;
- **Useful:** A metric will provide useful information to companies in managing operational performance on the associated topic and to investors in performing financial analysis;
- **Applicable:** Metrics are based on definitions, principles, and methodologies that are applicable to most companies in the industry based on their typical operating context;
- **Comparable:** Metrics will yield primarily (a) quantitative data that allow for peer-to-peer benchmarking within the industry and year-on-year benchmarking for an issuer, but also (b) qualitative information that facilitates comparison of disclosure;
- **Complete:** Individually, or as a set, the metrics provide enough data and information to understand and interpret performance associated with all aspects of the sustainability topic;
- **Verifiable:** Metrics are capable of supporting effective internal controls for the purposes of data verification and assurance;
- **Aligned:** Metrics are based on those already in use by issuers or are derived from standards, definitions, and concepts already in use by issuers, governments, industry associations, and others
- **Neutral:** Metrics are free from bias and value judgment on behalf of the SASB, so that they yield an objective disclosure of performance that investors can use regardless of their worldview or outlook; and
- **Distributive:** Metrics are designed to yield a discernable range of data for companies within an industry or across industries allowing users to differentiate performance on the topic or an aspect of the topic.

Next steps for the Conceptual Framework & Rules of Procedure

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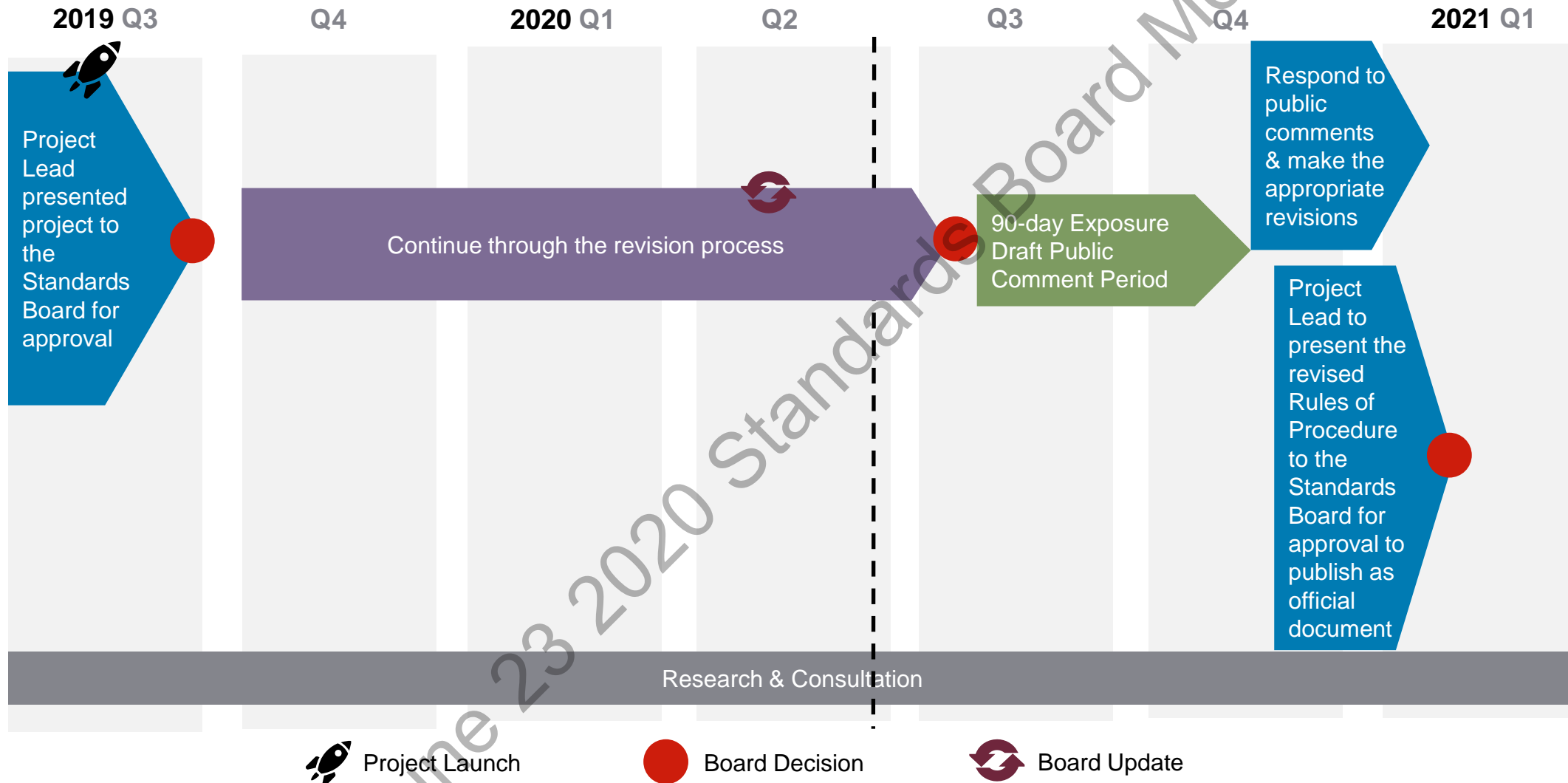
Conceptual Framework Project Timeline

Target project completion: 2020 Q4



Rules of Procedure Project Timeline

Target project completion: 2020 Q4



Key Points for the Public

- The 90-day public comment periods (for both the Conceptual Framework and Rules of Procedure) are proposed to begin, pending Board approval, in early August 2020
 - The start of both public comment periods will be announced on SASB's website
 - SASB encourages stakeholders to provide feedback through comment letters
 - SASB will post comment letters on its website



Conceptual Framework & Rules of Procedure Projects



To learn more about the Conceptual Framework project, please visit:
<https://www.sasb.org/standard-setting-process/current-projects/conceptual-framework/>



To learn more about the Rules of Procedure project, please visit:
<https://www.sasb.org/standard-setting-process/current-projects/rules-of-procedure/>



Shivani Kuckreja
Associate-Analyst
Shivani.Kuckreja@sasb.org

Appendix

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Proposed improvements to how financial materiality is characterized

FINANCIALLY MATERIAL

To help meet the needs of capital markets, SASB standards should identify sustainability topics that are reasonably likely to have financially material impacts on companies.

Information is financially material if omitting, misstating, or obscuring it could reasonably be expected to influence investment or lending decisions* that users make on the basis of their assessments of financial performance and long-term enterprise value.

SASB evaluates sustainability issues for inclusion in the standards by assessing whether a given topic is reasonably likely to materially affect the financial condition, operating performance, or risk profile of companies within an industry.

The time horizon over which financial materiality is evaluated can vary based upon many factors, including industry-specific characteristics, such as cash flow and business cycles, the expected duration of capital investments, and the planning horizons used by management for strategic decision-making for this business. Because capital providers making assessments of financial performance and long-term enterprise value seek information that is relevant to their decision making, another key piece of evidence for SASB's decision making is evidence of interest in a topic from providers of financial capital.

SASB recognizes that each company is responsible for determining what information is material to its business and what information it should disclose.

We'll be back after a short break

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Plastics Risks and Opportunities in Pulp & Paper Products and Chemicals Industries



Gail Glazerman, CFA

Analyst, Resource Transformation and
Renewable Resources Sector Lead

June 23 2020 Standards Board Meeting

Plastics Risks and Opportunities – *Decision*

Session agenda

- 1** Propose standard-setting project covering both the Chemicals and Pulp & Paper Products industries
- 2** Review market feedback from research project
- 3** Discuss recent developments and research supporting staff recommendation
- 4** Review proposed scope of project and highlight a few potential challenges and considerations

Plastics & Bio-Alternatives in Pulp & Paper and Chemicals

Standard-Setting Project Proposal

Problem Statement

Intensifying focus on the externalities of plastics use has contributed to an escalating regulatory environment and shifting customer demand for packaging. These risks and opportunities do not appear to be fully captured in the existing Pulp & Paper Products and Chemicals standards, but there is reason to believe they could be deemed financially material.

Summary of Staff Recommendation

Staff recommends the **Board initiate a standard-setting project on this issue** for both the Pulp & Paper Products and Chemical industries. Staff believes that, in light of the evidence around financial impact and investor interest, there is a significant opportunity to improve the quality of the standards for both industries.

Highlights of Recommendation

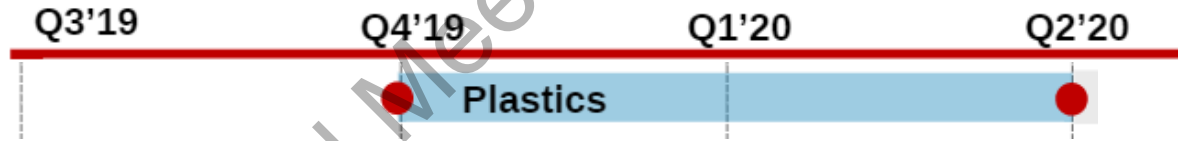
Single project covering both industries: *while final topic and metrics may differ, staff recommends proceeding as a single project covering both industries.*

Preliminary timeline – *staff estimates the project will take 12-18 months with an initial 6 month phase of consultation/research to support development of an Exposure Draft.*

Resources – *Staff believes this project can be executed by the Sector Lead without requiring material additional assistance*

Background – Research Project

At the December 2019 Standards Board meeting the Board discussed the possibility of modifying the Pulp & Paper Products and Chemicals industry standards to incorporate risks and opportunities posed by recent developments related to single-use plastics and staff initiated a research project to assess investor sentiment.



Global repercussions of China's decision to effectively ban the import of recycled waste

Mounting consumer concerns about the externalities of plastics waste, particularly in oceans

Increasing government regulation of certain single-use plastics

The increasing number of commitments by end users (e.g. global food and consumer goods companies) to ensure their packaging is 100% reusable, recyclable and/or compostable

Investor Feedback

For several months staff has been conducting **investor consultations** to assess whether investors/analysts view shifting dynamics around single-use plastics as financially material for either or both industry and if inclusion in a SASB standard could provide decision-useful information. Some key *themes* that arose:

Plastics is an important issue

- Broad recognition that focus on plastics is an important issue
- Somewhat less familiarity with potential impacts on the Pulp & Paper Products industry vs Chemicals
- Investors are actively engaging on this issue with corporate managements

Need to incorporate full lifecycle assessment

- Important to maintain raw material/substrate neutrality
- Any resulting metrics need to encapsulate a circularity/full lifecycle view

Rapidly emerging area-implications for metrics

- General recognition this involves a rapidly emerging regulatory and demand environment which could prove a challenge defining quantitative metrics at this time
- Even qualitative information could be useful

Potential areas of financial impact

- Many discussions identified potential areas of financial impact (revenues, costs, R&D, Capex, intangibles)
- However, some believed it might take several years for these impacts to fully manifest

Recent Developments: 1Q 2020

Single-use plastic: China to ban bags and other items

Source; BBC.com January 2020

🕒 20 January 2020 | 📄

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- China announced plans to ban the use of certain single-use plastics, following similar moves by the European Union, India and Canada, amongst others
- Finnish paper company UPM-Kymmene announced a €550 million investment in a wood-based chemical facility.

UPM invests in next generation biochemicals to drive a switch from fossil raw materials to sustainable solutions

STOCK EXCHANGE RELEASE

30.1.2020 12:15 EET

Source: company report

Starbucks baristas won't be filling up your reusable mugs during the coronavirus outbreak

Haven Orecchio-Egresitz Mar 5, 2020, 5:33 PM

Source; businessinsider.com March 5, 2020



- Governments have delayed and/or rolled back some plastic bans reflecting fears of contamination due to COVID-19
- Some large restaurants such as Starbucks have stopped filling reusable cups in response to the pandemic
- Sell-sided research departments of Bank of America, Morgan Stanley and Citi published large reports related to the issue of plastic waste

Staff Recommendation

Proceed to Standard-Setting

Investor interest

- Staff believes there is sufficient indication of investor interest and financial materiality to proceed to standard-setting for this issue for both the Chemicals and Pulp & Paper Products industry

Structure

- Recommend initiating a single project under GIC: Product Design and Lifecycle Management. Final topics/metrics could differ for each industry. Rationale:
 - Underlying research and many investor/subject matter expert consultations will likely cover both industries.
 - Proceeding as a single project would avoid duplicate administrative tasks and minimize the risk of confusion

Timing

- While preliminary – project would likely require 12-18 months, starting with a 6-month research/consultation period informing development of an Exposure Draft.

Prioritization & Criteria

Standard-setting Agenda Prioritization

This project seeks to address an emerging issue where there appears to be a substantial gap in the standards for two industries. This is supported by research, investor feedback received through consultations on the issue, as well as the existence of multiple investor-led initiatives on this subject.

- There are multiple investor-led initiatives working on this issue, further demonstrating demand.

Standard-setting Criteria

- The **scope of the project is clearly defined**, consisting of two industries and the issue of single-use plastics/bio-alternatives
- The Project addresses a **pervasive issue for many of companies operating in these industries** (though, not every company in each industry will be equally impacted).
- Staff views this as a **feasible issue to address through standard-setting**; however, identification of quantitative metrics may prove challenging given the evolving nature of the demand/regulatory environment and need to ensure neutrality in metric selection.
- Staff believes it has **sufficient capacity** to execute the project.

Scope & Rationale: Chemicals Industry

For the Chemical industry, staff seeks to add a topic and supporting metrics that would reflect an issuer's broad strategy to manage the risks and identify opportunities associated with the changing landscape around single-use plastics, including, but not limited to a narrow focus on renewable feedstocks.

Market feedback from investors was highly consistent, indicating this was a financially material issue for the industry and one worth pursuing for potential addition to the standards. Factors cited:

Potential financial impacts

- An investor cited a study that estimated shifting demand for plastics could equate to ~1% drag on industry topline
- Other areas of potential financial impact: R&D, capex and intangible assets.
- Several chemical companies discuss new business activities such as products incorporating renewable feedstocks.

Relevance

- This issue appears to be pervasive -packaging demand shifts are being driven by large multinationals. Governments in many global regions are implementing bans
- Not every chemical company will have the same (or any) exposure to single-use plastics.

Current Chemicals Standard Topics

Greenhouse Gas Emissions

Hazardous Waste Management

Genetically Modified Organisms

Air Quality

Community Relations

Management of the Legal & Regulatory Environment

Energy Management

Safety & Environmental Stewardship of Chemicals

Operational Safety, Emergency Preparedness & Response

Water Management

Workforce Health & Safety

Product Design for Use-phase Efficiency:

Revenue from products designed for use-phase resource efficiency

Scope & Rationale: Pulp & Paper Products Industry

For the Pulp & Paper Products industry, staff seeks to add a topic and supporting metrics that would reflect strategy associated with a broad range of bio-alternatives (replacements for fossil fuel based products), including but not constrained to wood-based resin alternatives for plastics.

Feedback less conclusive

- Feedback from market consultations was not quite as definitive as it was for Chemicals
- Several investors expressed support for pursuing standard-setting around this issue for the Pulp & Paper Products industry.

Tangible impacts?

- After the research project was initiated a European paper company announced a €550 million capital project to build a wood-based chemical plant.
- This appears to demonstrate financial materiality

Sell-side interest

- Some sell-side research has recognized potential demand shifts away from plastics.
- A sell-side report indicated 'alternatives to plastic-based packaging have seen some incremental demand.' And identified potential paper company beneficiaries.

Current Pulp & Paper Products Standard Topics

Greenhouse Gas Emissions

Supply Chain Management

Air Quality

Energy Management

Water Management

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Potential Challenges and Other Considerations

Ensure substrate neutrality/full lifecycle assessment

- Important to ensure neutrality and identify metrics which encapsulate a full lifecycle assessment and not just focus on a single element (e.g. waste).
- Many investors expressed concern that focusing on one issue such as waste could lead to unintended consequences and it is important to consider the entire lifecycle.

Timing of financial impacts

- While most investors/analysts consulted saw this issue as potentially financially material – many noted it could take years for the financial impacts to fully manifest.

Rapidly evolving issue – impact on metric selection

- Given the rapidly changing regulatory/market dynamics associated with plastics some investors suggested it may prove challenging to identify suitable quantitative metrics at this time. But overall indication was even qualitative metrics could be useful.

Discussion Topics

Do you agree with the staff recommendation to add this project to the standard-setting agenda?

- Do you have any specific questions or concerns at this stage related to investor interest and financial materiality of this issue for the Pulp & Paper Products industry in particular?
- Do you agree with the proposed project scope—i.e., the Product Design & Lifecycle Management general issue category for both the Chemicals and Pulp & Paper Products industries?
- Do you agree it makes sense to proceed as a single project at this phase rather than as two distinct projects?
- How do you evaluate the stated challenges around standard-setting, including the rapid regulatory developments, quantification of performance, and forward-looking nature on aspects of the financial impact?

Next steps

1

Project Team to further define the project plan

2

Commence consultations focusing on representatives from both industries and further research

3

Publish Exposure Draft

Plastics Risks & Opportunities in Pulp & Paper and Chemicals Industries

Staff welcomes feedback and comments on this project



<https://www.sasb.org/standard-setting-process/current-projects/plastics-risks-and-opportunities-in-pulp-paper-products-and-chemicals-industries/>



Gail Glazerman, CFA

Analyst, Sector Lead– Renewable Resources and
Resource Transformation

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Appendix

June 23 2020 Standards Board Meeting

Standard-setting Agenda Prioritization

Higher
Priority



Lower
Priority

Governance Documents

Thematic Issue – Materiality

Industry Standard: Evaluating New or Emerging Issues

Globalization

Alignment

Thematic Issue – Measurement

Industry Standard: Reevaluating Existing Content – Materiality

Industry Scope and Structure Issues, Including New Industry Standards

Technical Protocol Issues

Standards Application Guidance

Industry Standard: Reevaluating Existing Content – Measurement

We'll be back after a short break

June 23 2020 Standards Board Meeting



Tailings Management in Extractives



Ekaterina Hardin

Analyst, Extractives & Minerals Processing Sector Lead

June 23 2020 Standards Board Meeting

Tailings Management In Extractives – *Decision*

Session agenda

1

Review findings from latest consultation and research

2

Board discussion and decision on recommendation for treatment of topics

3

Discuss next steps and project timeline

Tailings Management In Extractives Standards-setting Project Overview

Project duration: Q4 2019 – estimated Q4 2020

Objective

- Reframe topic(s) associated with tailings to fully cover newly emerged points of investor interest. This could mean possible restructuring of the standards to follow SASB's framework and general issue categories (add S,G to E)
- Revise metrics to address 1) management of tailings storage facilities and 2) social impacts of mismanagement
- Improve global applicability of metrics



Project Background

Catastrophic tailings storage facility failures in 2014 (Canada), 2015 (Brazil), and 2019 (Brazil) confirmed the materiality of the topic but revealed incompleteness of its metrics. The Investor Mining & Tailings Safety Initiative, formed in 2019, is developing disclosure metrics with industry cooperation that could be referenced in the standards.

Project applies to two industry standards: 1) Metals & Mining and 2) Coal Operations.

Current standards do not address actual management of tailings storage facilities in the Waste & [Hazardous Materials] Management topic.

Project Lead: [Ekaterina Hardin](#)



Project Outcomes

Provide topics and metrics for companies to disclose management of tailings facilities.

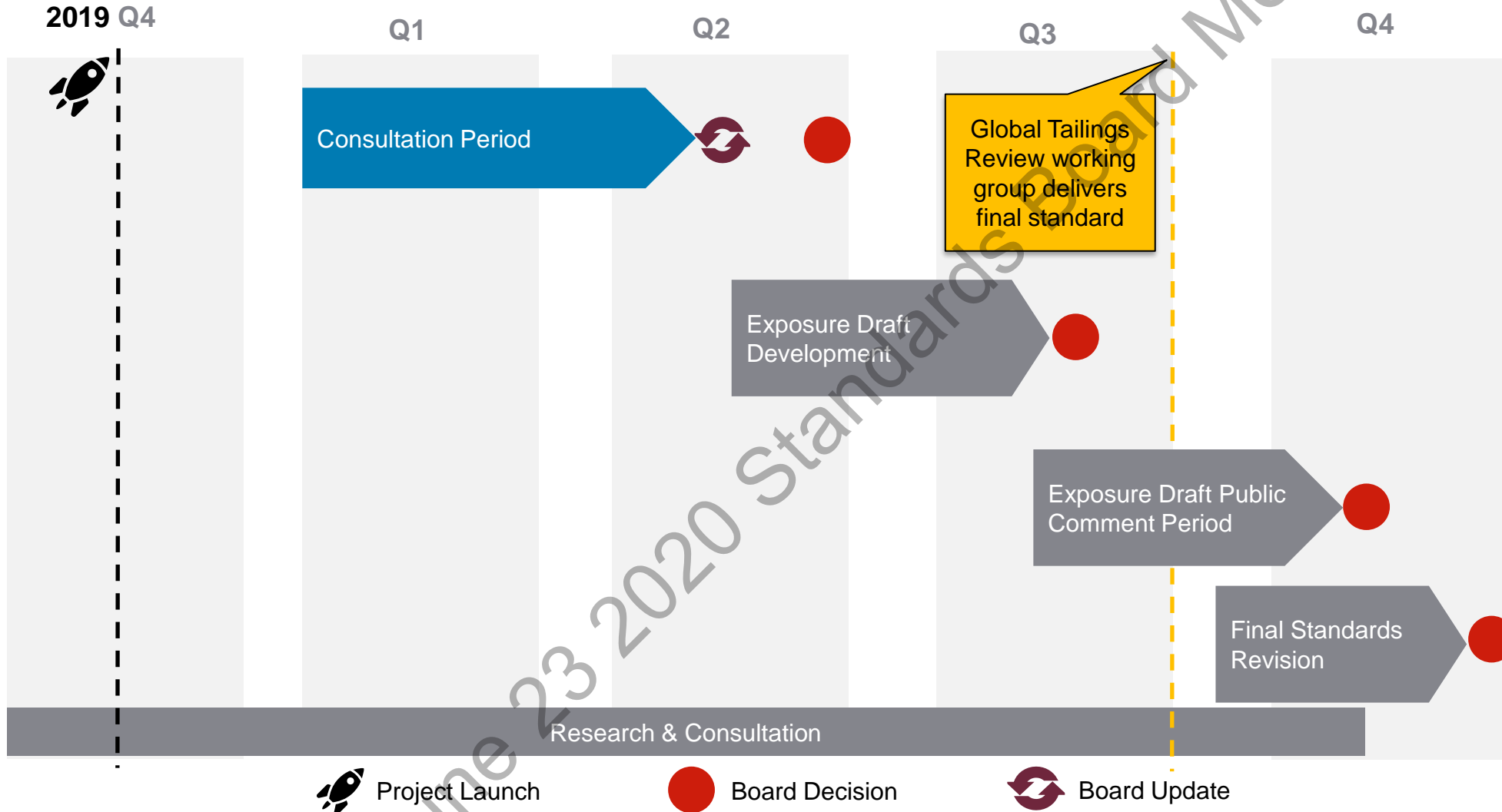
Provide metrics for companies to address social impacts from mismanagement of tailings storage facilities

Revise metrics to improve global applicability

Project website: <https://www.sasb.org/standard-setting-process/tailings-management-in-extractives/>

Project Timeline

For decision today: treatment of topics



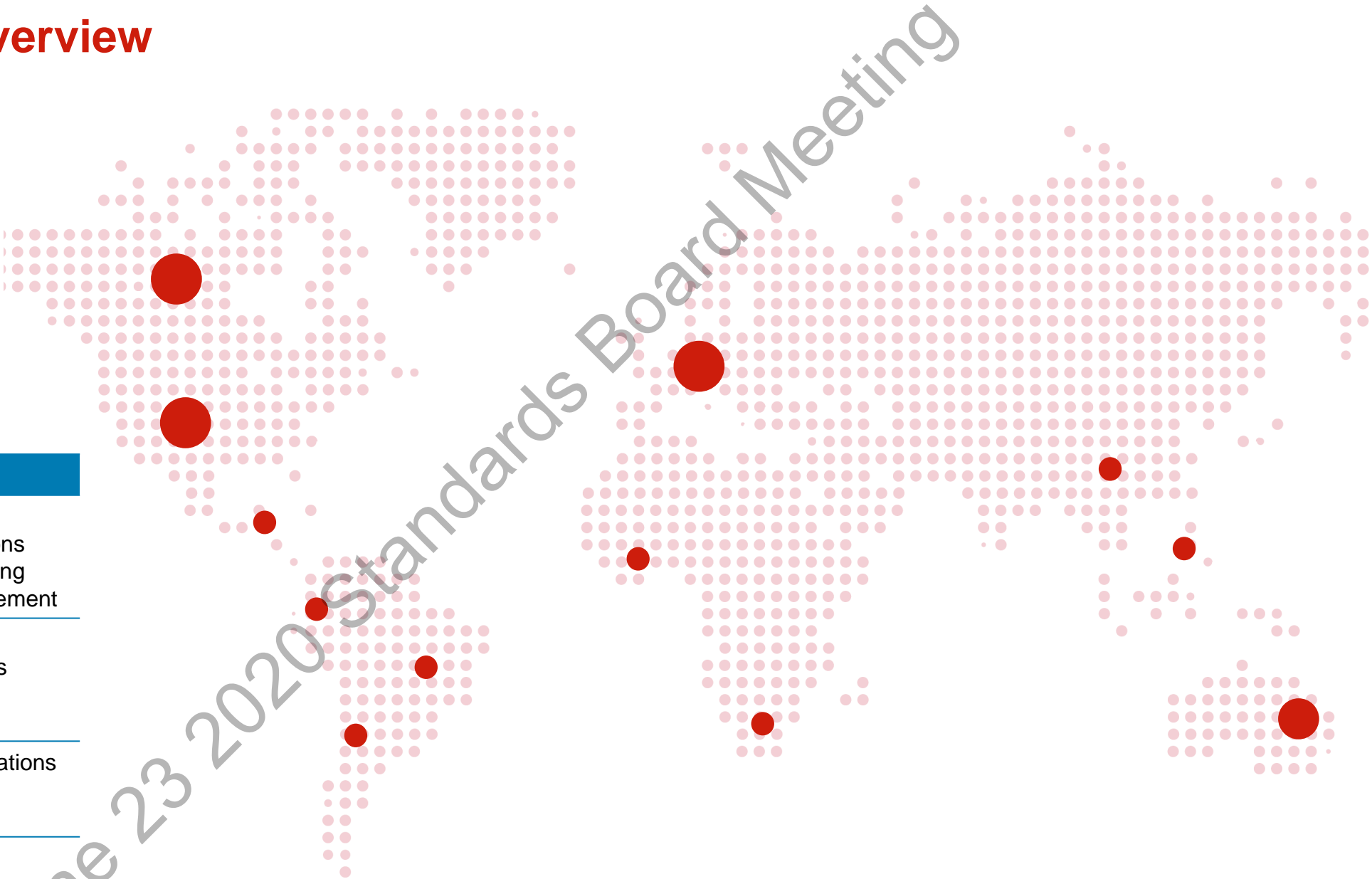
Findings from latest consultation and research

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Consultation Overview

50+ consultations

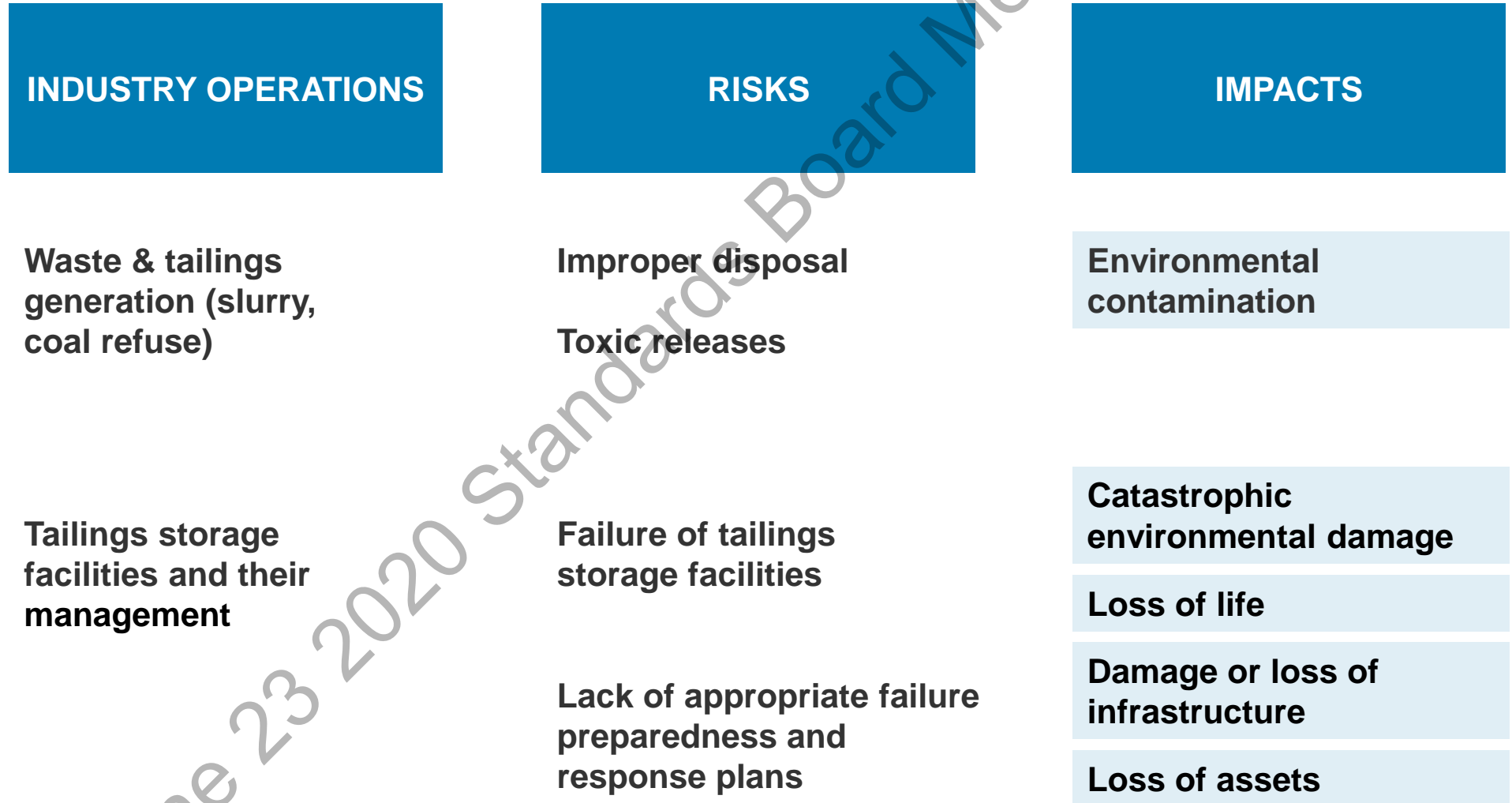
Composition	Expertise
Companies	Sustainability Investor Relations TSFs Engineering Tailings Management
Investors	Asset owners Asset managers Risk analysts Lenders
NGOs	Industry Associations Civil Societies Academia



Key Points from Consultation

- 1** Tailings storage facilities risks have both environmental and social impacts. High level executives' accountability need was highlighted
- 2** Waste management topic is still material but separate from tailings storage facilities failure prevention topic
- 3** Good news for our ability to align with globally applicable metrics from multiple ongoing initiatives on tailings

Research and consultation surfaced sustainability impacts of waste and tailings that span environmental, social, and governance issues



Current Disclosure Topic

Inadequate coverage of structural integrity and social impacts of mismanagement



Treatment of topics – for decision

June 23 2020 Standards Board Meeting

Comparison of 3 Options

		STAFF RECOMMENDATION		
		OPTION 1	OPTION 2	OPTION 3
RISKS	Current Standard	Add: Tailings Management Split: W&HMM Topic	ADD Emergency Preparedness & Response Topic; REVISE scope of W&HMM Topic	EXPAND scope of W&HMM Topic
	Improper disposal Toxic releases	Waste & Hazardous Materials Management	Tailings & Waste Management	Tailings & Waste Management
	Environmental contamination			
	Tailings storage facilities	New Topic: Tailings Management (GIC: Critical Risk Management)	New Topic: Emergency Preparedness and Response Topic (GIC: Critical Risk Management)	?????
	Tailings storage facilities Management			
	Failure of tailings storage facilities			
	Lack of appropriate failure preparedness and response plans			



Analysis of 3 Options

	Creates topic home for additional S metrics	Creates topic home for additional G metrics	Focuses each topic on only one GIC (E or G)	Aligned with current company reporting	Aligned with working initiatives reporting direction	Aligned with SASB Framework
1 Narrow waste topic, add tailings management topic	✓	✓	✓	✓	✓	✓
2 expand waste topic, add emergency response topic	✓	✓	✓			✓
3 expand waste topic	✓	✓				



Questions for the Board

1

Do you suggest any other alternatives or considerations to the approach on disclosure topics?

2

Do you support the topic treatment recommended by staff?

Next Steps

- 1** Continue to engage with key tailings initiatives for alignment and global applicability.
- 2** Develop metrics to measure social and management issues. Assess global applicability of hazard potential classification metric.
- 3** Target exposure draft for Q3 board meeting.

Tailings Management in Extractives

Staff welcomes feedback and comments on this project



<https://www.sasb.org/standard-setting-process/tailings-management-in-extractives/>



Ekaterina Hardin

Analyst

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Appendix

June 23 2020 Standards Board Meeting

Staff Recommendation on Disclosure Topics

Split Waste topic, add Tailings Management topic

PROPOSED DISCLOSURE TOPICS	INDUSTRY OPERATIONS	RISKS	IMPACTS
Environment: WASTE & HAZARDOUS MATERIALS MANAGEMENT	Waste & tailings generation (slurry, coal refuse)	Improper disposal Toxic releases	Environmental contamination
Leadership & Governance: TAILINGS MANAGEMENT	Tailings storage facilities and their management	Failure of tailings storage facilities Lack of appropriate failure preparedness and response plans	Catastrophic environmental damage Loss of life Damage or loss of infrastructure Loss of assets

Alternative Option 2 on Disclosure Topics

Expand Waste topic, add Emergency Response topic

PROPOSED DISCLOSURE TOPICS	INDUSTRY OPERATIONS	RISKS	IMPACTS
Environment: WASTE & HAZARDOUS MATERIALS MANAGEMENT	Waste & tailings generation (slurry, coal refuse) Tailings storage facilities and their management	Improper disposal Toxic releases Failure of tailings storage facilities	Environmental contamination Catastrophic environmental damage Loss of life Damage or loss of infrastructure Loss of assets
Leadership & Governance: EMERGENCY PREPARADNESS & RESPONSE		Lack of appropriate failure preparedness and response plans	

Alternative Option 3 on Disclosure Topics

Expand Waste topic to include all aspects of Tailings Management

PROPOSED DISCLOSURE TOPICS	INDUSTRY OPERATIONS	RISKS	IMPACTS
Environment: WASTE & HAZARDOUS MATERIALS MANAGEMENT	Waste & tailings generation (slurry, coal refuse) Tailings storage facilities and their management	Improper disposal Toxic releases Failure of tailings storage facilities Lack of appropriate failure preparedness and response plans	Environmental contamination Catastrophic environmental damage Loss of life Damage or loss of infrastructure Loss of assets

Materiality of tailings facility storage management topic

Recent catastrophic tailings storage facility failures confirmed the materiality of the topic already in the Metals & Mining and Coal Operations standards.

Brumadinho, Brazil, 2019

Vale. Dam collapse killed 248 people and caused severe environmental impacts.

- Vale's total cost reached \$6.5 billion.
- Example of investor actions: in May of 2020 Norges Bank Investment Management excluded Vale from its investments.
- Vale is also the subject of an anti-corruption lawsuit and is required to present guarantees of \$1.5 billion to cover an eventual sanction (May 27, 2020).

Mariana, Brazil, 2015

Samarco. Two mining dams collapsed, killing 19 and polluting the water supply.

- \$262 million to fund mitigation and remedial measures.
- \$6 billion settlement to restore the severely damaged environment and compensate the affected communities.

Mount Polley, British Columbia, Canada, 2014

Imperial Metals. Tailings pond failed and released mine waste slurry into Polley Lake.

- \$37.3 million net loss due to the loss of copper and gold production at the mine
- \$67.4 million in remediation costs

Initiatives working on improving tailings risk management disclosure

Global investors are working with companies worldwide to build consensus around disclosure. We expect these groups to be a key source for globally applicable metrics.

Investor Mining & Tailings Safety Initiative

Following Vale 2019 catastrophe, the Church of England Pensions Board and the Swedish Council of Ethics of the AP Funds established the Investor Mining & Tailings Safety Initiative. The group's 100+ investor members represent \$13 trillion in assets under management. The Initiative wrote to 726 extractive companies seeking enhanced disclosure on the management of tailings storage facilities.

Global Tailings Review

The International Council on Mining and Minerals, the United Nations Environment Programme and the Principles for Responsible Investment established The Global Tailings Review, which is working on Tailings Management Standard that aims to improve performance and demonstrate transparency of tailings facilities management

Guides and standards

Such as Initiative for Responsible Mining Assurance Standard, Mining Association of Canada Tailings Guide, Towards Sustainable Mining Standards

Recommended Updated Waste & Hazardous Materials Management Topic Description in Metals & Mining (Draft)

Recommendation 1

Topic Descriptions (suggested existing topics changed are marked in red):

Draft **Metals & Mining** Industry Standard: **Waste & Hazardous Materials Management** topic summary

The Metals & Mining industry generates large volumes of mineral processing, non-mineral and smelting wastes, including slags and tailings, some of which may be toxic, hazardous, or chemically reactive. Impoundments Mineral processing sometimes also requires use of hazardous chemicals for tailings metal extraction. Mining waste can cover large areas of land. This be treated and disposed or stored in impoundments or old mine pits. Improper storage or disposal of hazardous materials or mining waste can present a significant long-term threat if the impoundments burst, collapse, or leak, leading to the loss of life or damage to property and ecosystems. Mineral wastes are also often stored in-pit, using abandoned open pit surface mines. Such storage can create the human health and ecosystem, including poisoning, and potential for groundwater and surface water contamination and could affect the stability of active mines in the area that is used for drinking and agriculture purposes. Companies that reduce and recycle waste streams while implementing policies to manage risks related to the integrity of tailings facilities hazardous materials handling may enjoy lower regulatory and litigation risks, remediation liabilities, and costs. Additionally, tailings can contain hazardous chemical residues from extraction and processing operations. Companies' ability to manage the sourcing, transport, use, and disposal of mining and metal processing chemicals and by-products can reduce associated risks.

Recommended Updated Waste Management Topic Description in Coal Operations (Draft)

Recommendation 1

Topic Descriptions (suggested existing topics changed are marked in red):

Draft **Coal Operations** Industry Standard: **Waste Management** topic summary

Handling of solid rock and clay waste, process refuse, and liquid coal waste containing hazardous substances like mercury, arsenic, and cadmium poses operational and regulatory challenges for coal operations companies. Coal slurry or tailings ponds, when mismanaged, can ~~present a significant threat if the impoundments burst, collapse, or leak, contaminate water supplies~~ leading to ~~destruction of lives, property, and ecosystems, with associated financial potential adverse environmental impacts~~ that or impacts to human health. These impacts may include carry financial implications such as regulatory penalties, compensation payments, and remediation or compliance obligations. ~~Permitting of mining operations may be affected, lowering a company's revenue or requiring additional expenditures prior to approval.~~ Companies' ability to lower the number and size of tailings ponds and ensure the structural integrity of impoundments can help minimize such impacts.

Recommended New Tailings Management Topic Description for Metals & Mining, and Coal Operations (Draft)

Recommendation 1

Topic Descriptions

Draft **Metals & Mining** Industry Standard [**Coal Operations**] Industry Standard: new **Tailings Management** topic summary

The metals and mining [*coal operations*] industry faces significant operational hazards, particularly those associated with the integrity of tailings storage facilities (TSFs). A [rare] failure of such facilities (e.g. dam failure) can release significant volumes of waste streams and hazardous materials into the environment, potentially leading to high consequence impacts on the ecosystems, human livelihood, local economies, and communities. Such catastrophic incidents may result in significant financial losses for companies and may erode their social license to operate. Robust processes to manage tailings facilities and their associated risks can help prevent such incidents from occurring, and strong safety culture and emergency response plans can mitigate the impacts and financial implications of such events should they occur. Companies that adopt robust practices to manage and maintain the integrity of tailings facilities may do so through assigning accountability for TSFs management at the highest levels of the company; conducting frequent internal reviews of TSFs structural integrity and ensuring that corrective actions are implemented in timely manner; and enabling independent review of site operation, with public disclosure of the findings. Finally, company obligations related to long-term remediation and compensation for damages may result in additional financial impacts; the ability for companies to meet such obligations after an incident occurs is an additional component of emergency preparedness.

We'll be back after a short break

June 23 2020 Standards Board Meeting



Systemic Risk in Asset Management

Anton Gorodniuk

Lead Analyst, Financials Sector Lead



June 23 2020 Standards Board Meeting

Systemic Risk in Asset Management – *Decision*

Session agenda

1

Review findings from latest consultation and research

2

Board decision on recommendation to remove metric

Systemic Risk in Asset Management Standard-setting Project Overview

Project approved Q4 2019 – expected codification Q4 2020

Objective

The project evaluates the Systemic Risk Management topic in the Asset Management & Custody Activities industry standard, including potential improvements to the scope of the topic and the associated accounting metrics.



Project Background

- **Criteria for Metric Selection Alignment:** two out of four accounting metrics may no longer satisfy: fair representation, usefulness, and alignment.
- **Emerging Products:** changing product trends that are not currently captured by the standard may contribute to, or result in, exposure to systemic risk.
- **Lack of Decision-Useful Information:** current content of the standard is not adequately measuring performance on the topic

Project Lead: Anton Gorodniuk

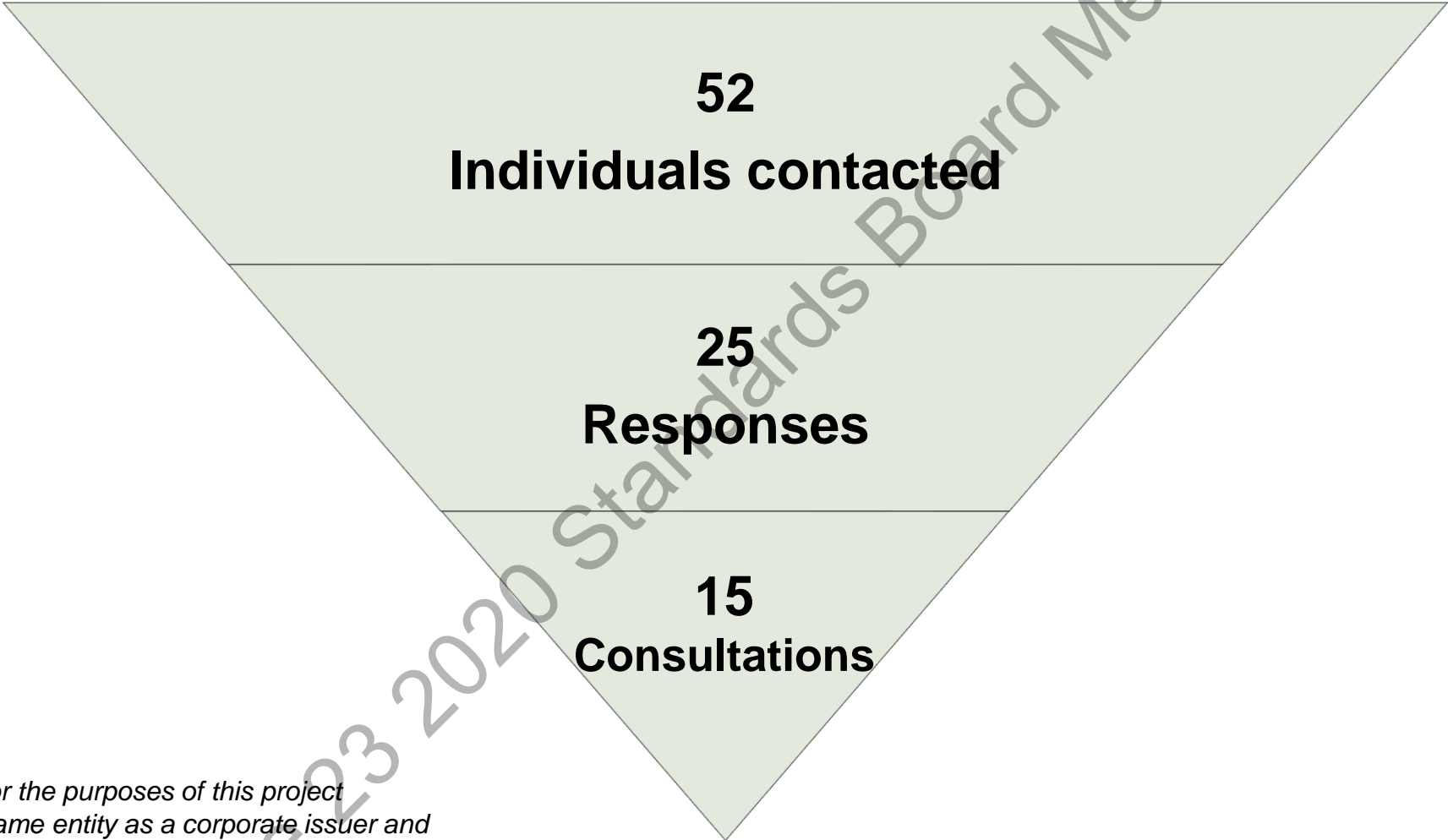


Project Outcomes

- **Update Disclosure Topic:**
 - Holistically capture key risk management challenges companies in the industry face
 - Address unintended impacts on customers and society as a whole
- **Improve Usefulness of Accounting Metrics**
 - Revise and/or add accounting metric(s) that meet metrics characteristics of the SASB Conceptual Framework

Project website: <https://www.sasb.org/standard-setting-process/current-projects/systemic-risk-in-asset-management/>

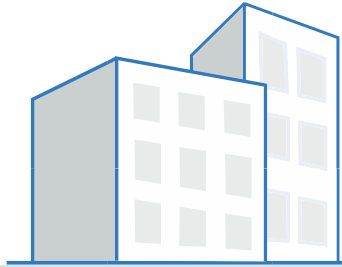
Consultation Summary



**As of 6/04/2020. For the purposes of this project feedback from the same entity as a corporate issuer and as an investor is counted separately, yet outreach to several contacts within the same team is counted once.*



Profile of Stakeholders Consulted



Corporate

- Risk Officers
- Enterprise Risk Managers
- Liquidity Risk Managers
- Public Policy



Investors

- Credit analysts
- Portfolio managers
- Equity analysts

Staff Recommendation

Remove accounting metric **FN-AC-550a.1** – Percentage of open-end fund assets under management by category of liquidity classification

Interim project decision. Staff is not proposing release of an exposure draft for public comment at this time.

Staff Reasoning: Regulatory Changes

Regulatory Action: The SEC rescinds the requirement that funds publicly disclose aggregate liquidity classification information about their portfolios

- **The Original Rule Intent:** promote effective liquidity risk management throughout the fund industry and to enhance disclosure regarding fund liquidity and redemption practices

Revision Driver: feedback provided by “interested parties” through public comment letters to the SEC

- **Stakeholder Reasoning:** “such disclosure may confuse and mislead investors”

Metric characteristics:



Aligned



Representationally faithful

Staff Reasoning: SASB Reporters

Examples of SASB reporters that omit the metric from their disclosures

BlackRock

FN-AC-550a.1

Percentage of open-end fund assets under management by category of liquidity classification

We are omitting a response to this question. In accordance with [SASB Standards Application Guidance](#) (Section 2.2 Omissions and Modifications), we are disclosing our rationale for omission.

State Street

Systemic Risk Management

FN-AC-550a.1

Percentage of open-end fund assets under management by category of liquidity classification

We are declining to respond to this disclosure.

Entities above cite lack of usefulness and informativeness, as well as potential risk of confusing investors as reasons for omitting the metric – *Aligned with the SEC reasoning*

Consultation feedback is supportive of the removal

Next Steps

1

Staff continues research and stakeholder consultation

- New Metrics Research → Liquidity and NAV risk
- Existent Metric Usefulness → Exposure to securities lending
- Existent Metric Usefulness → Exposure to underwriting of derivatives

2

Staff develops an exposure draft standard

3

Standards Board releases exposure draft for public comment

For Standards Board's Decision

Remove accounting metric **FN-AC-550a.1** – Percentage of open-end fund assets under management by category of liquidity classification

Interim project decision. Staff is not proposing release of an exposure draft for public comment at this time.

Process-related decision. Transparency of the standard-setting process. Communicate preliminary decisions to support adoption.

Systemic Risk in Asset Management Standard-setting Project

- Staff continues to seek feedback on the Project from subject-matter experts
- Consultation agenda is available on the Project page



<https://www.sasb.org/standard-setting-process/current-projects/systemic-risk-in-asset-management/>



Anton Gorodniuk
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Upcoming Standards Board Meetings



June 23 2020 Standards Board Meeting

2020 Standards Board Meetings

- September 17 & 18
- December 2

Additional Standards Board meetings scheduled as needed with a minimum of 10 days public notice. [Standards Board Meeting Calendar & Archive](#) page contains full details of meeting dates and registration links to access live stream of the public meetings. Recordings and a summary of meeting outcomes are available shortly after each meeting

[Sign-up](#) to receive notice of public meetings and to receive standard-setting updates: <https://www.sasb.org/contact/>



Accounting for a Sustainable Future

Standards Board Meeting
June 23, 2020